UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

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AUDIT

OF

UNDP COUNTRY OFFICE

IN

BELIZE

Report No. 1162

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Report on the audit of UNDP Belize
Executive Summary

From 8 to 19 April 2013, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of the UNDP sub-office in Belize (the Office). The audit covered the activities of the Office during the period from 1 January to 31 December 2012. During the period reviewed, the Office recorded programme and management expenditures totalling $3 million. This was the first audit of the Office.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management, and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for the conclusions and audit results.

Audit rating

OAI assessed the Office as **partially satisfactory**, which means "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." This rating was mainly due to weaknesses in governance and strategic management, specifically with regard to the organizational structure of the Office, and weaknesses in finance. Ratings per audit area and sub-areas are summarized below.

Audit Areas		Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1.	**Governance and strategic management**				■
	1.1 Organizational structure and delegations of authority	Partially Satisfactory			
	1.2 Leadership, ethics and values	Satisfactory			
	1.3 Risk management, planning, monitoring, and reporting	Satisfactory			
	1.4 Financial sustainability	Satisfactory			
2.	**United Nations system coordination**				■
	2.1 Development activities	Satisfactory			
	2.2 Resident Coordinator Office	Satisfactory			
	2.3 Role of UNDP – "One UN"	Not Applicable			
	2.4 Harmonized Approach to Cash Transfers	Partially Satisfactory			
3.	**Programme activities**			■	
	3.1 Programme management	Satisfactory			
	3.2 Partnerships and resource mobilization	Partially Satisfactory			
	3.3 Project management	Partially Satisfactory			
4.	**Operations**			■	

4.1	Human resources	Satisfactory
4.2	Finance	Unsatisfactory
4.3	Procurement	Partially Satisfactory
4.4	Information and communication technology	Partially Satisfactory
4.5	General administration	Satisfactory
4.6	Safety and security	Satisfactory
4.7	Asset management*	Satisfactory
4.8	Leave management*	Satisfactory
4.9	Global Environment Facility*	

* Cross cutting themes

Key issues and recommendations

The audit raised 12 issues and resulted in 12 recommendations, of which 2 (17 percent) were ranked high (critical) priority, meaning "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 and may affect the organization at the global level."

The high priority recommendations are as follows:

Finance (Issue 5)	<u>Insufficiently justified cost recovery</u>. The review of the 2012 cost recovery showed that the Office opted to charge Implementation Support Services based on actual costs. However, OAI identified cost recovery charges amounting to $71,000 without proper justification. OAI recommends that the Office ensure that the basis for charging cost recoveries to projects in its portfolio is duly justified and documented.
Procurement (Issue 9)	<u>Weaknesses in procurement business function.</u> OAI identified a number of weaknesses in the procurement business function of the Office, specifically: non-submission of the Office procurement plan to UNDP El Salvador as required; not organizing submissions to the external procurement committees; non-review of contracts by the Operations Manager prior to approval; no Atlas access for project personnel thus preventing project managers from raising requisitions; and decentralized procurement function. OAI recommends that the Office improve its procurement function by enhancing its procurement planning, (b) timely submission to the external procurement committees; and (c) implementing adequate segregation of duties.

Cross-cutting themes

As part of the 2013 OAI Annual Work Plan, all Country Office audits will include specific areas to be reviewed in more depth. Results from all audits will be compiled and analysed at corporate level, and thereafter, a consolidated report will be issued separately. For this particular audit, the following were noted:

- **Asset management**. <u>Satisfactory</u>. No reportable issues noted.

- **Leave management**. <u>Satisfactory</u>. No reportable issues noted.

- **Global Environment Facility.** OAI noted that the mid-term evaluation of the project Strengthening National Capacities for the Operationalization, Consolidation and Sustainability of Belize´s Protected Areas (Atlas Project ID 00059614) had not been conducted as agreed, which had caused approval of the requested project extension to be postponed (refer to Issue 12).

Management comments and action plan

The Resident Representative accepted all the recommendations and is in the process of implementing them.

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Director
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