

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

THE BOLIVARIAN REPUBLIC OF VENEZUELA

Report No. 2004
Issue Date: 7 December 2018

Report on the Audit of UNDP in the Bolivarian Republic of Venezuela Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP in the Bolivarian Republic of Venezuela (the Office) from 1 to 12 October 2018. 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 (leadership, corporate direction, corporate oversight and assurance, corporate external relations and partnership);
- (b) programme (quality assurance process, programme/project design and implementation, knowledge management);
- (c) operations (financial resources management, ICT and general administrative management, procurement, human resources management, and staff and premises security); and
- (d) United Nations leadership and coordination.

The audit covered the activities of the Office from 1 January 2017 to 30 June 2018. The Office recorded programme and management expenses of approximately \$11.3 million. The last audit of the Office was conducted by OAI in 2015.

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/some improvement needed**, which means, "The assessed governance arrangements, risk management practices and controls were generally established and functioning but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area." The rating was due to concerns about the Office's financial sustainability and weaknesses in the payment process.

Key recommendations: Total = 7, high priority = 2

The seven recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	1	High
	3	Medium
Reliability and integrity of financial and operational information	4, 7	Medium
Effectiveness and efficiency of operations	6	Medium
	5	High
Compliance with legislative mandates, regulations and rules, policies and procedures	2	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's financial sustainability at risk
(Issue 1)

With limited donor presence, the project pipeline depended on government funds, which had diminished over the past years. This was demonstrated by the diminishing delivery trend from \$38.1 million in 2015, to \$10.9 million in 2016, to \$6.7 million in 2017.

The cost recovery calculated for 2018 for the Office was \$0.25 million while expenses amounted to \$1.3 million, representing a shortfall of almost \$1.2 million at the end of the year. The approved Integrated Work Plan already included this deficit that was agreed to be covered with funds from account 11888 (Country Co-Financing Cost Sharing). While the Office made efforts to recover costs through the signing of agreements with counterparts, low levels of delivery hindered the Office's ability to cover costs.

Recommendation 1: The Office should continue its efforts to keep delivery at the highest level possible and reduce operational costs to a point where it is sustainable.

Weaknesses in the payment process
(Issue 4)

The audit team identified the following weaknesses in the payment process:

- Security controls in the E-banking web application were insufficient as the application allowed the Finance Associate to create payments to suppliers, change the value of each payment, and delete payments and duplicate prior payment requests already processed and paid.
- No control was in place to ensure that Atlas (enterprise resource planning system of UNDP) payment information (vendor name, bank account number and value) matched a vendor's payment information in the E-banking web application prior to processing payments.
- The standard operating procedures detailing the E-banking payment were approved by UNDP Treasury in September 2018. However, a new test on the conversion format of the file used to upload payment information in the E-banking system had to be conducted, and it was still pending as of 5 December 2018.

Recommendation 5: The Office should enhance its payment process by: (a) clarifying roles in the payment process and ensuring adequate approval levels; (b) comparing Atlas payment information with the E-banking web application information before approving payments to release funds; and (c) finalizing the standard operating procedure for using the E-banking web application that is tested, reviewed and cleared by UNDP Treasury..

Implementation status of previous OAI audit recommendations: Report No. 1566, 12 February 2016

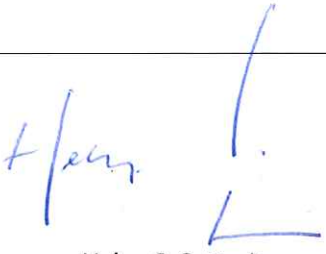
Total recommendations: 6

Implemented: 6

Management comments and action plan

The Resident Coordinator/Resident Representative accepted all seven 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.



Helge S. Osttveiten
Director
Office of Audit and Investigations