

**UNITED NATIONS DEVELOPMENT PROGRAMME**  
**Office of Audit and Investigations**



*Empowered lives.  
Resilient nations.*

**AUDIT**

**OF**

**UNDP COUNTRY OFFICE**

**IN**

**PARAGUAY**

**Report No. 1339**  
**Issue Date: 28 August 2014**

## Report on the audit of UNDP Paraguay Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Paraguay (the Office) from 9 to 20 June 2014. 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 and strategic management (organizational structure and delegations of authority, leadership/ethics and values, risk management, planning, monitoring and reporting, financial sustainability);
- (b) United Nations system coordination (development activities, Resident Coordinator Office, role of UNDP – “One UN”, Harmonized Approach to Cash Transfers);
- (c) programme activities (programme management, partnerships and resource mobilization, project management); and
- (d) operations (human resources, finance, procurement, information and communication technology, general administration, safety and security, asset management, leave management).

The audit covered the activities of the Office from 1 January 2013 to 31 May 2014. The Office recorded programme and management expenditures totalling \$19.4 million in 2013 and \$3.8 million in 2014 as at 31 May. The last audit of the Office was conducted by OAI in 2010.

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**, 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 the financial sustainability of the Office being at risk, and the implementation of a project extending beyond the recommended maximum duration.

### Key recommendations: Total = 11, high priority = 2

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:

Financial sustainability of Office at risk (Issue 1)	The financial sustainability of the Office had been a concern at the senior management level, both at the Office and the Regional Bureau. As a result, the Office engaged UNDP’s Management Consulting Team to conduct a functional analysis. This evaluation resulted in a Transformation Plan. Despite the structural changes, the Office’s financial sustainability continued to be a matter of concern, due to: (a) increased operational costs; (b) reduced inflow of core resources; and (c) limited possibilities for mobilizing resources from traditional donors.
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Recommendation: Implement actions contained in the Transformation Plan by:

(a) finalizing the action plan to translate the Resource Mobilization Strategy into action; (b) negotiating with the Government/project counterparts in order to keep unused funds at year end so as to facilitate project delivery; and (c) pursuing negotiations with the Government to collect the outstanding Government Contribution to Local Office Costs, considering input from the Regional Bureau, as well as in-kind contributions as an option.

Project implementation  
beyond recommended  
maximum duration  
(Issue 6)

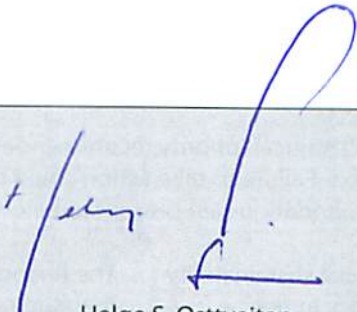
The Office signed a Project Document in 1997 to support the Supreme Court of Justice (*Desarrollo de los Centros de Justicia*); the project has been active for 17 years. Within the past four years, the Office was able to negotiate some of the clauses of the Project Document in order to enhance cost recovery and its role in project monitoring. Nevertheless, OAI noted the following weaknesses: (a) the project's duration was not aligned with UNDP's programmatic cycle or corporate national implementation guidelines; (b) three staff members whose posts were fully funded by the project were only dedicating 20 percent of their time to project tasks; and (c) Implementation Support Services were charged on a percentage basis, instead of actual costs.

Recommendation: Strengthen project implementation by: (a) redesigning the project so that its duration is within UNDP's programmatic cycle and aligning it to the corporate national implementation guidelines; (b) ensuring that the three staff members dedicate their full-time functions to the project or otherwise modify the job descriptions/contracts to reflect their tasks; and (c) complying with UNDP policy on cost recovery, which may require renegotiating the project agreement so that Implementation Support Services are charged based on actual costs.

#### 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 had 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.



Helge S. Ostveiten  
Director  
Office of Audit and Investigations