

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

SIERRA LEONE

Report No. 1881
Issue Date: 25 August 2017

Report on the Audit of UNDP Sierra Leone Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Sierra Leone (the Office) from 3 to 14 July 2017. 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 (leadership, corporate direction, corporate oversight and assurance, corporate external relations and partnership);
- (b) programme (quality assurance process, programme/project design and implementation);
- (c) operations (financial resources management, ICT and general administrative management, procurement, human resources management); and
- (d) United Nations leadership and coordination.

The audit covered the activities of the Office from 1 January 2016 to 31 March, 2017. The Office recorded programme and management expenditures of approximately \$22.5 million during the audit review period. The last audit of the Office was conducted by OAI in 2013.

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 **partially satisfactory/major improvement needed**, which means “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.” This rating was mainly due to the need for a review of the Country Programme Document targets, the portfolio structure that may impact efficiency, to inadequate project oversight, and to weak accountability on micro-capital grants expenditure.

Key recommendations: Total = 9, high priority = 4

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

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:

Need for a review of the Country Programme Targeted Results (Issue 1)

In order for the Office to achieve the outcomes planned for the programme period 2015-2018, a budget of \$104 million was set in the Country Programme Document. At the time of the audit fieldwork, the Office was about two thirds of the way through the programme period but had only managed to deliver \$32.4 million Of the planned expenditure, excluding \$10 million which were used in the Ebola Epidemic response. Meanwhile, total resources mobilised for the Country Office for the current programme period stood at \$72.4 million. The above figures indicated a sizeable implementation and resource gap against the initial resource framework for the programme cycle, which may create a situation of unrealistic programme targets, for the available funds, and low implementation levels. The Office was in the process of requesting an extension of the Country Programme Document for one year but a formal review or evaluation had not been undertaken to assess the continued relevance of the current resource targets to the post-Ebola environment in the Country.

Recommendation: The Office should undertake a review or evaluation of the Country Programme Document targets with the view to realign the programme results with the new funding outlook and to re- adjust resource targets, prior to submitting a request for the Country Programme Document extension.

Fragmented Portfolio structure may impact efficiency (Issue 2)

The Office had 31 projects and a \$15 million annual programme budget, and a project staff complement of 37 individuals working on the implementation of the 31 projects. The current portfolio structure was mainly the result of the Ebola crisis which brought a proliferation of new projects. The fragmented nature of the programme portfolio may impose unnecessarily high overhead and transaction costs.

Recommendation: The Office should continue reviewing the portfolio structure, following a re-examination of the relevance of the CPD targets, with a view of streamlining the programme portfolio around fewer projects with a critical mass, to derive better efficiencies.

Weak project oversight (Issue 4)

The review of five projects representing 30 percent of total delivery in 2016-2017 noted several weaknesses regarding oversight, such as lack of Project Board meetings being convened, inconsistencies in the periods these were held, and lack of Board approval in the case of additional activities undertaken, or of terminated projects where the activities were ongoing. In addition, no field verification visits were undertaken by programme staff.

Recommendation: The Office should improve project oversight by: (a) holding Project Board meetings for all projects; (b) ensuring that project boards approve the Annual Work Plans and any extensions to projects; and (c) undertake programme field verification visits at least once per year for all projects.

Weak accountability on micro-capital grants expenditure (Issue 6)

The Office had a total of 19 Micro Capital Grant Agreements (MCGA) in place during the audit period with a total value of \$1.34 million. Based on a sample review of Micro Capital Grants with a total value of \$570,000 (representing 43 percent of the total value) identified weaknesses such as lack of justification for

the issuance of the grants, lack of consultation of Project Boards on the selection of grant beneficiaries, no follow-up by the Office on financial reporting requirements, and no evidence of the Office's reconciliation processes and allocation of expenditures against the relevant project expenditures codes.

Recommendation: The Office should strengthen accountability over Micro-Capital Grants expenditure by: (a) selecting recipients based on a Call for Proposals or on evidence of satisfactory performance under earlier MCGAs. All recipients must be approved by the Project Board prior to being awarded the MCGAs; (b) monitoring funds disbursed as grants by ensuring that financial reports from recipients are received on a regular basis, in the correct format, and verified, accompanied by documents to support the financial report; and (c) allocating the verified expenditure to the respective account codes and reversing the amount initially expensed as grants.

Implementation status of previous OAI audit recommendations: Report No. 1187, 3 December 2013.

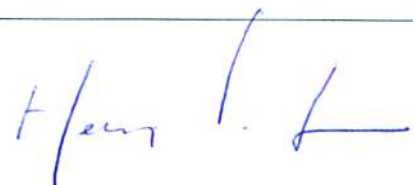
Total recommendations: 7

Implemented: 7

Management comments and action plan

The Resident Representative accepted all recommendations and is in the process of implementing them. Comments and/or additional information provided have 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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