



AUDIT

OF

UNDP PARAGUAY

**APOYO A LA EJECUCION DE PROGRAMAS Y PROYECTOS DEL MINISTERIO DE
EDUCACION Y CULTURA**
(Directly Implemented Project No. 98619, Output No. 101840)

Report No. 2127
Issue Date: 11 July 2019

Report on the Audit of UNDP Paraguay
Apoyo a la Ejecución de Programas y Proyectos del Ministerio de Educación y Cultura
(Project No. 98619, Output No. 101840)
Executive Summary

The UNDP Office of Audit and Investigations (OAI), through BDO LLP (the audit firm), from 6 May to 15 May 2019, conducted an audit of *Apoyo a la Ejecución de Programas y Proyectos del Ministerio de Educación y Cultura*, Project No. 98619, *Fortalecimiento Institucional de la Dirección General de Programas y Proyectos del Ministerio de Educación y Cultura*, Output No. 101840 (the Project), which is nationally implemented¹ with direct support services provided by the UNDP Country Office in Paraguay (the Office). This was the first audit of the Project.

The audit firm conducted a financial audit to express an opinion on whether the financial statements present fairly, in all material aspects, the Project's operations. The audit covered the Project's Combined Delivery Report, which includes expenses for the period from 1 January 2017 to 31 December 2018 and the accompanying Funds Utilization statement² as of 31 December 2018. The audit did not cover the Statement of Assets as no assets were held by the Project. In addition, the audit did not cover the Statement of Cash Position as no separate bank account was established and maintained for the Project.

The audit was conducted under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Audit results

Based on the audit report and corresponding management letter submitted by the audit firm, the results are summarized in the table below:

Project Expenses	
Amount (in \$ '000)	Opinion
4,931	Unmodified*

*There was a Net Financial Misstatement of \$22,902.07 (equivalent to 0.5 percent of the total audited expenses) but it did not affect the audit opinion as it was not financially material.

Key recommendations: Total = 3, high priority = 1

For the high (critical) priority recommendation, 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. The high (critical) priority recommendation is presented below:

¹ Nationally implemented projects, or NIM projects, are audited by the responsible unit in UNDP. However, this NIM project was audited by OAI due to significant involvement of the Country Office in its implementation, and the subsequent materiality of the amount expensed by UNDP.

² The Funds Utilization statement includes the balance, as at a given date, of five items: (a) outstanding advances received by the project; (b) undepreciated fixed assets used at the project level; (c) inventory held at the project level; (d) prepayments made by the project; and (e) outstanding commitments held at the project level.

Lack of evidence of competitive procedures (Issue 3)

The audit found cases with lack of evidence of competitive procedures:

- a) Contracted training services amounting to \$914,161.90 did not include evidence of requests of proposals to other vendors.
- b) Three purchases amounting to \$24,321.09 for air conditioning equipment did not include evidence of a competitive process. The Office stated that they were unable to find the folders relating to the procurement process.
- c) A Long-Term Agreement for IT equipment dated 25 May 2011 was used in 2017 for purchases amounting to \$108,868. An email was shared referring to a more recent Long-Term Agreement with the same supplier. However, no copy of the more recent Agreement was provided, and no evidence of a secondary competition amongst the Long-Term Agreement holders was available.

Recommendation: To ensure competition and value for money in the procurement decisions, the Office should: (a) submit the cases highlighted to the Regional Advisory Committee on Procurement (RACP) for a post facto review; (b) improve its archiving systems to avoid the loss of supporting documents; and (c) ensure fair competition and value for money in Long-Term Agreements.

In addition, there are two medium (important) priority recommendations, which means, "Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP." These recommendations include actions to address the recovery of value added taxes and the timely delivery of goods and services.

The three recommendations aim to ensure the effectiveness and efficiency of operations.

Management comments and action plan

The UNDP Resident Representative accepted all three recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated into the report, where appropriate.



Antoine Khoury
Officer-in-Charge
Office of Audit and Investigations