AUDIT

OF

UNDP COUNTRY OFFICE

IN

BOTSWANA

Report No. 2306
Issue Date: 7 February 2022
# Table of Contents

**Executive Summary**  
1. About the Office  
2. Audit results  
   A. Development Activities  
      1. Project Administration  

**Definitions of audit terms - ratings and priorities**  

Report on the Audit of UNDP Botswana
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Botswana (the Office) from 8 to 23 November 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, administrative services, information communication and technology (ICT)

The audit covered the activities of the Office from 1 January 2020 to 30 September 2021. The Office recorded programme and management expenses of approximately $11 million. The last audit of the Office was conducted by OAI in 2017.

The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing. Due to 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 due to weaknesses within project management.

**Key recommendations:** Total = 3, high priority = 1

The three recommendations aim to ensure the effectiveness and efficiency of operations.

For the high (critical) priority recommendation, 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 management (Issue 2)  The following weaknesses within project management were observed:

- Inadequate project monitoring frameworks: For 2 projects, there was no baseline information. In addition, for another project, targets were established for only 11 out of 20 indicators. For another project, the
targets were not measurable (expressed as low, medium and high without defined scales).

- A Project Initiation Plan was used without government approval and cash transfers of $90,000 were made to three NGOs for capacity-building, which was not permissible.

- The four sampled projects were implemented under the national implementation modality but there were no Letters of Agreement in place between UNDP and the implementing partner.

- There were delays in the signing of annual work plans. In 2020, annual work plans for two out of four sampled projects were signed between June and October 2020. In 2021, the annual work plan for one project was not signed at the year-end despite reminders being sent. The same issue was raised in the prior audit.

**Recommendation:** Project design and planning should be strengthened by: (a) designing projects with defined baselines and measurable targets; (b) ensuring the approval of Project Initiation Plans and only making advances within a crisis context; (c) ensuring Letters of Agreement are signed with implementing partners for nationally implemented projects; and (d) ensuring that annual work plans are signed prior to activities commencing at the start of the year.

**Implementation status of previous OAI audit recommendations:** Report No. 1893, 21 November 2017.

  - Total recommendations: 4
  - Implemented: 4

**Management comments and action plan**

The Resident Representative accepted all three 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.

**Helge Osttveiten**

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Helge S. Osttveiten
Director
Office of Audit and Investigations
I. About the Office

The Office, located in Gaborone, Botswana (the Country) and its Country Programme covered the period 2017–2021 with the following development priorities:

a) policy and programme design;
b) implementation of policies and programmes; and
c) data for planning, monitoring, evaluation, and decision-making.

During the period from January 2020 to September 2021, the Office spent $10.5 million on development activities, an increase of 6 percent compared to the previous period.

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

<table>
<thead>
<tr>
<th>Title</th>
<th>Expenditure Jan-Dec 2020</th>
<th>Expenditure Jan-Sept 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>96121 CUBANGO-OKAVANGO RIVER BASIN</td>
<td>1.10</td>
<td>0.61</td>
</tr>
<tr>
<td>104645 EDIG</td>
<td>1.13</td>
<td>0.39</td>
</tr>
<tr>
<td>104658 Support Governance and Human Rights</td>
<td>0.95</td>
<td>0.45</td>
</tr>
<tr>
<td>104661 Environment and Climate Change</td>
<td>0.70</td>
<td>0.28</td>
</tr>
<tr>
<td>103617 Managing Human Wild-Life</td>
<td>0.62</td>
<td>0.19</td>
</tr>
<tr>
<td>Total</td>
<td>4.50</td>
<td>1.92</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Donor</th>
<th>Funding for the period $million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vertical Fund – GEF</td>
<td>6.6</td>
</tr>
<tr>
<td>Government of Botswana</td>
<td>3.5</td>
</tr>
<tr>
<td>Third Party Cost Sharing</td>
<td>0.3</td>
</tr>
<tr>
<td>Total</td>
<td>10.4</td>
</tr>
</tbody>
</table>

II. Audit results

Satisfactory performance was noted in the following areas:

(a) **Human resources management**. Internal controls for performance development and mandatory training were found to be adequate.

(b) **Procurement**. Internal controls for the procurement of goods and services were found to be adequate and effective.

(c) **Information and communication technology**. Internal controls for the management of ICT were found to be adequate.

The assessment of performance audit questions was as follows:
a) Development activities

i. Did the Office achieve the results in its Country Programme Document (CPD) and project documents?

The programme and projects might not achieve results as planned in the CPD and project documents due to delays in the signing of annual work plans. In 2020, annual work plans for two out of four sampled projects were signed between June and October 2020. In 2021, for one project the annual work plan was not signed at the year-end despite reminders being sent. For this project some of the activities could not be implemented, as a result the expenditure was $453,000 out of a budget of $1.3 million. Delays in the signing of annual work plans was raised in the previous audit (refer to issue 2).

ii. Is the achievement of planned results monitored based on pre-defined monitoring frameworks?

Within 2 out of the 4 projects reviewed there were weaknesses in the project monitoring frameworks. This included lack of baseline information. In addition, for one of these projects the targets were established for only 11 out of 20 indicators. In the other project the targets were not measurable (refer to issue 2).

b) Procurement

iii. Did procurement processes result in the contracting of required services and products at best value for money with fairness, transparency, and integrity?

The audit team reviewed 23 procurement cases totalling $1.3 million representing 14.5 percent of the value of procurement for both goods and services (including individual contractors). The procurement cases reviewed were undertaken in line with 'UNDP Programme and Operations Policies and Procedures' and were completed timely. The corporate procurement planning system (PROMPT) was being used for planning purposes.

OAI made one recommendation ranked high (critical) and two 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 recommendation**
(a) Strengthen project design and planning (Recommendation 2).

**Medium priority recommendations**, arranged according to significance:
(a) Strengthen project monitoring and oversight (Recommendation 3).
(b) Diversify funding and strengthen the management of government cost-sharing (Recommendation 1).

The detailed assessment is presented below, per audit area:
A. Development Activities

1. Project Administration

Issue 1  Lack of diversified funding and weaknesses in government cost-sharing

Offices are encouraged to develop resource mobilization strategies by assessing the external partner landscape and identify future funding opportunities.

(a) Lack of diversified funding

The programme was heavily reliant on vertical funds and the government cost-sharing contributions. The vertical funds comprised $3.1 million (59 percent) and $4.8 million (55 percent) of other programme resources in 2020 and 2021, respectively. Whereas, Government cost-sharing comprised $1.4 million (27 percent) and $2.4 million (27 percent) of other programme resources in 2020 and 2021, respectively. The amount of government cost-sharing had shown a declining trend in proportion to other resources from $6.1 million (70 percent) in 2017 and $6.1 million (55 percent) in 2018 to the current levels.

Despite the reliance on two funding sources and declining trend in government cost-sharing contributions, the Office lacked a resource mobilization strategy for the programme (2017–2021).

The lack of a resource mobilization strategy may prevent the Office from identifying potential donors and building new partnerships.

(b) Weaknesses in government cost-sharing

The project document and annual work plan, together with a schedule of payments and a budget reflecting the cost-sharing elements, constitute the legal agreement between UNDP and the programme country government. However, at the Government’s request, an additional financing agreement may be established, using the standard text in the Model UNDP Programme Country Government Cost-Sharing Agreement. This agreement includes information on the reporting, utilization of funds, cost-sharing elements and schedule of payments.

The audit team noted that government cost-sharing contributions were received without an Annual Work Plan, schedule of payments or budget reflecting cost sharing elements agreements in place. Within the audit period, this applied to 13 projects, which comprised 79 percent of total delivery in 2020 and 38 percent of total delivery in 2021. The Office explained there was an agreement with the Government established in 2001, which outlined the basis for government cost-sharing; however, this agreement could not be located.

Without cost-sharing agreements, there is no binding agreement on the receipt of funds and obligation to report to the respective government entity, on how funds are being used.

<table>
<thead>
<tr>
<th>Priority</th>
<th>Medium (Important)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Recommendation 1:</strong></td>
<td>The Office should diversify funding and strengthen the management of government cost-sharing by:</td>
</tr>
<tr>
<td>(a) establishing and implementing a resource mobilization/partnerships and communications strategy for the new programme; and</td>
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</tbody>
</table>
(b) ensuring the government counterparts approve cost-sharing agreements in accordance with organizational policy.

Management action plan:

(a) The Office has contracted a resource mobilization, partnerships and communications expert to support the development of a strategy for the new programme, which will be completed by March 2022.
(b) It has initiated discussions with the relevant government ministry on the cost-sharing agreements and will aim to conclude these discussions at the Country Office level by end of Q1 in 2022 as this also coincides with the end of the government financial year and budgeting for next year. Following these discussions at the country level, the Office will engage Headquarters colleagues for advice and finalization of the agreement for 2022–2026.

Estimated completion date: April 2022

Issue 2 Weaknesses in project management

The Programme and Project Management guidelines include the following requirements:

- Project outputs must include baseline information, supported by targets that are specific and measurable.
- Project boards are responsible for the approval of annual work plans, to be signed by government counterparts before implementation of project activities planned for the year.
- A Project Initiation Plan must be approved by the government counterpart, and cash advances can only be made in response to a crisis.
- Project annual progress reporting should include information on achievement of planned outputs and analysis of expenditure.
- Project risks should be updated at least annually within Atlas (enterprise resource planning system of UNDP).
- Combined Delivery Reports should be certified on a quarterly basis.
- Projects should be financially closed within 12 months of operational closure.

Four development projects were sampled (103619, 104645, 104658, 96121) out of 19, with total expenditures of $6 million (or 57 percent of total value) within the audit period. The audit team observed the following weaknesses:

a) Weak controls over project design and planning

- Inadequate project monitoring frameworks: For 2 projects (104645, 104658) there was no baseline information. In addition, for project 104645, targets were established for only 11 out of 20 indicators. For project 104658, the targets were not measurable (expressed as low, medium and high without defined scales).
- A Project Initiation Plan was used without government approval and cash transfers of $90,000 were made to three NGOs for capacity-building, which was not permissible.
- The four sampled projects were implemented under the national implementation modality but there were no Letters of Agreement in place between UNDP and the implementing partner.
- There were delays in the signing of annual work plans. In 2020, annual work plans for two out of four sampled projects (were signed between June and October 2020). In 2021, the annual work
plan for one project was not signed at year-end despite reminders being sent. The same issue was raised in the prior audit.

b) Deficient project monitoring and oversight

- The review of projects board/technical committees minutes meetings did not disclose reasons for low delivery, including where planned activities had not been completed. As a result, corrective action was not undertaken to improve performance on projects.
- For one project (104658) project risks in Atlas were last updated in 2019. In another project (103619), the risk registers did not incorporate risks identified within the project board minutes.
- Weak project reporting: For two projects sampled (104658, 104645) annual progress reports did not include information on the progress in achieving planned outputs. Quarterly progress reports were mainly narrative and did not include a breakdown analysis of project expenditure.
- Five projects were audited under the Harmonized Approach to Cash Transfers (HACT) 2020 and four of them (104658, 104645, 104661, 96121) included 10 recommendations from the prior year (or 33 percent) that were not implemented.
- Delayed certification of project expenditures: In all four projects sampled, the Combined Delivery Reports were not shared on a quarterly basis with the implementing partners to verify and certify expenditures.
- The Office had 10 inactive projects (11633, 55318, 76075, 11626, 37651, 74969, 75739, 75741, 75742, 76065) dating back between 2003 and 2010. Some of these projects were previously closed and reopened at the request of HQ to clear outstanding balances but the process was not successful.

Weaknesses in project design, planning and monitoring may lead to implementation issues and impact the achievement of programmatic objectives.

<table>
<thead>
<tr>
<th>Priority</th>
<th>High (Critical)</th>
</tr>
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<tbody>
<tr>
<td>Recommendation 2:</td>
<td>Project design and planning should be strengthened by:</td>
</tr>
<tr>
<td>(a) designing projects with defined baselines and measurable targets; and ensuring the approval of Project Initiation Plans and only making advances within a crisis context;</td>
<td></td>
</tr>
<tr>
<td>(b) ensuring Letters of Agreement are signed with the implementing partners for nationally implemented projects, to define accountabilities and roles; and</td>
<td></td>
</tr>
<tr>
<td>(c) ensuring that annual work plans are signed prior to activities commencing at the start of the year.</td>
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</tr>
<tr>
<td>Management action plan:</td>
<td>(a) SMART indicators and targets have been established for the 2022–2026 period and any new project documents will follow the same practice. Project Initiation Plan instrument will be used with approval of government and cash advances issued through this instrument only in response to crisis.</td>
</tr>
<tr>
<td>(b) Letters of Agreement will be signed alongside the signature of programming documents including Annual Work Plans, for 2022–2026 with all relevant implementing partners and responsible parties.</td>
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<tr>
<td>(c) The Office will work to complete production of annual work plans for signature in December of the preceding year.</td>
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</tbody>
</table>
Estimated completion date: December 2022

**Priority**  Medium (Important)

**Recommendation 3:**

Project monitoring and oversight should be strengthened by ensuring:

(a) project board meetings include comprehensive discussions of critical areas including low delivery, Atlas risk registers are regularly reviewed and updated on an annual basis, the Annual Progress Report includes information on progress of project outputs and an analysis of expenditure;

(b) recommendations following HACT audits are monitored and followed up on to ensure implementation; and

(c) Combined Delivery Reports are signed by the Office and implementing partner on a quarterly basis; and projects are financially closed within 12 months of operational closure.

**Management action plan:**

(a) The structure and agendas of Project Steering Committees will be amended to pay greater attention to risk analysis and adaptive management of the portfolios and their interventions. All key project risks and relevant risk treatments are adequately recorded and updated in Atlas, Annual Progress Reports to include information on progress of project outputs and analysis of expenditure.

(b) Combined Delivery Reports will be shared and signed on a quarterly basis as of Q1 2022 and close.

(c) Follow up on HACT audit recommendations and going forward the Country Office will make sure that the HACT audit teams have access to all the relevant documentation shared through CARDS.

(d) Project closure processes will continue through the appointed Country Office focal points.

Estimated completion date: December 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.