

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



AUDIT

OF

UNDP COUNTRY OFFICE

IN

THE UNITED REPUBLIC OF TANZANIA

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Report on the Audit of UNDP in the United Republic of Tanzania Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP in the United Republic of Tanzania (the Office) from 20 September to 8 October 2021. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

- (a) Governance
- (b) Development activities
- (c) Operations – procurement, finance, human resources, administrative services, information communication and technology (ICT)

OAI designed the following six performance audit questions to guide the review of the following areas:

Development Activities

- 1. Are Country Programme results being achieved effectively, and are results monitored based on pre-defined monitoring frameworks?
- 2. Are project results being achieved in accordance with planned budget and timeframe?

Procurement

- 3. Did procurement processes result in the contracting of required services and products (effectiveness) in a timely manner (efficiency) and at best value for money (economy)?
- 4. Were procurement processes completed with fairness and transparency?

Finance

- 5. Were financial transactions processed timely and accurately?

Human Resources

- 6. Were human resource activities conducted in a timely manner?

The audit covered the activities of the Office from 1 January 2020 to 31 July 2021. The Office recorded programme and management expenses of \$44 million. The last audit of the Office was conducted by OAI in 2016.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. In view of the COVID-19 pandemic, the audit was conducted remotely. Scope limitations due to the nature of the remote audit related to the following activities

- (a) A review of original supporting documentation could not be carried out, and therefore the audit team relied on scanned copies of documents provided by the Office for all audit areas reviewed.
- (b) Meetings with Office staff and personnel were carried out virtually, which limited the audit team's understanding of the Office's working environment.
- (c) Project visits (location, site visits, meeting with counterparts/beneficiaries) were not conducted.
- (d) A physical verification of assets was not performed.
- (e) Safe contents and petty cash were not verified.
- (f) The information communication and technology area was not reviewed on-site.

Overall audit rating

OAI assessed the Office's performance as **satisfactory/some improvement needed**, which means

“The assessed governance arrangements, risk management practices and controls were generally established and functioning but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.” This rating was mainly due to weaknesses in project design and implementation.

Key recommendations: Total = **4**, high priority = **1**

Objectives	Recommendation No.	Priority Rating
Achievement of the organization’s strategic objectives	1	Medium
Effectiveness and efficiency of operations	3	High
	2	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	4	Medium

For high (critical) priority recommendations, prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. The high (critical) priority recommendation is presented below:

Weaknesses in project design and implementation (Issue 3) A review of performance on five sampled projects indicated weaknesses in project design and implementation including: funding gaps; inadequate development of baselines and indicators; project monitoring data was not verified; and delivery was overstated due to non-project related transactions.

Recommendation: The Office should improve project design and implementation by: (a) ensuring that projects are formulated with realistic budgets; (b) defining baselines and setting targets and measurable indicators for all new projects, training staff on data collection and developing a monitoring system to ensure data is adequately collected, verified and used to monitor progress; and (c) establishing a Memorandum for Provision of Services to support Government procurement.

Management comments and action plan

The Resident Representative accepted all four recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated in the report, where appropriate.

Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.

Moncef Ghib
Moncef Ghib
Officer-in-Charge
Office of Audit and Investigations

I. About the Office

The Office is located in Dar es Salaam, the United Republic of Tanzania (the Country). The Country Programme covered the period 2016-2021, which was extended to June 2022, with the following development priorities:

- a) inclusive economic growth and poverty reduction;
- b) environment sustainability, climate change and resilience; and
- c) inclusive democratic governance.

During the period from January 2020 to July 2021, the Office spent \$35 million on development activities, a decrease of 7 percent compared to the previous period.

The largest development projects in terms of expenses during the period covered by the audit were:

Title	Expenditure Jan-Dec 2020 \$million	Expenditure Jan-Jul 2021 \$million
Enhancing capacity for DVP results and effectiveness	5.9	4.7
Mainstreaming Poverty-Environment-Gender-Climate	3.0	0.6
Sustainable Energy for All	1.7	2.3
Preventing Violent Extremism in Tanzania	1.6	0.5
Access to Justice and Human Rights Protection	1.3	0.5
Rapid Response Implementation Support	1.2	0.4
Total	14.7	9.0

The largest sources of funding of the Office's development activities for the period covered by the audit were:

Donor	Funding for the period \$million
United Republic of Tanzania	14.7
Multi Partner Trust Funds	3.2
Vertical fund - GEF	2.5
Total	20.4

II. Audit results

Satisfactory performance was noted in the following areas:

- (a) Governance. The audit team reviewed the sub-areas relating to organizational structure, delegation of authority, risk management, business continuity and financial sustainability. No issues were identified.
- (b) Procurement. The procurement of goods and services was completed in a fair and transparent way to achieve value for money.
- (c) Administrative services. Controls relating to travel management and common services were in place and functioning adequately.
- (d) Human resources. procedures were found to be adequate in terms of recruitment, performance management, mandatory training.

The assessment of performance audit questions was as follows:

(a) Development Activities

1. Are Country Programme results being achieved effectively and are results monitored based on pre-defined monitoring frameworks?

There was a lack of evidence to conclude on whether results were being achieved due to weak monitoring of the Country Programme. The audit team noted that the Country Programme Document had (i) excluded outcome information and included non-quantifiable indicators; and (ii) there was inconsistent monitoring and verification of results at both programme and project levels (Issue 1).

2. Are project results being achieved in accordance with planned budget and timeframe?

None of the projects sampled showed sufficient evidence that planned results were being achieved. This was due to inadequate resources, weak tracking and verification of project results, incomplete baseline information and non-measurable indicators (Issue 3)

(b) Procurement

3. Did procurement processes result in the contracting of required services and products in a timely manner, ensuring value for money?

The audit team reviewed a sample of 20 purchase orders and procurement cases totalling \$5 million out of \$18 million (or 28 percent) out of the total procurement for the review period. The procurement processes resulted in the contracting of required services and products in a timely manner ensuring value for money. A review of procurement transactions confirmed that procurement processes were timely, and a competitive process was followed. For requests for proposals, contracts were awarded based on the highest combined score (technical plus financial) of the most responsive offer.

4. Were procurement processes undertaken with fairness and transparency?

A review of the selected sample confirmed procurement processes were found to be fair and transparent.

(c) Finance

5. Were financial transactions processed timely and accurately?

The Office was processing transactions in a timely manner. A sample of 20 payment vouchers valued at \$3.4 million (or 11.5 percent of the total value of all vouchers processed during the period under review) were reviewed and no exceptions related to timeliness or accuracy were observed.

(d) Human Resources

6. Were human resource activities conducted in a timely manner?

Human resource activities were completed in a timely manner. The audit team sampled four fixed-term appointments and four service contract recruitments. The fixed-term recruitments took on average, six months to complete, comparable with other UNDP offices. Of the four service contracts reviewed, only one was completed while three were ongoing. All the selected

candidates reviewed in the sample met the minimum requirements as stipulated in the vacancy announcement.

OAI made one recommendation ranked high (critical) and three recommendations ranked medium (important) priority.

Low priority issues/recommendations were discussed directly and agreed with the Office and are not included in this report.

High priority recommendations, arranged according to significance:

- (a) Improve project design and implementation (Recommendation 3).

Medium priority recommendations, arranged according to significance:

- (a) Strengthen the results and resources framework of the new Country Programme Document (Recommendation 1).
- (b) Improve the HACT audit process (Recommendation 2).
- (c) Strengthen the management of cash advances (Recommendation 4).

The detailed assessment is presented below, per audit area:

A. Development Activities

1. Country Programme

Issue 1 Weak monitoring of the Country Programme

The 'UNDP Programme and Operations Policies and Procedures' state that each indicator must have a baseline and realistic target to measure progress and results. Indicators should be quantifiable and measurable.

The Country Programme Document (2016-2021) had three outcomes and 13 output indicators. The total budget of the Country Programme Document was \$120.9 million. As of July 2021, the Office implemented \$146.4 million.

The following weaknesses were noted:

- (a) The Country Programme's results and resources framework had incomplete baseline information on all three outcomes, and indicators did not meet the required quality standards, in particular:
 - (i) The outcome indicator for 'social protection expenditure', excluded disaggregated baseline and target information for certain geographical areas
 - (ii) The target for the outcome indicator 'for improved capacities in environmental and natural resources' had not been quantified in two locations. The target for both was stated as "Improved" capacity at the local government level. It was unclear how the improved capacities would be measured.
 - (iii) Under the democratic governance pillar, there were two output indicators that did not include baseline or target information.
 - (iv) Output indicators for energy efficiency and monitoring were provided as percentages but there was no information on how these percentages were measured.
 - (v) There was a lack of clarity on how the progress for the output indicator on national data is measured.

- (b) Monitoring and verification of results at both programme and project levels was not completed consistently (refer to issue 3). Information of results collected at the output level were consolidated and reported by the Office without an adequate validation process. The verification reports included the data collected without referring to targets and whether implementation was on track.

An Independent Country Programme Review was conducted in March 2021 and due to weaknesses within the indicators and targets, the review could not confirm whether Country Programme implementation was on track.

At the time of the audit, the Office was in the process of developing the 2022–2025 Country Programme Document; the roadmap included developing baselines and improving the quality of indicators.

Inadequate baselines, indicators and monitoring may weaken the Office’s ability to measure results.

Priority	Medium (Important)
Recommendation 1:	
The Office should strengthen the results and resources framework of the new Country Programme Document by:	
<ul style="list-style-type: none"> (a) ensuring that outcome baseline data is included and properly defined, and that indicators are quantifiable and measurable; and (b) developing a monitoring and validation system of the output data collected, linked to annual targets and outcome results. 	
Management action plan:	
The Office is already addressing the issue on baselines and indicators. The new Country Programme Document will be presented to the Executive Board in June 2022.	
For each pillar in the United Nations Sustainable Development Cooperation Framework, the Resident Coordinator’s Office has assigned a Monitoring and Evaluation Officer who is specifically responsible for quality assurance on the results frameworks.	
Estimated completion date: June 2022	

2. Implementation modalities

Issue 2 Missed submission deadlines for Harmonized Approach to Cash Transfer (HACT) financial audits

Nationally implemented projects, or NIM projects, are subject to yearly financial audits. Offices are required to submit audit plans by mid-January of each year. For Country Offices that are HACT compliant, audit reports are to be submitted no later than three months after the planned start of the audit.

As part of the country macro assessment a determination is required on whether the government’s Supreme Audit Institution (SAI) has the capacity to undertake the scheduled and special audits of government Partners.

During the programme cycle (2016 to 2021), the Office did not meet the deadlines for the submission of audit reports. Between 2016 and 2019, audit reports were submitted with delays of between three and five months.

For financial year 2020, the Office submitted the 12 audit reports with delays of five months. The total amount audited was \$12.9 million.

The Office uses the National Audit Office of Tanzania to conduct the HACT audits. The delays were caused by the late signing of the letters of agreement for audit services and in completing the audits. The Office explained that the issue arose due to the late provision of the HACT audit plan, by which time the NAOT had already allocated its resources.

Delays in providing assurance on implementing partners reported expenditure may impact the opinion issued by the UNBOA on the UNDP Financial Statements.

Priority	Medium (Important)
Recommendation 2:	
The Office should improve the HACT audit process by:	
<ul style="list-style-type: none"> (a) signing a long-term letter of agreement with the National Audit Office; and (b) engaging with the UNCT to conduct a capacity assessment of the national audit institution as part of the macro-assessment for the new Country Programme. In order to determine whether sufficient resources and capacity are available to complete the required audits. 	
Management action plan:	
<ul style="list-style-type: none"> (a) The Office is in the process of developing a long-term letter of agreement with the National Audit Office of Tanzania so that the HACT audits can be finalized on time before the deadline. (b) The Office will engage with UN Country Team on how to strengthen and build the capacity of the Controller Attorney General's Office staff on HACT systems. In Tanzania under the Common HACT Framework, the NAOT conducts the HACT audits of development projects under the United Nations Development Assistance Plan (UNDAP II) hence the need to liaise with other UN agencies to see how to strengthen the NAOT. 	
Estimated completion date: April 2022	

3. Project administration

Issue 3 Weaknesses in project design and implementation

The 'UNDP Programme and Operations Policies and Procedures' require that projects: i) are adequately resourced; ii) have a well formulated results and resources framework and monitoring system; and iii) advances are given to entities that have been assessed to have adequate capacity, systems and controls to manage funds received.

A 'Memorandum for the Provision of Services' should be used when the government counterpart requests the Office to complete services such as procurement (for non-UNDP projects) which relate to the achievement of its development goals.

The sampled projects' expenditure during the audit period was \$18.2 million, which accounted for 52 percent of the total project expenditure of \$35.1 million.

A review of the five sampled projects included the following weaknesses in achieving planned project results:

- a) Projects with ongoing funding gaps: Three projects (Project Nos. 92476; 102787 & 95415) had been planned with overly optimistic budgets and had not been able to mobilize adequate resources for project implementation.
 - Project No. 92476, which started in July 2019 and was due to end in June 2022, had a budget of \$5.92 million of which \$3.77 million (63 percent of project budget) had yet to be mobilized.
 - Project No. 102787, which was in the process of closing, had a budget of \$9.9 million and a funding gap of \$7.9 million (80 percent of project budget).
 - Project No. 95415 with a budget of \$6.7 million had a funding gap of \$4.6 million (68 percent of project budget). The project was due to end in December 2021, for an extension is requested.

In all three projects, the programmatic objectives had not been achieved due to insufficient resources.

- b) In three projects, the results and resources framework did not include baseline information and/or measurable indicators. Two projects had no baseline information and no targets for the project outcome. In a third project, none of its seven output indicators were quantifiable.
- c) Weak tracking and verification of data collected: For all five projects, there was no evidence that data was validated as part of progress monitoring, and verification was only completed on an exceptional basis (refer to issue 1).
- d) Expenditures not related to project activities.
 - In 2020, a project (No. 92476) with annual budget of \$714,676, incurred expenditure of \$2.9 million. This was due to \$1.2 million charged to the project (funded through Government cost sharing) for the purchase of IT equipment that was not related to the project objectives.
 - In 2020, project 95415 with an annual budget of \$791,173 in 2020 incurred expenditure of \$6 million. In 2021, the project budget was \$1 million, with expenditure of \$7 million. The additional expenditures for both years was due to additional government cost sharing of \$9.6 million for the procurement of government vehicles, unrelated to the project activities.

In both projects, the annual work plan had a budget line for government procurement and no budget allocated was identified. The Office explained that expenditures were charged to the projects to facilitate the processing of payments for goods requested by the Government. The Government had transferred \$16.8 million between 1 January 2020 and 30 September 2021 for the procurement of vehicles and IT equipment.

Without adequate resources project results may not be achieved. Further projects results cannot be confirmed without baseline and measurable indicators. Expenditure inconsistent with project objectives may misrepresent the financial progress.

Priority	High (Critical)
Recommendation 3:	
The Office should improve project design and implementation by:	
<ul style="list-style-type: none"> (a) ensuring that projects are formulated with realistic budgets for which resources can be secured; (b) defining baselines, and setting targets and measurable indicators for all new projects, training staff on data collection, and developing a monitoring system to ensure data is adequately collected, verified and used to monitor progress; and (c) developing a dedicated project and consider establishing a 'Memorandum for Provision of Services' to support government procurement. 	
Management action plan:	
<ul style="list-style-type: none"> (a) The Office will ensure that projects are formulated with realistic budgets. (b) The Office will ensure baselines and set targets and indicators for all new projects are realistic. (c) The Office will continue to strengthen the monitoring and evaluation capacity and project management at the Office level. The Office will increase the staff mandated to take online trainings on monitoring and evaluation, Results Based Management and project management trainings. (d) The Office is in discussions with the Government to develop a dedicated project for government procurement. 	
Estimated completion date: July 2022	

B. Operations/Finance - Payments

Issue 4 Improper cash advances to responsible parties of nationally implemented modality projects (NIM)

The 'UNDP Programme and Operations Policies and Procedures' stipulate that funds can only be advanced to responsible parties that hold a letter of agreement with UNDP.

The Office recorded advances totalling \$3.3 million during the audit period. It was noted that advances amounting to \$1.1 million were made to seven responsible parties under NIM projects. The Office did not sign an agreement with the implementing partner or the responsible party regarding the arrangement including transfer of funds.

Advances made to entities without an agreement creates a financial risk to the organization, should these parties fail to account for the resources received.

Priority	Medium (Important)
Recommendation 4:	
The Office should strengthen the management of cash advances by ensuring the required agreements are in place prior to transferring funds to responsible parties within nationally implemented projects.	



Management action plan:

The Office is in consultation with the respective responsible parties on the development and finalization of the letter of agreements.

Estimated completion date: March 2022

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Fully Satisfactory** The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.
- **Satisfactory / Some Improvement Needed** The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Major Improvement Needed** The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.
- **Unsatisfactory** The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **High (Critical)** Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP.
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.