UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP COUNTRY OFFICE

IN

MOZAMBIQUE

Report No. 2304

Issue Date: 30 November 2021

Report on the Audit of UNDP Mozambique
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Mozambique (the Office) from 10 to 26 August 2021. 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)

OAI designed the following performance audit questions:

a) Development activities

i. Is the Office achieving the results in its Country Programme Document and development projects?
ii. Are results achieved in accordance with planned budget and timeframe?

b) Procurement

i. Did procurement processes result in the contracting of required services and products at best value for money with fairness, transparency, and integrity?

c) Human resources

i. Were UNDP staff and personnel hired timely?

The audit covered the activities of the Office from 1 January 2020 to 30 June 2021. The Office recorded programme and management expenses of approximately $37.9 million. The last audit of the Office was conducted by OAI in 2019.

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 content and petty cash were not verified.
(f) The information communication and technology area was not reviewed on-site.

Overall audit rating

OAI assessed the Office's performance as **unsatisfactory**, which means "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." This rating was mainly due to an office structure that may not be sustainable, weak procurement management, and weak controls over the disbursement process.
Key recommendations: Total = **8**, high priority = **3**

The eight recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	1	High
	2	Medium
Effectiveness and efficiency of operations	7	Medium
Safeguarding of assets	8	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	4, 5	High
	3, 6	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. All high (critical) priority recommendations are presented below:

Office structure may not be financially sustainable (Issue 1)

The Office was in the process of recruiting staff for the Pemba sub-office, based on a business case approved in May 2021. All 13 core positions (12 fixed-term appointments and 1 United Nations Volunteer) for the Pemba sub-office will be funded through Direct Project Costing from the Stabilisation and Recovery Project with a total project budget of $68 million. At the time of the audit mission, the project was at a conceptualisation stage with a draft project document that was yet to be signed off. The expected duration of the project was from 1 October 2021 to 30 September 2023 but no resources had been mobilized as per 1 October 2021. Discussions had commenced with potential donors that had shown interest; however, there was no commitment.

Recommendation: The Office should as a matter of priority align the costs of the new posts with available funding and finalize the Stabilisation and Recovery Project document and commence mobilising resources for the project to ensure financial sustainability of the Pemba sub office. The Office should also embark on a comprehensive business mapping exercise that will allow management to optimize decisions on the structure of the Office and its various locations.

Weak procurement management (Issue 4)

Out of 19 purchase orders reviewed with a total value of $2.83 million (or 14.8 percent of total value of procurement processed from January 2020 to June 2021), the following was noted:

- In two purchase orders issued with respect to one procurement case from one supplier and with total value of $443,182, the direct contracting modality was not properly used. Direct contracting can be used if there is an exigency and the same supplier was used to provide similar goods/services withing the past 18 must and price per unit remains the same. The price per unit for the current offer was 69 percent higher than the previous same supplier price in the last six months.

- In three purchase orders with a total value of $574,716.31, unclear evaluation criteria such as "earliest and shortest delivery period" was used to exclude offers that were technically responsive with lowest cost. Maximum lead times were not stipulated. In one of these purchase orders, valued at $490,212, the evaluation criteria were modified at the evaluation stage to include additional criteria such as delivery times. The Office explained that additional criteria was added due to exigency and the fact that the RFQ was issued in lots however the invitation was to provide a full quote. A decision was taken during the evaluation phase to break-up the quotes by Lots which disadvantaged other bidders. According to the Budget Summary and the request for quotation (RFQ), 750 modems were required but the two related purchase orders, Atlas receipts and vouchers indicated that 1,500 modems for $29,629 were procured, received in Atlas and paid for with no supporting documents for the additional 750 modems.

Recommendation: The Office should strengthen procurement processes by: (a) for complex urgent high value procurement cases, seeking guidance from the Procurement Support Unit (PSU) prior to initiating transactions; (b) verifying requests against supporting documents before placing procurement orders and processing payments (c) observing procurement thresholds for procurement above $200,000 that require invitations to bid/requests for proposal (ITB/RFP).

Weak controls over the disbursement process (Issue 5)

From a selected sample of 54 vouchers with a total amount of $2.76 million (representing 6.5 percent of total expenditure of $42.1 million), exceptions were noted on 36 of the vouchers with total expenditures of $1.69 million. Exceptions accounted for 60 percent of sampled expenditure. The following was noted:

(a) 6 payments with a total value of $572,751 (representing 21 percent of the selected sample) had inadequate proof that goods and services that were paid for were received.

(b) 6 payments with a total value of $382,660 (13.8 percent of the selected sample) were not in accordance with the signed contract. For example, two payments with a total value of $288,941 were paid as milestone payments for a civil works contract for building of a medical warehouse whereas the associated contract was a lump sum contract of $3.5 million with payment to be made upon the successful completion of the building.

(c) 21 payments with a total value of $446,930 (16 percent of the selected sample) were delayed. The delays on two payments with a total value of $256,894 were due to prolonged approval and certification of services, which were done close to a month after the invoices and request had been requested. The Office was requested to provide reasons for the delays in payments; however, these reasons were not provided. Delays ranged from 28 days to 142 days since date of invoice

(d) 2 payments with a total value of $148,957 (5.4 percent of the selected sample) for local salaries, conference costs and implementing activities were being paid in US dollars, without approval by Treasury. This goes against Treasury rules that state that local suppliers should be paid in local currency unless approval has been granted by Treasury.

(e) 1 payment of $24,480 (0.9 percent of the selected sample) was made to a company although the attached contract was for an individual contract. There was a handwritten note attached to the request for payment that stated that a payment should not be made as the contract had a different name from the payee; this was nonetheless not adhered to.

Recommendation: The Office should improve controls over the disbursement process by: (a)ensuring that SOPs for the disbursement process clearly articulate the workflow, responsible staff member and required documents that should be submitted to support the disbursement process – training should be conducted for all staff on the Office's SOP for the disbursement process and all staff should be made aware of their roles and responsibility in the disbursement process; (b) adhering to Treasury rules and discontinue paying for local services and suppliers in US dollars.

Implementation status of previous OAI audit recommendations: Report No. 2035, 15 May 2019

Total recommendations: 10
Implemented: 10

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 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.

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