



AUDIT

OF

UNDP COUNTRY OFFICE

IN

COLOMBIA

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Report on the Audit of UNDP Colombia Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Colombia (the Office) from 12 to 30 October 2020. 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
- (b) Development activities
- (c) Operations – procurement, finance, human resources, administrative services, information communication and technology (ICT)

OAI designed the following performance audit questions to guide the review of the following areas and sub-areas:

- (a) Governance
 - i. Was the Office's organizational structure adequate to achieve the agreed results in its portfolio of projects?
- (b) Development activities
 - ii. Was project management undertaken effectively?
 - a. Were projects designed with clear and measurable results linked to strategic objectives?
 - b. Were project monitoring and change management timely undertaken?
- (c) Procurement
 - iii. Were procurement activities conducted effectively?
 - a. Did the Office procure goods and services in a timely manner?
 - b. Was value for money achieved?
- (d) Finance
 - iv. Were financial transactions processed timely and accurately?

The audit covered the activities of the Office from 1 January 2019 to 30 September 2020. The Office recorded programme and management expenses of approximately \$121.4 million. The last audit of the Office was conducted by OAI in 2016.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Due to the COVID-19 pandemic, the audit was conducted remotely. Scope limitations due to the nature of the remote audit related to the following activities:

- (a) A review of original supporting documentation could not be carried out, and therefore the audit team relied on scanned copies of documents provided by the Office for all audit areas reviewed.
- (b) Meetings with Office staff and personnel were carried out virtually, which limited the audit team's understanding of the Office's working environment.

- (c) Project visits (location, site visits, meeting with counterparts/beneficiaries) were not conducted. Interviews with selected project counterparts, government officials, donors and project beneficiaries were carried out virtually.
- (d) A physical verification of assets was not performed.
- (e) Safe and petty cash contents were not verified.

Overall audit rating

OAI assessed the Office as **satisfactory**, which means “The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.”

Good practice:

The Office developed a geo referenced project monitoring tool incorporating additional data from national institutions to support project monitoring and implementation.

Key recommendations: Total = 2, high priority = 0

The audit did not result in any high (critical) priority recommendations. 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 weaknesses in project management, and weaknesses in submissions to the independent review committees.

The two recommendations aim to ensure the following: (i) effectiveness and efficiency of operations (Recommendations 2); and (ii) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendation 1).

Management comments and action plan

The Resident Representative accepted the two 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

I. About the Office

The Office, located in Bogota, Colombia (the Country) and its Country Programme covered the period 2016–2019 (extended up to the end of 2020) and included the following development priorities:

- a) Inclusive and sustainable growth
- b) Inclusive governance for urban and rural development
- c) Peacebuilding and peaceful conflict transformation

During the period from January 2019 to September 2020, the Office spent \$114.9 million on development activities, a decrease by 33 percent compared to the previous period. The reduction was caused by a devaluation of the local currency, change of government, and civil unrest, as explained below.

The largest development projects in terms of expenses during the period covered by the audit were:

Title	Expenditure Jan–Dec 2019 \$million	Expenditure Jan–Sep 2020 \$million
MPTF Ventana de Entidades No-Gubernamentales	8.31	3.96
PAZ SOSTENIBLE	6.42	4.54
EMPLEABILIDAD VICTIMAS RURALES	5.71	1.73
Apoyo Gestión Espacios Territoriales	4.92	4.69
EFICACIA Y EFICIENCIA EN USO DE RECURSOS REGALIAS	3.33	7.45
Total	28.69	22.37

Source: UNDP's STREAM Analytics website

The largest sources of funding of the Office's development activities for the period covered by the audit were:

Donor	Funding for the period \$million
Government of Colombia	46.7
Multi-Partner Trust Fund	21.8
Global Environment Facility	10.9
Norway	5.8
Sweden	4.2
Total	89.4

Source: UNDP's STREAM Analytics website

Other critical information

For many years, the Country faced challenges due to armed group activities in regions that affected several communities. The UN system worked closely with the Government on the peace process and the Office is instrumental in the implementation of the peace agreement through projects. From 21 November 2019 to 21 February 2020 there were national protests, which affected project implementation. In March 2020, the COVID-19 pandemic began, which further impacted project implementation throughout the remainder of the audit period.

II. Good practice

OAI identified a good practice, as follows:

Development Activities/Projects Administration: Geo-referenced real-time project information

The Office developed real-time project monitoring tools using “ArcGIS” (Geographic Information System software from ESRI) that allowed the visualization of geographical location and project data on a map incorporating layers of additional information such as gender, protected areas, internet coverage and COVID-19 data. The Office collaborated with several national institutions to obtain the data. The system utilizes a Power BI dashboard, which is used to facilitate the tracking of results and generates information to support the decision-making of project staff and programme boards.

III. Audit results

Satisfactory performance was noted in the following areas:

- (a) Development Activities – Country Programme. Implementing partners, government counterparts and donors with whom the audit team members met via videoconference during the audit mission expressed their appreciation of the Office as a valued development partner.
- (b) Operations – Finance. The Office adequately monitored the level and use of financial resources, managed risks of financial loss, and maintained accurate accounting records. It also adequately controlled commitments and disbursements.
- (c) Operations – Administrative Services. The governance, risk management and control systems within administrative services, which include travel and common services, were adequate and effective.
- (d) Operations – Information, Communication and Technology (ICT). The governance, risk management and control systems in ICT were adequate, operating and effective.

Satisfactory performance was observed in relation to the following performance audit questions, as indicated below:

- (a) Governance
 - i. Was the Office’s organizational structure adequate to achieve the agreed results in its portfolio of projects?

The Office structure was adequate to achieve the agreed results.

While the structure was adequate, the post of Finance Analyst, key in the Office’s structure, remained vacant for several months. Nevertheless, the Office undertook *ad hoc* arrangements to redistribute workload among staff members, which allowed financial management to be carried out effectively without impacting delivery or achievement of results. The Office’s recruitment of the new post was expected to be completed in 2021.

- (b) Development activities
 - i. Was project management effectively undertaken?

Based on the responses to the sub-questions below and the review of the selected projects, the audit team found that project management was undertaken effectively for the review period.

- a. Were projects designed with clear and measurable results linked to strategic objectives?
The audit sampled 7 Development projects (corresponding to 54 outputs) out of a total project portfolio of 88 projects (corresponding to 193 outputs). The sample included 3 nationally implemented projects and 4 directly implemented projects. Representing 39 percent of total programme delivery of 2019. The audit confirmed that project outputs were clearly defined, measurable and in line with the strategic objectives.
- b. Were project monitoring and change management timely undertaken?
From the sample of 7 development projects the audit confirmed that project monitoring was adequate: this included well documented quality assurance for projects under implementation; regular project site visits; spot checks and project audits (as applicable to the project implementation modalities). The Office developed a system to allow responsible parties to track results and report back to the Office which enhanced the monitoring of project results.

(c) Procurement

- i. Were procurement activities conducted effectively?

For the audit period and based on the sample of procurement processes selected for review, the audit team concluded that procurement activities were conducted effectively.

- a. Did the Office procure goods and services in a timely manner?
The audit reviewed 49 cases of procurement for goods and services and found them to be processed in accordance with the timeframes required by the respective projects. However, the interaction between the Service Centre and functioning of the procurement review committees required strengthening, as outlined in issue two.
- b. Was value for money achieved?
Value for money was achieved in the 47 out of 49 (96%) procurement processes reviewed, since a competitive process was followed, and the amount paid was in accordance with the allocated budget, except for the two cases described in Issue two.

(d) Finance

- i. Were financial transactions processed timely and accurately?

The financial transactions reviewed were processed timely and accurately. In all 114 payment transactions reviewed, payments were completed within the terms and conditions agreed. Out of the 114 payment transactions reviewed, 92 transactions were approved within one day of the entry into Atlas enterprise resource planning system. All transactions reviewed were accounted for accurately and in accordance with supporting documents.

OAI made two recommendations ranked medium (important) priority.

Low priority issues/recommendations were discussed directly and agreed with the Office and are not included in this report.

Medium priority recommendations, arranged according to significance:

- (a) Strengthen project management (Recommendation 1).
- (b) Improve the effectiveness of submissions of procurement cases to review committees (Recommendation 2).

The detailed assessment is presented below, per audit area:

A. Development Activities

1. Projects Administration

Issue 1 Weaknesses in project management

Effective project management includes (i) implementation of activities to achieve the agreed outputs, (ii) monitoring and evaluation, and (iii) closing of projects. Once a project has completed its operations, it should be operationally closed, and within 12 months, should be financially closed. Furthermore, the project multi-year work plan should be reviewed when progress reports are submitted to the project board and revised as needed to ensure a realistic plan for the provision of inputs and the achievement of results.

The audit team reviewed a sample of 7 projects of a portfolio of 88 ongoing projects; the sample included 4 directly implemented projects and 3 nationally implemented projects.

The audit team observed that two projects within the sample had low delivery (below 20 percent) when comparing actual expenses with the total approved budget for 2019. A similar situation was observed for the third quarter of 2020, where delivery for these two projects was less than 26 percent when compared to the total budget for the year. The Office explained that in both cases the project boards were aware of the situation and the projects were managing the difficulties encountered.

The audit team reviewed the status of project delivery for the whole portfolio of 88 projects and found, as of the end of the third quarter of 2020, that for 39 projects the delivery was less than 50 percent of the total annual budget. The Office showed that monitoring of project progress and delivery was being completed; however, changes to the multi-year work plans to reflect the lower delivery were delayed due to the global pandemic and the number of involved institutions.

In addition, the audit team identified that 17 project outputs were not financially closed within 12 months and furthermore the Office did not complete the Quality Assessments for closure for four projects within the stipulated timeframe. Following the audit, 13 of the 17 outstanding project outputs have since been closed.

Failure to implement the corporate guidelines may impair the achievement of intended project outputs, which in turn may also negatively affect UNDP's reputation and result in the loss of confidence from stakeholders.

Priority	Medium (Important)
Recommendation 1:	
The Office should strengthen project management by:	
<ul style="list-style-type: none"> (a) ensuring that in case of delays, budgets are revised in consultation with donors and counterparts; and (b) strengthening the project closure process by completing the Quality Assessments and, financially closing projects within 12 months. 	
Management action plan:	
<ul style="list-style-type: none"> (a) Monitoring and follow-up activities of the established targets during annual work plan preparations were done. The Office is measuring and has measured against the projections presented in its Integrated Work Plan, and that is how the quarterly dashboard monitors the progress on delivery. The Office cannot apply open budget lines in years beyond the fiscal year for which government cost sharing resources have been allocated as, the Government does not use multi-year budgeting. The Office can only, at the end of the year, negotiate to extend the project and create a new budget year to allocate the remaining resources. In the case of the sustainable development area (Green Climate Fund and Global Environmental Facility projects), the Office cannot decide budget allocations per year, but rather needs to align the allocations according to how the projects were formulated. In addressing the OAI recommendation, the Office will maintain and ensure project implementation as planned and follow up will be made on a monthly basis to ensure budget adjustments when necessary, especially at 2020-year end and in setting the delivery targets of its 2021 Integrated Work Plan. (b) The Office will continue to strengthen the project closure process with timely actions. It expects to regularize and close outstanding projects during the first quarter of 2021. 	
Estimated completion date: June 2021	

B. Operations

1. Procurement – Goods & Services

Issue 2 Weaknesses in submissions to the independent review committees

UNDP requires the independent review of procurement processes prior to award of a contract. The review process confirms that offers received are the result of a fully compliant process, funds are available, and risks have been assessed and mitigated. The Contracts, Assets and Procurement Committee (CAP) Chairperson should be a senior staff member at the Professional category level and the majority of the evaluation committee members should be UNDP staff.

Within the audit period, there were 114 CAP submissions, 56 Regional Advisory Committee on Procurement (RACP) submissions, and 4 Advisory Committee on Procurement (ACP) submissions.

The following weaknesses were identified relating to the review committees:

- For all 16 RACP submissions reviewed, the required quality check for the submission to the RACP was not undertaken by the CAP Chairperson, and this resulted in a significant number of follow-up questions on the cases submitted.
- The audit team identified two complex procurement cases totalling \$1.5 million, which were awarded as separate contracts by dividing the procurement into lots. The RACP review process for these cases took, on average, 14 days and the number of days to complete the evaluation at the Office level were 50 days and 126 days, respectively.
- The CAP was not always chaired by a staff member with appropriate seniority and knowledge of procurement policies and procedures. While the Chairperson was the Operations Manager, the alternate Chairperson was a General Service staff member.
- For 17 procurement processes, carried out on behalf of UN agencies, the majority of the evaluation committee members were not UNDP staff. In these instances, the participating UN agency held majority committee membership.

Delays in the time taken for the committees to review procurement cases impacts the achievement of project results.

Priority	Medium (Important)
Recommendation 2: The Office should improve the effectiveness of submissions of procurement cases to review committees by ensuring that: <ul style="list-style-type: none"> (a) a comprehensive quality check is completed by the Contracts, Assets and Procurement Committee Chairperson; (b) a majority of the evaluation committee members are UNDP staff; and (c) a procurement strategy is devised for complex procurement cases that are awarded by lots. 	
Management action plan: <ul style="list-style-type: none"> (a) In order to improve the current practices of the Office, starting in January 2021, a formal presentation of the case to the CAP Chairperson will be established and such presentations will be properly documented. In addition, a meeting with the RACP Chairperson will be requested to obtain feedback to clarify the suitable guidelines to mitigate an extended review process. (b) The Office will ensure that the majority of the evaluation committee members are UNDP staff. (c) In the first week of February 2021, a guide to procurement through lots will be prepared that contains the strategy to achieve good value for money; for this the Office will request support from the Regional Procurement Advisor. 	
Estimated completion date: June 2021	

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Satisfactory** The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Some Improvement Needed** 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.
- **Partially Satisfactory / Major Improvement Needed** The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.
- **Unsatisfactory** The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

B. 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. Failure to take action could result in 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.