UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

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AUDIT

OF

UNDP COUNTRY OFFICE

IN

THE ISLAMIC REPUBLIC OF MAURITANIA

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(REDACTED)

Report on the audit of UNDP Islamic Republic of Mauritania
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of the UNDP Office in the Islamic Republic of Mauritania (the Office) from 16 February to 6 March 2015. 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 and strategic management (organizational structure and delegations of authority, leadership/ethics and values, risk management, planning, monitoring and reporting, financial sustainability);

(b) United Nations system coordination (development activities, Resident Coordinator Office, role of UNDP – "One UN", Harmonized Approach to Cash Transfers);

(c) programme activities (programme management, partnerships and resource mobilization, project management); and

(d) operations (human resources, finance, procurement, information and communication technology, general administration, safety and security, asset management, leave management).

The audit covered the activities of the Office from 1 January to 31 December 2014. The Office recorded programme and management expenditures totalling $8.7 million. The last audit of the Office was conducted by OAI in 2009.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Overall audit rating

OAI assessed the Office as **unsatisfactory**, which means, "Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised." This rating was mainly due to the financial sustainability of the Office being at risk along with weaknesses in resource mobilization, lack of synergies in the Office where the units worked independently and did not benefit from the expertise of other units or colleagues, and weaknesses in finance and leave management.

Key recommendations: Total = **16**, high priority = **5**

The 16 recommendations aim to ensure the following: (a) achievement of the organization's strategic objectives (Recommendation 1, 3, 4, 6, 8, 10); (b) reliability and integrity of financial and operational information (Recommendation 9, 11, 14); (c) effectiveness and efficiency of operations (Recommendation 2, 5, 7, 12); (d) safeguarding of assets (Recommendation 15); and (e) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendation 13, 16).

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. All high (critical) priority recommendations are presented below:

Lack of synergies in the Office (Issue 2)	The Office's organizational structure was ineffective due to a lack of synergies between and within units. In general, the units worked independently and did not benefit from the expertise of other units. This contributed to inefficiencies in operations such as processing errors and negatively affected the programme delivery of the Office. Recommendation: Strengthen synergies within the Office by: (a) establishing practices of consultation between the units when projects are being developed, implemented or monitored; (b) establishing regular meetings and effective communication among units in order to timely address issues impacting delivery; and (c) finalizing the review of the organization structure and providing staff team building exercises and trainings.
Office financial sustainability at risk (Issue 4)	The Office's extrabudgetary reserves declined from 24 months in 2012, to 9 and 8 months in 2013 and 2014, respectively. The delay in the implementation of cost-saving measures, insufficient use of Direct Project Costing, inadequate cost recoveries, and outstanding Government Contributions to Local Office Costs raised uncertainties about the Office's financial sustainability. Recommendation: Improve the financial sustainability of the Office by: (a) fully implementing the recommendation to significantly reduce the staff costs charged to the extrabudgetary reserve; (b) implementing the Direct Project Costing methodology; (c) establishing cost recovery methodologies which are proportionate to the services rendered; and (d) continuing its effort in following up with the Government on all outstanding Government Contributions to Local Office Costs.
Weaknesses in resources mobilization (Issue 6)	There were weakness in resource mobilization efforts. The Office had targeted to mobilize a total of $36 million in resources during the 'United Nations Development Assistance Framework' cycle. However, only $13 million in resources were mobilized (36 percent) as of February 2014. Recommendation: Improve resource mobilization by: (a) implementing the resource mobilization action plan and adopting a strategy involving different programme areas that would allow the Office to improve its financial sustainability; and (b) including resource mobilization as one of the key performance indicators in the Performance Management and Development process of staff members with overall responsibilities of mobilizing resources.
Weaknesses in leave management (Issue 9)	The review of leave management revealed several control weaknesses, including a high level of leave adjustments, overstatement of leave balances, and inadequate monitoring of sick leave and compensatory time-off. Recommendation: Improve leave management by: (a) ensuring that leave requests are submitted and approved via Atlas e-service; (b) monitoring and reporting all types of sick leave in compliance with policies and rules; (c) reconciling monthly leave balances with Atlas records and ensuring that discrepancies are corrected in a timely manner; and (d) establishing a system to monitor and ensure eligibility on the use of compensatory time-off by staff.

Gaps in financial oversight (Issue 11)	There was a lack of segregation of duties and oversight over the activities of individuals. In two cases totalling \$190,000, one staff member provided advisory services to national partners, signed the agreement issued for the advisory services, and approved the payment voucher in Atlas. In one out of these two cases, the same staff also signed the payment order. In another case amounting to \$10,000, the same staff member initiated and certified the payment request, approved the voucher and signed the bank transfer forms. Additionally, the trend analyses of the Office's Trial Balances for 2013 and 2014 noted unusual variations that needed to be reconciled and cleaned. There was no practice within the Office to regularly conduct a review and reconciliation of unusual accounts. Recommendation: Strengthen financial oversight by: (a) establishing adequate segregation of duties in processing transactions and validating the financial reports for the use of funds; (b) promoting the correct use of the Charts of Accounts through regular training, and enforcing oversight from the Operations Unit in order to limit errors and irregularities; and (c) establishing a mechanism to review general ledger accounts to timely detect and reconcile unusual balances or account variations.

Management comments and action plan

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

Issues with less significance (not included in this report) have been discussed directly with management and actions have been initiated to address them.

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