



**AUDIT**

**OF**

**UNDP GUATEMALA**

**PROGRAMA DE DESARROLLO METROPOLITANO**  
**(Nationally Implemented Project No. 36408, Output Nos. 39570, 46679, and 46682)**

**Report No. 2235**

**Issue Date: 24 July 2020**

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**Report on the Audit of UNDP Guatemala**  
**Programa de Desarrollo Metropolitano (Project No. 36408, Output Nos. 39570, 46679, and 46682)**  
**Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through KPMG SA (the audit firm), from 8 to 30 June 2020, conducted an audit of *Programa de Desarrollo Metropolitano* (Project No. 36408, Output Nos. 39570, 46679, and 46682) (the Project), which is nationally implemented<sup>1</sup> with support services provided by UNDP Guatemala (the Office). The project was not audited through the direct implementation modality regime in the prior year and therefore there are no recommendations to follow up on. This was due to the fact that the Project was audited in 2018 following the Harmonized Approach to Cash Transfer/National Implementation Modality regime, whereas this audit report is based on the recorded expenditures relating to UNDP Guatemala exclusively that followed the direct implementation modality audit regime.

The audit firm conducted a financial audit in accordance with the International Standards of Auditing (ISA) the 700 series, 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 2019 to 31 December 2019 and the accompanying Funds Utilization statement<sup>2</sup> as of 31 December 2019.

The audit did not include activities and expenses incurred or undertaken at the "responsible party" level. 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 submitted by the audit firm, the results are summarized in the table below:

Amount (in \$ '000)	Opinion
17,773	Unmodified

*\*Expenses recorded in the Combined Delivery Report were \$18,244,481. Excluded from the audit scope were expenses incurred at the "responsible party" level \$471,554, which were subject to a separate audit conducted by external auditors that resulted in an unmodified opinion.*

The audit did not result in any recommendations.

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<sup>1</sup> The responsible units in UNDP facilitate the audits of nationally implemented (NIM) projects. However, this NIM project was audited by OAI due to the significant involvement of the Country Office in its implementation, and the subsequent materiality of the amount expended by UNDP.

<sup>2</sup> 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.



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**Management comments and action plan**

Comments and/or additional information provided have been incorporated into the report, where appropriate.

*Moncef Ghrib*

Moncef Ghrib  
Officer-in-Charge  
Office of Audit and Investigations



**United Nations Development Programme  
(UNDP)**

Report of the Independent Auditor on  
the United Nations Development Programme (UNDP)  
National Implemented (NIM) Project – with support services  
provided by UNDP  
Project ID 00036408  
“Programa de Desarrollo Metropolitano” –  
Output ID 00039570, 00046679 and 0046682  
Guatemala  
For the period from 1 January to 31 December 2019



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## Executive Summary

KPMG Geneva conducted the financial audit of UNDP NIM Project ID 00036408 “Programa de Desarrollo Metropolitano” – Outputs ID 00039570, 00046679 and 0046682, for which UNDP Guatemala provides direct and significant support in its implementation, for the period from 1 January to 31 December 2019. The audit was undertaken on behalf of the Office of Audit and Investigations (OAI) United Nations Development Programme (UNDP).

We have issued audit opinions as summarized in the table below and as detailed in the next section:

<b>Financial Position</b>	<b>Unmodified</b>
<b>Statement of Fixed Assets</b>	<b>Not Applicable because the project did not have any assets.</b>
<b>Statement of Cash</b>	<b>Not Applicable because the project did not maintain a separate bank account.</b>

There were no reportable findings with a medium or high priority rating consequently we do not issue a management letter.

The Project ID 00036408 “Programa de Desarrollo Metropolitano” – Output ID 00039570, 00046679, 0046682 was not audited in the prior year and therefore no recommendations to follow up on. This was due to the fact that the project was audited in 2018 following the HACT/NIM regime, whereas this audit report is based on the CDR recorded expenditures under UNDP Guatemala exclusively that followed the NIM support implementation modality audit regime.

KPMG SA

Pierre-Henri Pingeon  
*Partner*

Henri Mwaniki  
*Senior Manager*

Geneva, 20 July 2020



## **Audit Objectives and Scope**

The objective of the financial audit was to express an opinion on the project financial position which includes:

- Expressing an opinion on whether the financial expenses incurred by the project over a specified period as well as the Fund Utilization statement, the accounts receivable and the accounts payable as at the end of a specified period are fairly presented in accordance with UNDP accounting policies and that the expenses incurred were: (i) in conformity with the approved project budgets; (ii) for the approved purposes of the project; (iii) in compliance with the relevant regulations and rules, policies and procedures of UNDP; and (iv) supported by properly approved vouchers and other supporting documents.
- Expressing an opinion on whether the Statement of Fixed Assets, at Net Book Value, presents fairly the balance of depreciated assets of the UNDP project as at 31 December 2019. This Statement must include all assets available as at 31 December 2019 and not only those purchased in a given period. The opinion is rendered on the Net Book value balance of the Assets. Where a project does not have any assets or equipment, it will not be necessary to express such an opinion.
- Expressing an opinion on whether the Statement of Cash held by the project presents fairly the cash and bank balance of the project as at 31 December 2019. Disbursements made against a project are usually financed from regular country office bank accounts. Exceptionally, a dedicated account may be opened and used solely for the cash transactions of a project, e.g. if the project is in a remote location. The audit firm is required to express an opinion on the Statement of Cash only where a dedicated bank account for the project has been established. In cases where the cash transactions of the audited project are made through the country office bank accounts this type of opinion is not required.
- As maybe applicable, provide the progress made in implementing the recommendations raised in previous year audit report.

The Financial Audit was conducted in accordance with the International Standards of Auditing (ISA), the 700 series.

The scope of the audit relates only to transactions concluded and recorded against the UNDP project, between 1 January and 31 December 2019. The scope of the audit did not include:

- Activities and expenses incurred or undertaken at the level of “responsible parties”, unless the inclusion of these expenses is specifically required in the request for proposal; and
- Expenses processed and approved in locations outside the country such as UNDP Regional Centres and UNDP Headquarters and where the supporting documentation is not retained at the level of the UNDP country office.



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## **Independent Auditors' Report**

Opinion on Financial Position

**To: The Director of the Office of Audit and Investigations (OAI)  
United Nations Development Programme (UNDP)**

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We have audited the financial position of the UNDP Project ID 00036408 – Outputs ID 00039570, 00046679 and 0046682 “Programa de Desarrollo Metropolitano” for the period from 1 January to 31 December 2019 which includes: (a) the accompanying Combined Delivery Report (CDR); and (b) the Funds Utilization Statement (“The Statement”).

The CDR expenditure totaling USD 18,244,481.10 is comprised of expenditure directly incurred by the UNDP Country Office in Guatemala for an amount of USD 17,772,927.41 and expenditure incurred by entities other than the Country Office for an amount of USD 471,553.69. Our audit only covered the expenditure directly incurred by the UNDP Country Office in Guatemala of USD 17,772,927.41.

### **Unmodified Opinion**

In our opinion, the attached CDR and Funds Utilization statement present fairly, in all material respects, the expenses of USD 17,772,927.41 directly incurred by the UNDP Country Office in Guatemala and charged to the project for the period from 1 January to 31 December 2019 in accordance with UNDP accounting policies, and were: (i) in conformity with the approved project budgets; (ii) for the approved purposes of the project; (iii) in compliance with the relevant regulations and rules, policies and procedures of UNDP; and (iv) supported by properly approved vouchers and other supporting documents.

### **Basis for unmodified opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the auditor’s responsibilities for the audit of the CDR and Funds Utilization section of our report. We are independent of UNDP in accordance with the International Ethics Standards Board of Accountants’ Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with this code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Management responsibilities**

Management is responsible for the preparation of the CDR and the Funds Utilization statement of the project, and for such internal control as management determines is necessary to enable the preparation of a CDR and Funds Utilization statement that are free from material misstatement, whether due to fraud or error.





## **Auditor’s responsibilities**

Our objectives are to obtain reasonable assurance about whether the CDR and the Funds Utilization statement are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these documents.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the CDR and Funds Utilization statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization’s internal control.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG SA

Pierre-Henri Pingeon  
*Partner*

Henri Mwaniki  
*Senior Manager*

Geneva, 20 July 2020

**Annex:**

Annex 1: Combined Delivery Report and Funds Utilization Statement – Outputs ID 00039570, 00046679 and 0046682 (USD)



Combined Delivery Report By Project

UN Development Programme

Report ID: unglcdrp

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Run Time: 13-02-2020 18:02:50

Selection Criteria :

Business Unit : GTM10
Period : Jan-Dec (2019)
Selected Project Id : 00036408
Selected Fund Code : ALL
Selected Dept. IDs : ALL
Selected Outputs : ALL

Table with 4 columns: Project Id, Output #, Impl. Partner, Location, and a summary row for Govt Exp, UNDP Exp, UN Agencies Exp, and Total Exp.

Dept: 50401 (Guatemala - Central)

Fund : 30071 (Programme Cost Sharing GOV1)

Table listing various project activities with columns for activity name, Govt Exp, UNDP Exp, UN Agencies Exp, and Total Exp.

Total for Fund 30071 0.00 15,769,839.86 0.00 15,769,839.86

Total for Dept : 50401 0.00 15,769,839.86 0.00 15,769,839.86

Total for Output : 00039570 0.00 15,769,839.86 0.00 15,769,839.86

Table header for Output # 00046679 PRODEME-MEDIO AMB Y DESE SOL, Impl. Partner: 01396 Municipalidad de Guatemala, Location: Guatemala

Dept: 50401 (Guatemala - Central)

Fund : 30071 (Programme Cost Sharing GOV1)

Table listing various project activities for Output 00046679 with columns for activity name, Govt Exp, UNDP Exp, UN Agencies Exp, and Total Exp.

Total for Fund 30071 0.00 1,375,024.37 0.00 1,375,024.37

Total for Dept : 50401 0.00 1,375,024.37 0.00 1,375,024.37

Total for Output : 00046679 0.00 1,375,024.37 0.00 1,375,024.37

Table header for Output # 00046682 DESARROLLO METROPOLITANO, Impl. Partner: 01396 Municipalidad de Guatemala, Location: Guatemala

Dept: 50401 (Guatemala - Central)

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Combined Delivery Report By Project

UNDP UN Development Programme
Report ID: unglcdrp

Page 2 of 4
Run Time: 13-02-2020 18:02:50

Table with project details: Project Id: 00036408, Output #: 00046682, Period: Jan-Dec (2019), Impl. Partner: 01396, Location: Guatemala. Includes columns for Govt Exp, UNDP Exp, UN Agencies Exp, and Total Exp.

Fund : 30071 (Programme Cost Sharing GOV1)

Table listing various line items such as Local Consult., Service Contracts, and Sundry items with their respective expenses across different categories.

Summary table for Fund 30071, Dept 50401, and Output 00046682, showing total expenses for each category.

Project Total summary row showing overall expenses: 0.00 for Govt, 18,244,481.10 for UNDP, 0.00 for UN Agencies, and 18,244,481.10 Total.

Handwritten signature of Pierre-Henri Pingeon

Handwritten signature of Henri Mwaniki

Pierre-Henri Pingeon, Partner
KPMG SA, Geneva
20 July 2020

Henri Mwaniki, Senior Manager
KPMG SA, Geneva
20 July 2020

Signed By: [Signature] Irma Rodas, Coord. Nac. Date: 14 FEB 2019

Signed By: [Signature] Ana Maria Diaz, Representante Residente SAUD Guatemala Date: 20 FEB 2020



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**Selection Criteria :**

Business Unit : GTM10  
 Period : Jan-Dec (2019)  
 Selected Project Id : 00036408  
 Selected Fund Code : ALL  
 Selected Dept. IDs : ALL  
 Selected Outputs : ALL

Project Id : ALL	Period : Jan-Dec (2019)			
Output # : ALL	Impl. Partner :			
	Location :			
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
50401 - Guatemala - Central	0.00	18,244,481.10	0.00	18,244,481.10



**Funds Utilization**

**Selection Criteria :**

Business Unit : GTM10  
 Period : Jan-Dec (2019)  
 Selected Project Id : 00036408  
 Selected Fund Code : ALL  
 Selected Dept. IDs : ALL  
 Selected Outputs : ALL

Project/Award: 00036408 PROG DESARROLLO METROPOLITANO Period : As at Dec 31, 2019

Output #	00039570	Impl. Partner :01396 Municipalidad de Guatemala	UNDP AMOUNT
Outstanding NEX advances			0.00
Undepreciated Fixed Assets			0.00
Unamortized Intangible Assets			0.00
Inventory			0.00
Prepayments			0.00
Commitments			0.00

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