



**AUDIT**

**OF**

**UNDP COUNTRY OFFICE**

**IN**

**BENIN**

**Report No. 2483**  
**Issue Date: 14 June 2022**



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## Report on the Audit of UNDP Benin Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Benin from 28 February to 16 March 2022. 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)

In addition, OAI assessed the performance of the Office in the following areas and sub areas: procurement and finance.

Performance auditing is an independent, objective and reliable examination of an entity or process to assess whether economy, efficiency and effectiveness in the employment of available resources is being achieved.

OAI designed the following performance audit questions to guide its review based on risk assessment undertaken:

- (a) Operations - Procurement:

Were procurement processes completed in a timely manner?

- (b) Operations - Finance:

Were financial transactions processed timely and accurately?

The audit covered the activities of the Office from 1 January 2021 to 31 January 2022. The Office recorded programme and management expenses of \$14.5 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 issued an audit rating for the Office of **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 the implementation of delivery enabling services (DES).

Conclusions on the performance audit area reviewed:

Procurement:

Were procurement processes completed in a timely manner?

Procurement processes within the sample selected were not timely completed. The audit team reviewed procurement transactions pertaining to goods, services and individual consultants, and noted that on average, the duration of the procurement processes was outside the standards established in the Office’s standard operating procedures.

Finance:

Were financial transactions processed timely and accurately?

Based on samples reviewed, financial transactions were completed on time and in accordance with the terms and conditions.

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

The four recommendations aim to ensure the following:

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

Inefficiencies in the implementation of delivery enabling services (DES) mechanism (Issue 4)

The Office recovered \$0.97 million of delivery enabling services (DES) in 2021. It included \$0.9 million recovered for staff costs and \$70,079 for general operating expenditures (GOE). The following issues were identified:

- Out of nine development projects financed by non-core resources, six projects with expenditures of \$3.23 million had not been charged DES because the Office had not stated cost recovery charges in signed project documents, which subsequently resulted in donors objecting to the Office recovering costs related to DES in projects.
- While DES amounting to \$170,723 were recovered on the remaining three projects funded by non-core resources, the DES terms were not stated in the project documents, nor were the estimated costs allocated

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to the project budgets in project documents, or to the project annual budgets.

Thus, the Office could not properly allocate and recover DES from projects funded by non-core resources, and instead, the Office used core resources (TRAC funds) to fund most of its DES. In 2021, 82 percent of DES was recovered from core resources and 18 percent from non-core resources.

Recommendation: The Office should improve cost recovery by: (a) implementing and recovering DES from development projects funded by non-core resources; and (b) including the DES arrangements in the project documents and all estimated costs in the project budgets.

### 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.

Helge S. Ostveiten  
Director  
Office of Audit and Investigations

## I. About the Office

The Office is located in Cotonou, Benin (the Country). Its Country Programme covered the period 2019–2023 with the following development priorities:

- a) Promoting inclusive, strong and sustainable economic growth.
- b) Promoting good governance and the rule of law.

During the period from January 2021 to January 2022, the Office spent \$12.8 million on development activities, a decrease by 14 percent compared to the previous period.

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

Title	Expenditure 2021 \$million	Expenditure January 2022 \$million
Development Strategies Support Phase 2	1.44	0
Development Agrobusiness	1.32	0
Digitalization administrative procedures	0.99	0
Young Entrepreneurs Project	0.98	0
Strengthening the resilience of rural livelihoods	0.88	0
<b>Total</b>	<b>5.61</b>	<b>0</b>

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
Government	3.00
Global Environment Facility	2.00
Multi Partner Trust Funds	0.95
<b>Total</b>	<b>5.95</b>

## Other critical information

The audit team acknowledged that the United Nations Sustainable Development Cooperation Framework (UNSDCF) cycle might be shortened by one year from 2023 to 2022 to align it with the national government priorities. The Office indicated that, should the shortening materialize, they would probably stick to the Country Programme Document (CPD) duration (2019–2023), using the year 2023 to prepare a new CPD and progressively transition to the new UNSDCF.

## II. Audit results

Effective controls were established and functioning in the following areas:

- (a) Governance: A review of the Office's governance, including the organizational structure, governance processes and planning and engagement with staff indicated that adequate controls were established and working effectively.

- (b) Operations – Human resources: Adequate controls were established and working effectively within human resources management including recruitment, separations, mandatory training and leave management.
- (c) Operations – Administrative services: The internal control procedures for the management of travel, assets and vehicles were found to be adequate.
- (d) Operations – ICT: The Office’s business continuity and disaster recovery plan had been tested and implemented satisfactorily during the audit period.

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.

Medium priority recommendations that had been implemented as advised by the Office (and independently validated by OAI) prior to the issuance of this report are not included in this report.

**High priority recommendation:**

- (a) Improve recovery of delivery enabling services costs (Recommendation 4).

**Medium priority recommendations**, arranged according to significance:

- (a) Improve the use of engagement facility (Recommendation 2).
- (b) Improve project management and oversight (Recommendation 1).
- (c) Enhance oversight and performance over procurement process (Recommendation 3).

**Conclusion on the Office’s performance in the following audit areas/sub-areas:**

- (a) Operations – procurement

Were procurement processes completed in a timely manner?

Criteria: Procurement workflow timeliness established by the Office’s standard operating procedures.

The audit team reviewed a sample of 25 procurement transactions, out of a total of 258 transactions processed during the audit period, amounting to \$0.73 million (representing 25 percent of total procurement amount processed during the audit period) and noted delays in the procurement processes. On average, procurement processes of the goods and services sampled took 57 business days. For the recruitment of individual consultants, the sampled procurement processes lasted, on average, 121 days. The Office established a standard timeline for procurement activities, in which procurement should take a maximum of 51 business days, from the requisition to the contract signature, for goods, services, and construction work (refer to issue 3).

- (b) Operations - finance

Were financial transactions processed timely and accurately?

Criteria: Terms and conditions, payment dates and amounts stated in Invoices.

The Office was processing transactions in a timely manner. A sample of 16 payment vouchers,

valued at \$1.93 million or 20 percent of the total value of all vouchers processed during the period under review, were reviewed and no exceptions related to timeliness (time between receipt of invoice and payment made to vendors) or accuracy were observed.

The detailed assessment is presented below, per audit area:

## A. Development Activities

### 1. Project Administration

#### Issue 1 Weaknesses within project management

The 'UNDP Programme and Operations Policies and Procedures' stipulate that social and environmental screening procedures should be performed before the start of a project. In addition, monitoring data (baseline, indicators and results information, risk logs, monitoring information) should be included and monitored in Atlas (enterprise resource planning system of UNDP).

The audit team reviewed a sample of four ongoing projects out of 29 development projects managed by the Office, with expenditures totalling \$4.32 million in 2021 (33 percent of the total programme expenditures). The sample included one project (No. 107827) funded by the Global Environment Facility (GEF) and another (No. 117797) funded by the Green Climate Fund (GCF). The remaining two projects were funded by government cost-sharing (Nos. 117690 and 98573). Three were nationally implemented (NIM) with support services provided by the Office, and one was directly implemented by the Office (DIM). The following was noted:

a) Project design and appraisal:

- For the two projects funded by the government (Nos. 117690 and 98573) with a total contribution amount of \$12.7 million, the project documents did not include the schedule of annual contributions that should have been part of the project document. Thus, it was unclear when funds were to be disbursed to the projects.
- Social and environmental screening procedures were not performed for two projects (Nos. 117690 and 117797). In another case (No. 98573), it was not timely performed, as the social and environmental screening procedures were completed in February 2022, four years after the project document was signed.

b) Project monitoring:

- In one project (No. 117690), the annual work plan for 2021 did not indicate the updated output targets for that year. In three cases (Nos. 117690, 98573 and 117797), updated risks were presented in annual work plans but not followed up on in the progress reports. Further these risks were not discussed during annual reviews with the projects' steering committees.
- For three projects (Nos. 117690, 98573 and 107827), the amounts of total required resources indicated in Atlas were different from those in the project documents. Project activities were also not all entered in Atlas.
- For three projects (No. 117690, 98573 and 107827), project indicators and targets in Atlas did not correspond to those in the 2021 annual work plans. In all cases, project targets for 2022 were not entered in Atlas.





- For one project (No. 117797), monitoring actions were missing in Atlas. For the other three projects (Nos. 117690, 98573 and 107827), monitoring actions had not been updated since 2018 or 2019.
- In one project (No. 107827), one significant risk from the 2021 progress report was not reported in Atlas. For two projects (Nos. 98573 and 107827), risks treatments were not fully updated.

The deficiencies noted were mainly due to a lack of project oversight.

Weaknesses in project design and monitoring may have an impact on the achievement of programmatic objectives.

<b>Priority</b>	Medium (Important)
<b>Recommendation 1:</b>	
The Office should improve its project management and oversight by:	
<ul style="list-style-type: none"> <li>a) performing social and environment screening procedures in line with corporate requirements and include schedule of annual contributions in the project documents; and</li> <li>b) establishing a mechanism to regularly review and update project data in Atlas.</li> </ul>	
<b>Management action plan:</b>	
The Office will:	
<ul style="list-style-type: none"> <li>a) perform social and environment screenings in line with corporate requirements; and</li> <li>b) establish and implement a mechanism to regularly review and update project data in Atlas.</li> </ul>	
<b>Estimated completion date:</b> December 2022	

**Issue 2** Inadequate use of engagement facility modality

According to the ‘UNDP Programme and Operations Policies and Procedures’, the engagement facility provides a rapid and flexible response mechanism to support upstream policy results, evaluation and assessments, crisis responses and the testing of innovations with scale-up potential. All policies on corporate and country-level reporting as well as social and environmental screening procedures, audit and risk management equally apply to the engagement facility. Engagement facility projects are directly implemented and can fund project staff costs, and UNDP support activities; however, they cannot fund low-value or micro-capital grants, or cash transfer to responsible parties.

The Office expensed \$0.98 million in 2021 under an engagement facility project that awarded lump-sum grants to 189 beneficiaries as financial support to start or expand their businesses. The engagement facility was incorrectly used, as stated below:

- The expenses incurred on awarding grants to beneficiaries for the purpose of starting a business or expanding an existing one were not among the activities that could be funded by the engagement facility. According to the Office, the engagement facility was used in these instances as it was an instrument for quick response.
- The expenses were recorded as learning costs even though these were micro-grants. Learning costs were not one of the eligible expenses under the engagement facility.



- The Office incorrectly used an initiation plan template instead of a full development project template. As a result, the project did not contain a results framework and a monitoring framework.
- Moreover, social and environmental screening procedures were not conducted, even though they were required for an engagement facility.

By not using the engagement facility as intended, the Office runs the risk of financial and reputational risks.

<b>Priority</b>	Medium (Important)
<b>Recommendation 2:</b>	
The Office should improve the use of the engagement facility by:	
<ul style="list-style-type: none"> <li>a) using this modality in accordance with corporate guidelines; and</li> <li>b) performing social and environment screenings procedures in line with corporate requirements.</li> </ul>	
<b>Management action plan:</b>	
The Office will:	
<ul style="list-style-type: none"> <li>a) perform social and environment screenings in line with corporate requirements; and</li> <li>b) use the engagement facility modality in accordance with corporate guidelines.</li> </ul>	
<b>Estimated completion date:</b> December 2022	

## B. Operations

### 1. Procurement/Goods and Services

#### **Issue 3** Weak oversight and performance of procurement activities

The 'UNDP Programme and Operating Policies and Procedures' require offices to develop an annual consolidated procurement plan. Analysis of the consolidated procurement plan provides an opportunity to identify efficiencies and economies of scale. Moreover, the procurement of goods, civil work and services begins with a requisition, a formal request originated by a business unit.

During the audit period, the Office processed 258 purchase orders, totalling around \$3.1 million. The audit team reviewed a sample of 25 transactions amounting to \$0.73 million (25 percent of the total purchase orders value) and noted the following weaknesses:

- a) Exceptions in procurement planning:
  - The Office's 2021 procurement plan totalled \$2 million. Of the planned procurement, the Office completed purchases in the amount of \$1.3 million, while the total procurement for 2021 amounted to \$3 million. This indicated that the Office had not properly planned all its procurement activities during the audit period.

- The 2021 consolidated procurement plan included the planned procurement activities for 9 out of 30 projects under implementation. The remaining 21 projects, among them nine projects with expenses totalling \$5.8 million representing 46 percent of the total delivery in 2021, had not included any planned procurement activities in respect of their projects.

b) Lapses in procurement practices:

- In 13 cases, the requisitions were created in Atlas after the procurements had been advertised.
- 38 percent of requisitions totalling \$2 million were created in Atlas at the same time of raising the purchase orders. Requisitions are the formal requests and the proof that funds are available to initiate the procurement process and should precede the creation of purchase orders.

The above are indications of poor planning on the part of the Office in undertaking procurement transactions.

The Office explained that requisitions were approved by senior management outside of the system. However, this practice does not allow for effective oversight and monitoring of procurement activities.

c) Procurement performance:

UNDP mandates the rational use of resources by ensuring the timely availability of high-quality goods and services, as required.

The review of the procurement samples showed that, on average, the procurement process of goods and services took an average of 57 business days.

The Office established a standard timeline for procurement activities, in which procurement should take up to 51 business days, from the requisition to the contract signature, for goods, services and construction work. However, the Office had not conducted an analysis of the cause of delays for the procurement cases during the audited period. The Office explained that delays were generally due to the impact of COVID-19 on the availability of vendors and individual contractors.

Failure to effectively plan can result in rushing the procurement of goods and services, which may prevent the Office from achieving best value for money. Lengthy procurement processes could lead to inefficient procurement practices, which can create delays in project activities.

<b>Priority</b>	Medium (Important)
<b>Recommendation 3:</b>	
The Office should enhance oversight and performance over procurement processes by:	
<ul style="list-style-type: none"> <li>a) preparing a comprehensive and consolidated procurement plan in the corporate platform and updating it on a regular basis;</li> <li>b) ensuring that all requisitions are timely created and approved in the system; and</li> <li>c) ensuring adherence to the standard procurement timelines and performing an analysis of procurement cases exceeding the established timelines.</li> </ul>	

**Management action plan:**

- a) The Office will prepare a consolidated procurement plan and ensure it is updated during the year.
- b) The Office will ensure all procurement processes start with a requisition entered in Atlas by issuing a memo reinforcing procurement best practices.
- c) The Office will design and implement a procurement monitoring system ensuring there is an analysis of lengthy procurement processes.

**Estimated completion date:** December 2022

## 2. Finance/Office Budget and Cost Recovery

### Issue 4 Inefficiencies in the implementation of delivery enabling services (DES) mechanism

The 'UNDP Programme and Operating Policies and Procedures' state that delivery enabling services (DES) are levied for costs incurred in the implementation of a development activity or service. They must be identified during the project inception phase, fully costed and included within the annual work plan. A workload survey should be used to provide a reasonable estimate of the time spent by UNDP personnel when providing direct support to projects, to determine the level of cost recovery. UNDP services to projects must be primarily funded by non-core resources.

The Office recovered \$967,221 of DES costs in 2021. It included \$897,142 (93 percent of the total) recovered for staff costs and \$70,079 (7 percent) for general operating expenditures (GOE).

The following issues were identified:

- Out of nine development projects financed by non-core resources, six projects with expenditures of \$3.23 million had not been charged DES because the Office had not stated cost recovery charges in signed project documents, which subsequently resulted in donors objecting to the Office recovering costs related to DES in these projects.
- While DES costs amounting to \$170,723 were recovered from the remaining three projects funded by non-core resources, the DES terms were not stated in the project documents, nor were the estimated costs allocated to the project budget in the project documents or to project annual budgets.

The above situation resulted in the Office not being able to properly allocate and recover its DES costs from projects funded by non-core resources. Instead, the Office used core resources (TRAC funds) to fund most of its DES. In 2021, 82 percent of DES was recovered from core resources and 18 percent from non-core resources.

Ineffective cost recovery of DES costs will affect the Office's sustainability and may have an impact on the achievement of programme results.



<b>Priority</b>	High (Critical)
<b>Recommendation 4:</b>  The Office should improve recovery of delivery enabling services costs in line with policies and procedures by:  a) implementing and recovering delivery enabling services costs from development projects funded by non-core resources; and  b) including the delivery enabling services costs arrangements in the project documents and all estimated costs in the project budgets.	
<b>Management action plan:</b>  The Office will:  a) recover more delivery enabling services costs on development projects funded by non-core resources for the new projects; and  b) always state delivery enabling services costs in project documents and estimate them in annual budgets for new projects.  <b>Estimated completion date:</b> December 2022	

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## 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.