

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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PERFORMANCE AUDIT

OF

UNDP GOVERNMENT COST SHARING MANAGEMENT

Report No. 1895
Issue Date: 19 January 2018

Report on the Performance Audit of UNDP Government Cost Sharing Management Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted a performance audit of UNDP Government Cost Sharing (GCS) management from 5 September to 24 November 2017. Performance auditing is an independent examination of a programme, function, operation, project, or the management systems and procedures of an entity to assess whether the entity is achieving economy, efficiency and results in the employment of available resources.

The audit aimed to assess whether the organization had put in place adequate guidance and controls to mitigate potential risks in implementing GCS projects. The audit determined whether Country Offices had established adequate governance structures, risk management practices and controls to effectively implement the terms of the GCS agreements.

The audit covered activities of GCS projects from 1 January 2016 to 31 July 2017.

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

Overall audit rating

OAI assessed the management of GCS 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 limited capacity to design and manage infrastructure projects, UNDP finance and procurement tools not being integrated, and weaknesses in PUDC programme¹ management.

Key recommendations: Total = 3, high priority = 3

Objectives	Recommendation No.	Priority Rating
Appropriate governance structure at a corporate level, including effective HQ support to Country Offices and appropriate controls to mitigate risks arising from the implementation of GCS projects	1, 2	High
Established governance structures, risk management and controls to effectively implement the GCS projects	3	High

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:

¹ The Emergency Community Development Programme (PUDC) or “Programme d’Urgence de Developpement Communautaire”

Limited capacity to design and manage infrastructure projects (Issue 1)

While UNDP was increasingly involved in projects with a building component, including new construction and alterations to existing buildings, it did not have a manual to establish minimum requirements and guidance and ensure adequate project design, construction management capacity or consideration and application of risk mitigation measures for these types of projects. The audit team was informed that the Bureau for Policy and Programme Support was involved with the Bureau for Management Services in developing a construction manual. However, this process had not been completed at the time of the audit mission.

Recommendation 1: The Bureau for Policy and Programme Support should develop a manual for implementing construction projects, which should include both the type and composition of technical teams, the quality of design, requirements, and appropriate tools to be used.

UNDP finance and procurement tools not integrated (Issue 2)

The UNDP Atlas Finance Module, Atlas Project Module, and the Advisory Committee on Procurement (ACP) Online system were not integrated. As a result, the information entered into the ACP Online system when offices submitted procurement cases for review was not validated/checked against the project budget, which resides in the Atlas Finance Module, to ensure that sufficient funds were available. Therefore, Country Offices could submit large procurement cases without the system ensuring that the funds were available at the project level, which means if further actions were taken to enter into commitments outside the system, it could then compromise UNDP's solvency and reputation. Further, UNDP managers were required to confirm/certify that appropriate funds were available to cover the cost of the contract when submitting a case through the ACP Online system. However, this confirmation was not corroborated by additional checks in Atlas to verify the fund availability at the project level.

Recommendation 2: The Bureau for Management Services should consider integrating the ACP Online platform with the Atlas Project Module, Atlas Finance Module, and the upcoming Atlas Contract Management Module.

Weaknesses in PUDC programme management (Issue 4)

The audit noted various weaknesses with regard to the Emergency Community Development Programme (PUDC) being implemented in Senegal, as follows:

- Absence of signed schedule of payments: The Government did not sign the agreement but rather continued transferring funds to the Office as they became available.
- Commitments not reflected in UNDP Atlas: The Office signed contracts and recorded commitments outside Atlas, and encouraged suppliers to continue the implementation even though they had not yet been paid. During the audit, OAI noted that funds were committed by the Office even without receiving the government contribution. The total unpaid bills for goods or services already delivered or provided was CFA13.6 billion (or \$24.5 million). The total outstanding commitments (signed contracts) as at 30 September 2017 was CFA 53.5 billion (or \$96.44 million including the unpaid bills of \$24.5 million).

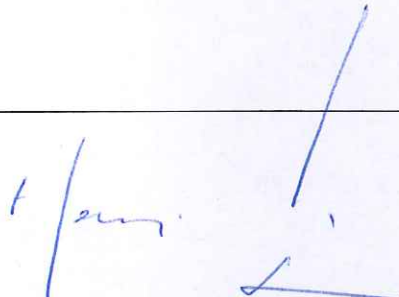
- No escalation of the non-payment by the Government of contributions: The Office had not updated the risk register for the PUDC programme, particularly on the delays in the government contributions.
- No agreement on value added tax (VAT) payments: UNDP Senegal was required by the Government to pay taxes and customs duties starting in April 2017. In 2016, the Office had discussions with the Government on this issue. An agreement was reached providing an exemption for all transactions until March 2017 and the Office to pay VAT for all transactions thereafter. This situation had not been communicated to the Regional Bureau or to the Legal Office for advice.

Recommendation 3: UNDP Senegal and the Regional Bureau for Africa should enhance management of the PUDC programme by ensuring that: (a) schedule of payments is signed prior to engaging in any projects, and appropriate follow-up procedures are followed to ensure that payments are received accordingly; (b) all commitments are reflected in Atlas and procurement functions are performed within their delegated procurement authorities only; (c) risk registers are updated to include risks emerging from the implementation of the PUDC programme; and (d) the Legal Office is consulted on how to resolve the issue of exemption from paying taxes and customs duties.

Management comments and action plan

The Director of the Bureau for Management Services, the Director of the Bureau for Policy and Programme Support, the Director of the Regional Bureau for Africa, and the Resident Representative of the Senegal Country Office accepted all recommendations and are 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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