



AUDIT
OF
UNDP COUNTRY OFFICE
IN
BOLIVIA
Follow-up of OAI Report No. 1513 dated 20 November 2015

Report No. 1714
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Report on Follow-up Audit of UNDP Bolivia
(Previous OAI Report No. 1513, 20 November 2015)
Executive Summary

From 12 to 16 September 2016, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an on-site follow-up audit of the UNDP Country Office in Bolivia (the Office). This on-site follow-up audit was undertaken, in addition to regular desk reviews, in view of the 'unsatisfactory' audit rating assigned by OAI in Report No. 1513 dated 20 November 2015. The follow-up audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Audit scope and approach

The follow-up audit reviewed the implementation of 11 audit recommendations. OAI conducted appropriate tests of transactions and activities by the Office from 8 August 2015 to 10 September 2016 and interviewed management and staff concerned to determine whether the reported corrective actions were indeed implemented, as reported by the Office in the Comprehensive Audit and Recommendation Database System (CARDS).

Audit results

Of the 11 audit recommendations, the Office had fully implemented 10 and initiated action on 1. The implementation rate as per CARDS on 30 September 2016 was 95 percent.

Implementation status	Number of recommendations	Recommendation Nos.
Implemented	9	1, 2, 3, 5, 6, 7, 8, 9, 10, 11
In progress	1	4
Not implemented	0	-
Withdrawn	0	-
Total	11	-

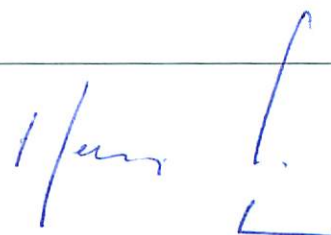
The detailed implementation status of the 11 recommendations has been updated by OAI in CARDS.

Section I summarizes the recommendation that is in progress as well as the 10 recommendations that have been implemented. OAI encourages the Office to continue to take appropriate actions to address the remaining recommendation. OAI will continue to monitor the progress of the implementation of the recommendation as and when updates are provided by the Office in CARDS.

The recommendation in progress aims to ensure the effectiveness and efficiency of operations (Recommendation 4).

Management comments and action plan

The Resident Representative provided the revised implementation dates for the two outstanding recommendations.

A handwritten signature in blue ink is enclosed within a rectangular box. The signature is stylized and appears to read 'H. Osttveiten'.

Helge S. Osttveiten
Director
Office of Audit and Investigations

I. Details of recommendations in progress and implemented

Rec. No.	Recommendation	Implementation status reported by UNDP Bolivia	OAI assessment
4	<p>The Office should improve the functioning and staffing of the Programme Unit by:</p> <p>(a) devising a more suitable structure that better responds to the Office's challenges and needs, taking into account budgetary limitations; and</p> <p>(b) revising and updating all job descriptions with the objective of aligning tasks and responsibilities to the required structure.</p>	<p>Management is fully cognizant of the strong imbalance that currently exists in the Office between its operations and programme units. It is also clear that turning around this imbalance, sizing these units to the volume of resources being delivered, and ensuring that the Office has the right skill set for UNDP to be able to be the partner of choice of the Government will be at the heart of any future restructuring. In this regard, there is no doubt of the need to restructure the Office.</p> <p>However, the number one priority during the last quarter of the year is to reach the delivery levels the Office has committed to while advancing resource mobilization for future years. With these two priorities occupying most of the Office's energies, it does not seem realistic to think that the Office can embark in the thought-through restructuring it requires until the first quarter of 2016. Furthermore, the process of deciding how to improve the current structure will need to be based on a on up-to-date understanding of the socio-economic and political context in the Country, UNDP's value added in support of the Country reaching the SDGs, and the Government's own expectations about the UN System. All this should inform the tasks and responsibilities the Office will need to perform and in turn, the skills and profiles of its staff, which will ultimately be reflected in a revised organization chart and job descriptions.</p>	<p>In Progress</p> <p>The Programme Unit's staffing was enhanced with the return of the Programme Analyst post on 1 August 2016. The MCT mission in August 2016 provided proposals for a new organizational structure, whereby both the operations and programme areas will be affected. The structural reorganization is expected to be completed within the forthcoming months.</p> <p><u>Agreed revised implementation date:</u> December 2017</p>

Recommendation No.	Recommendation	OAI assessment
1	<p>The Office should strengthen the control environment in conformance with UNDP policies and procedures and the Internal Control Framework by:</p> <ul style="list-style-type: none"> (a) creating a discussion forum in order to analyse and address issues raised by the Global Staff Survey, including considerations of holding a staff retreat; (b) re-establishing staff meetings as a regular practice throughout the Office for sharing and learning purposes; (c) revising and updating Atlas profiles for all Office personnel in alignment to their roles and responsibilities and deactivating Atlas profiles of personnel immediately upon separation/departure; (d) discontinuing the use of signature stamps as a substitute of actual signatures; and (e) requiring that outside activities to be fully disclosed by staff members and service contract personnel and have this disclosure processed in compliance with Ethics guidelines. 	<p>Implemented</p> <p>OAI assessed the recommendations as implemented in May 2016. The follow-up audit mission validated the assessment as implemented. Senior management engaged in significant efforts to turn around the work environment within the Office through communication, transparency, leading by example and encouraging commitment to ethical standards.</p>

2	<p>The Office should strengthen its financial sustainability by:</p> <p>(a) exploring mechanisms to improve delivery;</p> <p>(b) developing a resource mobilization strategy and action plan for its implementation and evaluation;</p> <p>(c) pursuing negotiations with the Government, with, as necessary, the involvement of the Regional Bureau for Latin America and the Caribbean, to agree on the settlement of long-outstanding Government Contributions to Local Office Costs; and</p> <p>(d) developing a cost reduction strategy to alleviate the Office's financial situation.</p>	<p>Implemented</p> <p>The Office has engaged in strengthening its financial sustainability. Mechanisms to improve delivery have been explored, and a resource mobilization strategy has been developed and shared with the Regional Bureau for Latin America and the Caribbean. The Office also followed-up on the outstanding Government Contributions to Local Office Costs and in addition, a cost contention mechanism has been addressed. The recommendation was assessed as implemented and a note is made that the financial sustainability remains at risk due to delivery. OAI recommended that the Office should improve the project pipeline, pending receipt of Government Contributions to Local Office Costs, the ongoing MCT exercise and the upcoming structural reorganization that will take place in the near future.</p>
3	<p>The Office's management should ensure that procurement processes at the Resident Coordinator's Office adhere to the provisions of the 'UNDP Programme and Operations Policies and Procedures'.</p>	<p>Implemented</p> <p>OAI assessed the recommendation as implemented in April 2016. The follow-up audit mission validated the assessment as implemented. The Procurement Unit met with the Resident Coordinator's Office to discuss the 2016 procurement plan and management of procurement activities.</p>

5	<p>The Office should enforce stricter project monitoring practices by:</p> <ul style="list-style-type: none"> (a) directing staff to use the grants module in Atlas; (b) tracking project expenditures, both the programmatic delivery and fixed costs, to ensure that direct project costs can be allocated; (c) rationalizing the use of TRAC funds as seed capital; and (d) prioritizing the engagement of the government counterpart in hopes of launching the Human Development Report. 	<p>Implemented</p> <p>OAI assessed this recommendation as implemented in April 2016. The follow-up audit mission validated the assessment as implemented. The Human Development Report was successfully launched in April 2016.</p>
6	<p>The Office should fully adhere to the 'UNDP Service Contract User Guide' by:</p> <ul style="list-style-type: none"> (a) limiting the use of service contracts modality to non-core services rendered; (b) aligning the contract durations, the requirements for extensions, and the clauses included, with the respective guidelines; and (c) aligning medical and pension coverage with the existing system implemented since 2014. 	<p>Implemented</p> <p>The Office received a response to its recent inquiry on the continued use of the service contract modality. OAI reassessed the status of the recommendation and found that the Human Resources Unit had diligently ensured that (1) service contractors were no longer performing core functions and that Terms of Reference were modified, (2) there was an alignment of contract duration with the requirement for extension, together with the advice of the Human Resources Advisor from the Regional Bureau of Latin America and the Caribbean, and (3) there was an alignment of the medical and pension coverage for service contractors.</p>
7	<p>The Office should strengthen its control over cash management by designating a Project Cash Advance Custodian for all personnel receiving advances, and ensuring the proper approval, as well as timely and correct liquidation of cash advances.</p>	<p>Implemented</p> <p>The Finance Unit is monitoring the project cash advances on a weekly basis; the Operations Manager performs a follow-up on any outstanding project cash advances with projects. At the time of the audit mission, there was no backlog of project cash advances.</p>

8	<p>The Office should restructure the procurement business function to improve the supervision and coordination at the unit level by:</p> <ul style="list-style-type: none"> (a) ensuring an adequate division of labor of the procurement responsibilities; (b) recovering all costs associated with procurement services rendered to projects and United Nations agencies; (c) reducing the number of sub-delegations for small purchases to mitigate weaknesses noted; (d) involving the Procurement Unit in addressing the key Office contracts; and (e) updating information for the Office of Finance and Administration's assessment in future harmonized Request for Proposal for banking services. 	<p>Implemented</p> <p>OAI assessed this recommendation as implemented in April 2016 considering the supporting documentation uploaded in CARDS and the fact that Treasury had confirmed the harmonization of banking services, scheduled to be conducted in 2017.</p> <p>In validating the implementation status, OAI suggested that the Office ensure procurement capacity through Direct Project Costing, in order to cover the procurement requirements of the new TB grant.</p>
9	<p>The Office should strengthen controls over travel by:</p> <ul style="list-style-type: none"> (a) centralizing all travel work flows to ensure global compliance with the long-term agreement with the travel agency, and adherence with organizational policies by all staff members; (b) ensuring that travel authorizations are approved (prior to travel) by the proper authority with supporting evidence indicating the purpose of the travel; (c) documenting the most direct and economical route and formalizing travel cost comparisons to ensure best value for money; and (d) requesting that travel expense forms be prepared within two weeks of return and supported by the ticket and boarding passes. 	<p>Implemented</p> <p>OAI assessed the recommendation as implemented in May 2016. As part of the validation conducted during the follow-up audit mission, OAI reviewed the administrative instructions on travel management and did not identify any discrepancies.</p> <p>OAI suggested that all administrative instructions issued by senior management be identified in a numerical sequence for ease of retrieval.</p>

10	<p>The Office should strengthen the safeguarding and use of assets by:</p> <ul style="list-style-type: none"> (a) developing an assets disposal plan; (b) improving the management of vehicle logs; (c) conducting physical verifications more often to assess asset conditions; and (d) recording assets only when the goods are received. 	<p>Implemented</p> <p>OAI assessed the recommendation as implemented in April 2016. As part of the validation conducted during the audit mission, a visit was conducted to the two locations where vehicles and office equipment were retained. The validation was conducted to ensure the improvements by the Office were compliant with asset management procedures.</p>
11	<p>The Office should improve leave management by:</p> <ul style="list-style-type: none"> (a) systematically obtaining monthly absence/attendance records signed by the staff and by supervisors, and reconciling them with Atlas records to ensure that discrepancies are immediately corrected; (b) improving the control of attendance and leave, by assigning at least one leave monitor per floor to ensure the proper monitoring of attendance; and (c) managing properly the controls over leave authorizations in accordance with applicable procedures 	<p>Implemented</p> <p>The Office has:</p> <ul style="list-style-type: none"> (a) implemented a strict policy for leave management designed to control leave authorizations; (b) reconciled reports in Atlas that reflect the behavior of personnel with respect to their attendance and sent an administrative instruction to office personnel along with the corresponding procedures, guides, and flowcharts to be followed—these administrative instructions along with the enclosed procedures, guides and flowcharts were aimed to implement recommendations (a) and (b); (c) conducted a workshop with the local staff to clarify the new policy and ensure its proper application; and (d) assigned the role of leave monitors to two colleagues per floor.

ANNEX Definitions of audit terms – implementation status, ratings and priorities

A. IMPLEMENTATION STATUS

- Implemented The audited office has either implemented the action as recommended in the audit report or has taken an alternative solution that has met the original objective of the audit recommendation.
- In progress The audited office initiated some action to implement the recommendation or has implemented some parts of the recommendation.
- Not implemented The audited office has not taken any action to implement the recommendation.
- Withdrawn Because of changing conditions, OAI considers that the implementation of the recommendation is no longer feasible or warranted or that further monitoring efforts would outweigh the benefits of full implementation. A recommendation may also be withdrawn when senior management has accepted the residual risk of partial or non-implementation of recommendation.

B. AUDIT RATINGS

- Satisfactory Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.
- Partially Satisfactory 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.
- Unsatisfactory 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.

C. PRIORITIES OF AUDIT RECOMMENDATIONS

- High (Critical) 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.
- Medium (Important) Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UNDP.
- Low Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.