



AUDIT

OF

UNDP COUNTRY OFFICE

IN

MALI

Report No. 1143
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(REDACTED)

Report on the audit of UNDP Mali Executive Summary

From 27 May to 7 June 2013, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the UNDP Country Office in Mali (the Office). The audit covered the activities of the Office during the period from 1 January 2012 to 31 March 2013. During the period reviewed, the Office recorded programme and management expenditures totalling \$25 million. The last audit of the Office was conducted by OAI in 2011.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for the conclusions and audit results.

Audit rating

OAI assessed the Office as **partially satisfactory**, which means “Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.” This rating was mainly due to weaknesses in the project management, finance area general administration, and safety and security. Ratings per audit area and sub-areas are summarized below.

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Governance and strategic management				
1.1 Organizational structure and delegations of authority	Satisfactory			
1.2 Leadership, ethics and values	Satisfactory			
1.3 Risk management, planning, monitoring and reporting	Satisfactory			
1.4 Financial sustainability	Satisfactory			
2. United Nations system coordination				
2.1 Development activities	Satisfactory			
2.2 Resident Coordinator Office	Satisfactory			
2.3 Role of UNDP – “One UN”	Satisfactory			
2.4 Harmonized Approach to Cash Transfers	Partially Satisfactory			
3. Programme activities				
3.1 Programme management	Satisfactory			
3.2 Partnerships and resource mobilization	Partially Satisfactory			
3.3 Project management	Unsatisfactory			
4. Operations				
4.1 Human resources	Partially Satisfactory			
4.2 Finance	Unsatisfactory			
4.3 Procurement	Partially Satisfactory			
4.4 Information and communication technology	Partially Satisfactory			
4.5 General administration	Unsatisfactory			
4.6 Safety and security				
4.7 Asset management*	Partially Satisfactory			
4.8 Leave management*	Partially Satisfactory			
4.9 Global Environment Facility*	Not Applicable			

* Cross-cutting themes

Key issues and recommendations

The audit raised 16 issues and resulted in 15 recommendations, of which 6 (40 percent) were ranked high (critical) priority, meaning “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 and may affect the organization at the global level.”

The high priority recommendations are as follows:

Partnerships and resource mobilization (Issue 2)	<u>Inadequate management of donor agreements and reporting.</u> The Office did not obtain clearance from the appropriate headquarters entities for non-standard terms and conditions in donor agreements that were signed locally. In addition, the Office was not monitoring fund balances regularly. An unspent balance of \$100,000 was noted on a closed project that had been inactive since 2012 and for which the funds had not been refunded to the donor. Furthermore, in one project, the Office charged salaries for \$90,000, contrary to the provisions of the Project Document. OAI recommends that the Office strengthen the management of donor agreements and reporting by: (a) seeking clearance from the Bureau for External Relations and Advocacy and/or Legal Support Office for any non-standard agreements before they are signed; (b) ensuring that tools are in place to adequately monitor donor reporting and contribution balances; (c) agreeing with the donor on action to be taken in respect of the unspent balance; and (d) either refund to the donor the salaries that were incorrectly charged or obtain a post-facto approval from the donor.
Project management (Issue 4)	<u>Inadequate project implementation and monitoring.</u> Weaknesses were noted project records in Atlas, in the use of regular resources, in procurement, and in the combined delivery reports. OAI recommends that the Office strengthen its project implementation and monitoring by: (a) completing and/or correcting project data in Atlas and ensuring that such information is updated regularly; (b) ensuring that status of projects is reviewed regularly and that appropriate actions are taken to update, operationally close or financially close them as necessary; (c) refrain from advancing core resources and conclusively following up with the Government to obtain the reimbursement of the funds totalling \$1.9 million previously advanced from core resources; (d) ensuring that the procurement of equipment is within the provisions of the signed annual work plans; and (e) ensuring that the Combined Delivery Reports are issued quarterly, certified by the Implementing Partners communicated to relevant projects stakeholders.
(Issue 5)	<u>Delays in auditing nationally implemented projects.</u> The 2011 and 2012 annual expenditures of nationally implemented projects totalling about \$21.7 million had not been audited. The Office explained that the audit firm it engaged to conduct the audits could not obtain clearance due to the security situation in the Country. OAI recommends that the Office strengthen its management of audits of nationally implemented projects by ensuring that: (a) the audits of 2011 and 2012 expenditures are carried out as soon as possible; and (b) annual audits are completed according to the deadlines set the by United Nations Board of Auditors.
Finance (Issue 9)	<u>Weaknesses in account reconciliations.</u> OAI noted the inadequate management of salary advances, inadequate bank reconciliation process for the main bank account, and absence of regular reconciliation of the United Nations Federal Credit Union accounts. OAI recommends that the Office strengthen its accounts reconciliation and monitoring

processes by: (a) completing the reconciliation of the 2012 salary advances totalling \$480,000, ensuring that supporting documents are duly reviewed and validated by management, and taking appropriate action in respect of any unsupported expenditures; (b) ensuring that any future salary advances are recorded in Atlas under the ID of the respective staff member receiving the advance and that the staff member signs the payment statement to attest that they have received their salary advance; (c) ensuring that bank reconciliations are regularly reviewed, that all supporting documentation is provided to the reviewer and that any cheques outstanding for two months or more are properly investigated and followed up with the payee; and (d) conducting monthly reconciliations of the United Nations Federal Credit Union's accounts to ensure outstanding items are promptly followed up and resolved.

General
administration
(Issue 12)

Weaknesses in travel management. The following issues were noted: (a) missing and unsupported travel claims, (b) travel entitlements not verified and documented, and (c) absence of travel authorizations. OAI recommends that the Office comply with travel policies and procedures by: (a) ensuring that all outstanding travel advances are settled as soon as possible, by requesting that the concerned staff submit any missing travel claims and the corresponding support documentation; (b) ensuring that all future travel claims are systematically settled within two weeks after an official trip is completed; (c) documenting the most direct and economical route and formalizing travel cost comparisons to ensure best value for money; and (d) ensuring that travel authorizations are approved (prior to travel) and filed to ensure they are available for review.



The implementation status of previous OAI audit recommendations (Report No. 799, 25 July 2011) was also validated. Of the nine recommendations, four were fully implemented and five were in progress.

Cross-cutting themes

As part of the 2013 OAI Annual Work Plan, all Country Office audits will include specific areas to be reviewed in more depth. Results from all audits will be compiled and analysed at the corporate level, and thereafter, a consolidated report will be issued separately. For this particular audit, the following were noted:

- **Asset management. Partially Satisfactory.** Weaknesses were noted in asset management and include assets of projects implemented under the Direct Implementation Modality not being managed in Atlas, inadequate tagging, and delays in disposing of obsolete assets (refer to Issue 14).
- **Leave management. Partially Satisfactory.** Improvements in leave management were required in terms of maintaining attendance records and ensuring that leave requests are approved before the actual leave date (refer to Issue 15).

- **Global Environment Facility.** Weaknesses were noted in the management of Global Environment Facility project *Diversité Biologique Expansion et renforcement AP* (ID 76446). These weaknesses included a national counterpart chairing the Local Project Appraisal Committee meeting, procurement actions not identified in the agreed upon work plan, and project data not regularly updated in Atlas (refer to Issue 16).

Management comments and action plan

The Resident Representative accepted all 15 recommendations and is in the process of implementing them.



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