UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP COUNTRY OFFICE

IN

GUYANA

Report No. 2567
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Report on the Audit of UNDP Guyana
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Guyana (the Office) from 12 to 27 September 2022, remotely. 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)

In addition, OAI assessed the performance of the Office in the following areas and sub areas: development activities and procurement.

Performance auditing is an independent, objective and reliable examination of an entity or process to assess whether economy, efficiency and effectiveness in the employment of available resources is being achieved.

(a) Development activities: Were project results achieved in accordance with the planned budget and timeframe?

(b) Procurement: Did the Office conduct procurement activities in a timely manner to support development activities?

The audit covered the activities of the Office from 1 January 2021 to 30 June 2022. The Office recorded programme and management expenses of approximately $5.6 million. The last audit of the Office was conducted by OAI in 2017.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing of* The Institute of Internal Auditors (The IIA). In view of the Office’s low risk rating resulting from OAI’s annual risk assessment exercise, 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.
(d) A physical verification of assets was not performed.
(e) Safe contents and petty cash were not verified.
(f) The information communication and technology area was not reviewed on-site.

Overall audit rating

OAI issued an audit rating for the Office of **partially satisfactory/major improvement needed**, which means that “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.” This rating was mainly due to concerns regarding the Office’s financial sustainability, weaknesses in risk management, and weaknesses in procurement management and oversight.

Conclusions on the performance audit areas reviewed:

- Projects were not timely implemented (Issues 1 to 4) and this had an impact on the position of the Office as a key development actor, especially from the perspective of two key donors, namely the Global Environment Facility (GEF) and Guyana REDD+ Investment Fund (GRIF), and project counterparts. In addition, staff capacity gaps affected the timely implementation of projects, which led to financial sustainability concerns for the Office.

- The procurement of goods and services was not timely conducted, and that also affected programme delivery (Issue 5).

These findings have been incorporated in the overall auditing rating.

Key recommendations Total =**8**, high priority = **3**

The eight recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	1, 3, 5	High
	2, 4	Medium
Reliability and integrity of financial and operational information	6	Medium
Effectiveness and efficiency of operations	7	Medium
Safeguarding of assets	8	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. The high (critical) priority recommendations are presented below:

Office financial sustainability concerns (Issue 1)

The Office was not financially sustainable. Over the past three years, it recorded deficits between the institutional revenue and the related expenses, amounting to $428,000 in 2019, $263,000 thousand in 2020 and $724,000 in 2021. These deficits were financed with the Regional Bureau for Latin America and the Caribbean's core resources. This occurred because of the following shortcomings:

- Programme delivery targets during the previous Programme Cycle (2017–2021) were not achieved by the Office, except for 2018. The previous Country Programme Document closed with an implementation rate of 56 percent of the original target of $36.4 million.

- The management efficiency ratio (management expense/programme expense), which indicates how efficiently the Office is using its resources to implement programmes, was higher compared to the other offices in the Latin America and the Caribbean region. This was due not only to low programme delivery but also to the Office's inability to contain costs.

- A financial sustainability strategy and corresponding action plan were yet to be prepared.

Recommendation: To address financial sustainability issues, the Office, in coordination with the Regional Bureau for Latin America and the Caribbean, should: (a) develop a financial sustainability strategy and action plan; and (b) closely monitor the gap analysis implementation plan to address shortcomings identified in project implementation.

Weaknesses in risk management (Issue 3)	The quality of risk management did not conform to risk management principles. At the programme level, risks assessed and ranked by the Office were not consistent with the audit team's own assessment. At the project level, for three of five projects sampled (Project Nos. 77798, 94518 and 126596), risk registers in Atlas were not properly managed as the activities for treatment identified for these risks lacked respective implementation timeframes, expected effects from treatment of these risks, and did not have a responsible focal point assigned to them. In addition, the audit team noted that discussions on project-level risks were only documented in two project board meetings out of the five development projects sampled (held in September 2021 for Project No. 94518 and in December 2021 for Project No. 110555). Recommendation: The Office should strengthen risk management by: (a) reassessing its programme risks for the required mitigation measures and respective treatment plans; and (ii) reviewing all project-level risks and ensuring that the Atlas risk register is complete and updated for all ongoing projects,
Weaknesses in procurement management and oversight (Issue 5)	The audit team found the following shortcomings in procurement: (i) procurement strategies were not developed for large-scale projects; (ii) procurement plans were not prepared for all projects; and (iii) the Procurement Unit did not assess the reputational risks in delays encountered in the procurement processes. Further, there were delays arising from inefficient procurement processes. The audit team reviewed the timeliness of the requisitions and the creation of purchase orders (POs) and noted that out of 74 POs created during the audit period and amounting to $1.7 million, 31 requisitions amounting to $0.5 million were created on the same day when POs were created due to lack of adequate planning. Recommendation: The Office should strengthen procurement management and oversight by: (a) preparing a comprehensive and consolidated annual procurement plan in the corporate platform and updating it on a regular basis, and a procurement strategy for projects requiring large-scale procurement; (b) reviewing the composition of its Contracts, Assets and Procurement Committee (CAP); and, (c) reinforcing oversight on procurement activities and risk assessment of potential delays, including timely creation and approval of requisitions and POs that have been set up to be aligned with the terms and conditions agreed with the selected vendor.

Management comments and action plan

The Deputy Resident Representative accepted all eight 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.

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Helge S. Osttveiten
Director
Office of Audit and Investigations

I. About the Office

The Office is located in Georgetown, Guyana (the Country). The audit period covered two Country Programme cycles: 2017–2021 and 2022–2026. The 2017–2021 Country Programme had the following development priority areas:

a) enhanced public health;
b) inclusive prosperity;
c) natural capital; and
d) democratic governance.

The 2022–2026 Country Programme has the following development priority areas:

a) economic resilience and shared prosperity;
b) safety and security;
c) natural resource management and resilience to climate change; and
d) equality and well-being.

During the audit period covering January 2021 to June 2022, the Office spent $4.6 million on development activities, a decrease of 19 percent compared to the previous period.

The largest development projects in terms of expenses (representing approximately 70 percent of the total delivery) during the period covered by the audit were:

Title	Expenditure Jan – Dec 2021 $million	Expenditure Jan – June 2022 $million
ICT Access & E-Services for Hinterland, Poor	0.80	0.90
Amerindian Land Titling Project	0.70	0.31
Engagement Facility	0.50	0.04
Total	**2.00**	**1.25**

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

Donor	Funding for the period $million
Vertical fund – GEF	1.41
Multi Partner Trust Funds	0.47
Total	**1.88**

Other critical information

The Office faced several challenges over the prior two years that hindered its ability to achieve programmatic results, such as the ineffective implementation of programme and projects, which was exacerbated by the COVID-19 pandemic. In addition, the results of a national election process resulted in changes within most project counterparts, which further delayed project implementation. The latter impacted the Office's financial sustainability. To address the root cause of the issues impacting the Office, the Regional Bureau for Latin America and the Caribbean, in the first quarter of 2022, commissioned a team to undertake a gap analysis to identify lapses in the Office's operations and to identify corrective measures oriented towards (i) strengthening the capacity of the Office, (ii) delivering on the new strategic plan and Country Programme, and (iii) repositioning the Office as a trusted partner in the Country. Actions were developed by the team; however, as of the time of the audit (six months after an action plan was laid out), the Office had yet to demonstrate significant improvements, as expected.

The Regional Bureau for Latin America and the Caribbean continued to follow the implementation of the gap analysis action plan. Refer to the issues disclosed throughout the report, which provide further details on issues faced by the Office.

II. Audit results

Effective controls were established and functioning in the following area:

(a) Information, communication and technology (ICT): ICT systems were found to be operating effectively.

OAI made three recommendations ranked high (critical) and five recommendations ranked medium (important) priority.

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

High priority recommendations, arranged according to significance:
(a) Address financial sustainability issues (Recommendation 1).
(b) Strengthen risk management (Recommendation 3).
(c) Strengthen procurement management and oversight (Recommendation 5).

Medium priority recommendations, arranged according to significance:
(a) Address the gaps in the programme and project monitoring and oversight (Recommendation 2).
(b) Comply with project quality standards and gender streamlining (Recommendation 4).
(c) Adopt controls to timely monitor outstanding cash advances (Recommendation 6).
(d) Enhance travel management (Recommendation 7).
(e) Improve vehicle management (Recommendation 8).

Conclusion on the Office's performance in the following audit areas/sub-areas:

To form an opinion and conclude on the performance elements of this audit, the audit team used the following audit criteria:

- Actual data about programmatic results is periodically collected and analysed and results are continually measured against targets and baselines to track and monitor that they are achieved.
- The recruitment strategy for each recruitment case includes the desired starting dates of when new staff are expected to be on board, and the Office is expected to adhere to these dates.
- Organizational procurement principles require timeliness, to ensure that goods and services are provided at the appropriate time. The appropriate time is the time stated by the requesting unit in terms of the number of days from the day the request for goods/services is made, to the date goods and services are expected to be received, and this is captured in Atlas (enterprise resource planning system of UNDP).

And the following questions:

(a) Development activities: Were project results achieved in accordance with the planned budget and timeframe?

Based on the review of the selected projects, the audit team found that project results were not achieved in accordance with the planned budget and timeframe.

The audit team sampled 5 development projects and one Engagement Facility (comprising 15 outputs) out of a portfolio of 15 development projects (25 outputs). The sample included four projects following the national implementation modality and one under the direct implementation modality, representing 87 percent of total programme delivery for the audit period. The review of the project sample showed that progress towards the achievement of results was delayed and unsatisfactory in four out of the five projects sampled.

The audit team found that for the sampled projects, 43 percent of output level indicators were not achieved, and project budgets were not sufficiently implemented during the expected timeframe, with three out of five sampled projects requiring extensions. Issues impairing the achievement of project results were low programme delivery linked to challenges in the procurement of goods and services, and the contextual situation in the Country, notably the change in government following the 2020 national elections and subsequent reforms and change of leadership in government institutions, as well as the impact of the COVID-19 pandemic (please see Issues 2, 3 and 4).

(b) Procurement: Did the Office conduct procurement activities in a timely manner to support development activities?

The audit team concluded that the Office did not conduct procurement activities in a timely manner to support development activities.

The audit team reviewed a sample of 20 of the 75 procurement processes, amounting to $0.8 million or 45 percent of the total procurement processed during the audit period. Delays and inefficiencies in procurement processes, amounting to $255,000, were encountered in two of the sampled procurement processes.

The audit team also noted that procurement strategies were not developed for the Office's main projects: Amerindian Land Titling project (77798) and ICT for Hinterland, Poor and Remote Communities project (94518). In addition, the audit team found that project procurement plans were not uploaded to the Procurement Management Platform (PROMPT). Having developed procurement strategies and procurement processes monitored in PROMPT would have helped the Office in managing the processes efficiently and effectively and ultimately, it would have helped the programme in achieving its objectives (Please see issue 5).

These findings have been incorporated in the overall auditing rating.

The detailed assessment is presented below, per audit area:

A. Governance

1. Financial sustainability

Issue 1 Office financial sustainability concerns

The 'UNDP Programme and Operations Policies and Procedures' stipulate that Country Offices should ensure financial sustainability by generating sufficient funds to cover operating costs. Income is generated through the General Management Support (GMS) fee, delivery enabling services (DES), and other revenues. Country Offices are required to align available resources with expected expenditures to ensure financial sustainability and operational continuity.

The Office was not financially sustainable over the last three years as the Office recorded deficits between the institutional revenue and the related expenses, amounting to $428,000 in 2019, $263,000 in 2020 and $724,000 in 2021. These deficits were financed with the Regional Bureau for Latin America and the Caribbean's core resources. This occurred because of the following:

Programme delivery targets unmet

Programme delivery targets during the previous programme cycle (2017–2021) were not achieved by the Office, except in 2018. The 2017–2021 Country Programme Document closed with an implementation rate of 56 percent of the expected target of $36.4 million. Moreover, in 2021, the Office did not manage to implement the total amount of core resources assigned, remaining with a closing year balance of $99,823 out of an allotment of $511,299 of regular resources (known as Target for Resource Assignment from the Core, or TRAC resources), which are required to be programmed and spent by the end of the calendar year during which they were assigned.

UNDP Guyana actual programme delivery over delivery targets (figures in $million) 2017–2021					
-	**2017**	**2018**	**2019**	**2020**	**2021**
Programme Delivery Targets	6.45	4.6	10.23	6.69	5.31
Programme Delivery	4.3	5.1	3	5	2.9
Implementation rate	67%	111%	29%	75%	55%

Lack of financial sustainability strategy and action plan

The audit team noted that a financial sustainability strategy and corresponding action plan were yet to be prepared which would be very useful given the financial concerns highlighted above.

High management efficiency ratio

In addition, the management efficiency ratio (calculated as management expense divided by programme expense), which indicates how efficient the Office is in using its resources to implement programmes, was higher compared to the other offices in the Latin America and the Caribbean region. The management efficiency ratios for the period 2019–2021 were as follows:

Management efficiency Ratio	**2021**	**2020**	**2019**
Office	24.6%	14.5%	28.6%
Regional average	4.84%	6.73%	7.78%

From 2019 to 2020, the management efficiency ratio decreased from 28.6 percent to 14.5 percent. This was due to a decrease of 14.8 percent in the management expenses, from $851,346 in 2019 to $725,731 combined with an increase of 68 percent in programme delivery, from $2,972,052 to $4,991,873. From 2020 to 2021, the management efficiency ratio increased from 14.5 percent to 24.6 percent. This was due to management expenditures remaining steady, from $725,731 in 2020 to $723,272 in 2021 combined with a decrease of 42 percent in programme delivery, from $4,991,873 in 2020 to $2,895,147 in 2021.

Concerns over implementation efficiency of key projects

The audit team noted that four projects funded with resources from the main donors to the Country Programme, the Global Environmental Facility (GEF) and the Guyana REDD+ Investment Fund (GRIF), (amounting to 67 percent of the funds implemented during the audit period), incurred significant delays in their implementation, with project extensions of 16, 18 and 96 months. Further, there was a project that was approaching its last month of implementation, and had not yet achieved most of the results, and had an unspent budget of around 50 percent.

The high personnel turnover and prolonged periods of vacancies affected key posts at all levels (e.g., Operations Analyst position was vacant for six months, the Business Development and Results Management Analyst position was vacant for more than 6 months, and the Assistant Resident Representative post had yet to be advertised and filled) had an adverse impact on the overall effectiveness of the internal structure, translating into implementation capacity weaknesses.

The audit team found that there was concern amongst donors and development partners regarding the Office's lower than expected programme delivery efficiency.

To address recurring issues impacting the Country Programme, the Regional Bureau for Latin America and the Caribbean put in place a joint task force in the first quarter of 2022 to carry out a gap analysis action plan, which addressed, amongst other issues, implementation challenges for accelerating delivery -mainly by improving operational and programmatic capacities; diversifying the portfolio; reviewing standard operating procedures and fostering engagement among the Office's personnel. However, at the time of the audit, the progress on the implementation of the gap analysis action plan had not yielded the expected results, due to delays in the actual implementation of the plan mainly due to changes in the Office's leadership.

As a result of the above issues, the Office may not be able to maximize its development impact and ensure operational continuity, which may result in the non-achievement of UNDP's overall mandate in the Country, therefore increasing financial and reputational risks for the Office.

Priority	High (Critical)

Recommendation 1:

To address financial sustainability issues, the Office, in coordination with the Regional Bureau for Latin America and the Caribbean, should:

(a) develop a financial sustainability strategy and action plan; and
(b) closely monitor the gap analysis implementation plan to address shortcomings identified in project implementation.

Management action plan:

To address concerns on financial sustainability following actions will be taken:

- The Office will develop a scenario-based financial sustainability strategy and action plan, in complement to a resource mobilization strategy.

- Since the formulation of the gap analysis plan and presentation to the Office in March 2022, the gap analysis has been a standing agenda item for all-staff meetings, and the action plan has been updated monthly. In addition, the Office's Senior Management Team meets on a weekly basis to review programme delivery and any other critical management issues. This practice will continue and progress in the implementation of the plan will be measured on 30 June 2023.

Estimated completion date: 30 June 2023

B. Development Activities

1. Country Programme

Issue 2 Weaknesses in governance of programme and projects

The 'UNDP Programme and Operations Policies and Procedures' require that adequate management arrangements and oversight mechanisms be established at programme and project levels to ensure UNDP's accountability for activities, results, and the use of resources, as well as to foster national ownership. All programmes and projects must be governed by a multi-stakeholder board or committee.

The audit team reviewed the programme portfolio and noted that annual project level steering committee meetings were held and documented for all five projects in the sample. However, the audit disclosed the following:

- The Office had not established a programme board, necessary for providing overall guidance and direction to the Country Programme and serving as a mechanism for assessing, monitoring, and jointly agreeing on adjusting the programme's theory of change, to achieve the agreed development results.

- There were oversight gaps at the project level, and a lack of systematic documentation of field visits and monitoring reports. The audit team found that the terms of reference of project boards for all five sampled projects were not sufficiently detailed, were missing detailed information on the roles of project board members, and failed to clarify the required segregation of duties between project implementation and oversight. In addition, the monitoring of activities and results was not adequately documented. Of the five projects sampled, only one field visit was documented (Project No. 126596) and for two of five projects sampled, monitoring reports were not registered (Project Nos. 94518 and 96369).

The failure to put in place a programme board and an adequate framework for project boards puts the Country Programme at risk. It may also result in missed opportunities to align the programme with the country priorities, hinder coordination efforts amongst development actors, and hinder the Office´s capacity to build a trust-based partnership with national authorities.

Priority	Medium (Important)

Recommendation 2:

The Office should address the gaps in programme and project monitoring and oversight by:

(a) establishing a formal and functional programme board with government counterparts;
(b) ensuring adequate terms of reference for project boards are drafted and included in project documents, to support project-level monitoring and oversight; and
(c) documenting field visits to enhance project-level monitoring.

Management action plan:

The Office will take the following actions:

(a) A programme board will be formalized with the Government to ensure functionality.

(b) Building on the standard terms of reference included in project documents, the Office will ensure that adequate measures to support project-level monitoring and oversight are reflected and that monitoring reports emanating from field missions are documented.

Estimated completion date: 30 June 2023

Issue 3 Weaknesses in risk management

UNDP's Enterprise Risk Management (ERM) policy is the UNDP framework for ensuring risk management, informing adaptative measures, and ensuring course correction of programmes and projects. It aims to ensure foresight and risk-informed decisions across all levels of the organization. While the ERM policy enables risk appetite to promote innovation development gains, it also calls for rigorous due diligence, monitoring, and control actions.

The audit team reviewed the Office's programme risk logs as well as the project risk logs of the 5 projects sampled, consisting of 8 and 93 risks registered, respectively. At the time of the audit fieldwork, 62 of these project risks had a status of ongoing, indicating that they were still relevant and needed mitigation measures. The project risk dashboard for the Office at the time of the audit indicated that there was one active project without risk entries (Project No. 133324) and two projects with incomplete risk entries (Project Nos. 39339 and 77798).

The review showed that the quality of risk management did not conform to the risk management principles. At the programme level, risks on '*Reduced financial sustainability of the Office'* and the '*Deterioration of the Office's capacity*', were assessed as either medium or low, although the audit team found these risks to be high and requiring immediate mitigation actions.

At the project level, for three of five projects sampled (Project Nos. 77798, 94518 and 126596), risk registers in Atlas were not properly managed as the activities for treatment identified for these risks lacked respective implementation timeframes, expected effects from treatment of these risks, and did not have a responsible focal point assigned to them.

In addition, the audit team noted that discussions on project-level risks were only documented in two project board meetings out of the five development projects sampled (held in September 2021 for Project No. 94518 and in December 2021 for Project No. 110555).

The failure to use risk registers at both programme and project levels as an active project management tool, leads to the ineffective management of risks, which may lead to risks not being properly identified, monitored and mitigated in a timely manner.

Priority	High (Critical)
Recommendation 3: The Office should strengthen risk management by: (a) reassessing its programme risks for the required mitigation measures and respective treatment plans; and (b) reviewing all project-level risks and ensuring that the Atlas risk register is complete and updated for all ongoing projects.	
Management action plan: To enhance risk management, the Office will take the following actions: (a) The programme risk register will be updated on a semi-annual basis. (b) Project-level risks are a standing agenda item for project board meetings and the relevant corporate project-level risk register will be updated at least twice a year. **Estimated completion date:** 30 June 2023	

2. Implementation Modalities

Issue 4 Lack of compliance with project quality standards and gender streamlining

The 'UNDP Programme and Operations Policies and Procedures' require that all country, regional and global programmes and projects adhere to quality standards for programming and corporate management frameworks to ensure programme strengthening, adequate risk management and improved development effectiveness and efficiency.

UNDP programmes and projects are required to apply the core principles of gender and women's empowerment.

The audit team noted the following:

Weakness in ensuring project quality assurance standards

To ensure adherence to quality standards in all development projects, the 'UNDP Programme and Operations Policies and Procedures' state that UNDP-supported programming is monitored through objective project quality assurance assessments. Along with regular project monitoring, quality assurance assessments ensure that throughout all project stages (design, implementation & monitoring, which are carried out once every two years, and at project closure) there is a formal focus on key performance issues outlined across quality criteria, which helps to improve development effectiveness and increase accountability for results.

The audit disclosed that none of the five projects that required project quality assurance be performed in 2021 as per the corporate system dashboard had been assessed. Four projects required implementation and monitoring (Project Nos. 77798, 96506, 110555, 119343) and one project required implementation and monitoring at closure Project No. 96369). Additionally, the system showed that one of these projects (Project No. 96506) had already been revised by the QA Assessor and was pending review from the QA Approver, while the remaining projects were still "under review" by the QA Assessor.

Moreover, the audit team found that for 3 (Project Nos. 77798, 94518 and 110555) out of the 8 projects that were quality assessed in 2020 (at the implementation and monitoring stage), the quality assurance assessments were approved without meeting the required quality standards, and without providing a justification or management action plan for improving project quality as soon as conditions permitted. The 'UNDP Programme and Operations Policies and Procedures' state that projects not meeting the quality standards for programming must comply by recording adequate management justification, and if appropriate action has not been taken by the time the project is rated again, the project may be suspended by the programme manager.

The inability to ensure project quality assessments opens the door for implementing projects without the necessary quality safeguards and could be detrimental to the Office and unnecessarily increase reputational, programmatic and operational risks.

Insufficient gender streamlining in development projects

While the 2022–2026 Country Programme Document recognized the importance of supporting gender equality initiatives across all priority areas, gender actions were not effectively incorporated across the entire project portfolio. For two projects out of the five sampled (Projects Nos. 94518 and 96369), the projects' theory of change did not adequately consider gender dynamics in the Country and did not elaborate on how women would benefit from project results.

The deficiencies noted were mainly due to a lack of monitoring and oversight over project design and implementation at the Country Office level.

Inadequacies in the implementation of both project quality standards and corporate management frameworks put the Office at risk of supporting and implementing initiatives that do not comply with best practices. Not mainstreaming gender perspectives throughout the portfolio may result in missed opportunities to ensure that all actions put forward by the Office contribute to equal and inclusive gender development efforts, as well as to impactful development gains.

Priority	Medium (Important)

Recommendation 4:

The Office should comply with project quality standards and gender streamlining by:

(a) conducting all pending project quality assurance assessments and ensuring that the necessary controls are in place for an adequate implementation of the project quality assurance procedure in the Office; and
(b) developing a gender strategy and an action plan, aligned with the new corporate Gender Equality Strategy for 2022–2025 to position the Office as a reference on gender equality in the Country.

Management action plan:

The Office will:

(a) liaise with colleagues at the Regional Bureau for Latin America and the Caribbean to request refresher trainings on Programme and Project management that address the issues disclosed by OAI in respect of insufficient quality standards applied to project implementation; and
(b) develop a gender strategy and action plan, aligned with UNDP's Gender Equality Strategy, building on the existing Gender Portfolio Review from the end of 2018.

Estimated completion date: 31 March 2023

C. Operations

1. Procurement - Goods and Services

Issue 5 Weaknesses in procurement management and oversight

Procurement is critical to enhancing and ensuring programme and project delivery. Procurement staff are required to use corporate tools and resources to enhance the overall effectiveness and efficiency of the procurement business function. To do so, it is imperative that the Office (i) ensure the management of procurement risk, (ii) develop a procurement strategy, and (iii) ensure adequate procurement planning.

As per the 'UNDP Programme and Operations Policies and Procedures', the Contracts, Assets and Procurement Committee (CAP) chairperson shall be a UNDP staff member at the professional level, who has a good grasp of public procurement principles, policies and procedures as prescribed and applied in UNDP. Whenever feasible, it should be the Deputy Resident Representative for Operations or Programme, or the Operations Manager, or a staff member of a similar level of seniority. Furthermore, CAP members should be able to conduct an objective and independent assessment of submissions and possess effective communication skills to contribute constructively to deliberations.

During the audited period, the Office processed 75 purchase orders (PO) for a total value of $1.7 million. The audit team reviewed a sample of 20 POs amounting to $0.8 million (45 percent of the total PO value), including 8 POs related to individual contracts amounting to $0.4 million (77 percent of the PO value related to individual contracts).

The Procurement Unit was composed of one Procurement and Administration Associate and a Procurement Clerk at the General Service level.

The audit team found the following shortcomings in procurement:

a) Lack of procurement strategy and planning:

- Procurement strategies were not developed for large-scale projects, such as the Amerindian Land Titling Project (Project No. 77798) and the ICT for Hinterland, Poor, and Remote Communities Project (Project No. 94518).
- Procurement plans were not prepared for all projects.
- The Procurement Unit did not assess the reputational risks in delays encountered in the procurement processes. See section c) below.

b) Inadequate functioning of the Contracts, Assets and Procurement Committee (CAP)

The following lapses in the functioning of the CAP were noted:

- The Office did not have an Operations Coordinator from January through June 2022. Furthermore, for the same period, the Office did not have an Assistant Resident Representative or a Deputy Resident Representative. Given the limited options amongst the Office staff members to be appointed as CAP chairperson, a programme staff member with limited experience in public procurement principles, policies, and procedures, was appointed as CAP chairperson.

c) Inefficient procurement processes

Out of the 20 procurement transaction processes reviewed, the audit team noted in 2 instances they were conducted in an inefficient manner, primarily due to lack of monitoring as indicated below:

- PO No. 5079, totalling $209,200 was issued for the purchase of 400 Microsoft Office licenses for project 'ICT for Hinterland, Poor, and Remote Communities' (Project No. 94518). As per the request for quotation dated 29 December 2021, the expected date for the contract award was 28 January 2022. However, the contract (PO) was signed on 12 April 2022, almost three months after the expected date for the contract award. There was a delay of 59 days between the evaluation of the proposal and the moment the evaluation was sent to the Regional Advisory Committee on Procurement (RACP). There was another delay of 148 days between the approval of the procurement case and the signature of the PO.

- For PO No. 5059, amounting to $45,864, for the procurement of one vehicle for the project 'Amerindian Land Titling' (Project No. 77798), the audit team noted delays in the submission of solicitation documents and the delivery of goods. Overall, it took eight months for the Office to procure and receive the vehicle.

The audit team also reviewed the timeliness of the requisitions and PO creation processes and noted that out of 74 POs created during the audit period and amounting to $1.7 million, 31 requisitions for $0.5 million were created on the same day when the POs were created due to lack of planning.

These weaknesses were mainly due to the lack of an effective oversight mechanism over procurement processes.

Not properly planning procurement activities may prevent the Office from achieving best value for money. Ineffective oversight over procurement activities may expose the organization to financial and reputational risks.

Priority	High (Critical)
Recommendation 5: The Office should strengthen procurement management and oversight by: (a) preparing a comprehensive and consolidated annual procurement plan in the corporate platform and updating it on a regular basis, and a procurement strategy for projects requiring large-scale procurement; (b) reviewing the composition of its Contracts, Assets and Procurement Committee; and	

(c) reinforcing oversight on procurement activities and carrying out risk assessment on potential delays, including timely creation and approval of requisitions and purchase orders that have been set up to be aligned with the terms and conditions agreed with the selected vendor.

Management action plan:

To improve procurement management, the following actions will be carried out:

(a) Annual procurement plans will be developed and integrated into corporate systems.
(b) Standard operating procedures for procurement will be adopted to reflect new corporate platforms and procedures, including CAP structure.
(c) All staff members will complete the UNDP Procurement Certification 1 launched by the Bureau for Management Services.

Estimated completion date: 31 December 2023

2. Finance - Payments

Issue 6 <u>Unliquidated cash advances</u>

According to 'UNDP Programme and Operations Policies and Procedures', direct cash transfers (advances) can be made for up to three-month cash forecast needs or cash forecast needs up to the end of the calendar quarter, whichever is less, according to the envisaged activities agreed in the project annual work plan.

Cash advances are liquidated when partners submit corporate forms, namely the Funding Authorization and Certificate of Expenditures (FACE) form and an Itemized Cost Estimate (ICE) form, as well as documentation to support the expenses reported, such as invoices.

During the audit period, there were two advances made to implementing partners totalling $250,000. Of these, an advance in the amount of $200,192 was granted to the implementing partner of the 'ICT for Hinterland, Poor, and Remote Communities' project on 5 October 2021. As of 31 August 2022, a total of $181,898 had been liquidated by the implementing partner with a delay of over 10 months, leaving a balance of $18,294 pending liquidation (9 percent of the advance).

According to the Office, several factors contributed to the incomplete liquidation of the cash advances, as follows:

- Detailed spot checks started later than planned since the original timelines proposed were not met due to delays incurred on the part of the firm engaged to conduct the spot checks. The audit firm incurred significant delays in initiating the spot-check exercise due to staff turnover and prior commitments with other engagements.
- The project finance officer resigned in March 2022 and a new finance officer came on board at the end of May 2022.

The audit team also noted that the ICE forms were missing from the advance liquidations.

In addition, unclear roles and responsibilities within the Office, regarding the cash advance procedures and approval, were identified.

Inadequate monitoring and oversight over cash advances and liquidations and lack of clarity on roles and responsibilities could lead to errors and irregularities not being timely detected and addressed, which could result in financial losses.

Priority	Medium (Important)
Recommendation 6: The Office should adopt controls to timely monitor outstanding cash advances by developing a standard operating procedure that contemplates clear roles among the Office and project staff involved in the management and monitoring of cash advances and liquidations.	
Management action plan: A standard operating procedures will be developed and shared with Office personnel, and as relevant, with project partners. **Estimated completion date:** 30 June 2023	

3. Administrative Services – Travel

Issue 7 Weaknesses in travel management

The UNDP travel policy stipulates that a travel request (TR) must be submitted for all travel performed by individuals travelling on official business, organized and due to be paid for by UNDP. The request is created electronically in Atlas in the travel and expense (T&E) module and should be properly approved prior to travel, and before any prepayments are made. The analysis leading to the travel decisions including payment of travel entitlements must be properly documented. Upon return to the duty station, travel claim forms (F10) must be completed within two weeks to document the travel.

Upon reviewing 12 travels sampled (7 local, 5 international), the audit team noted inconsistencies in travel itineraries, mission agendas, logistics notes and Back to Office Reports (BTOR) as well as insufficient knowledge of UNDP regulations and rules of staff members involved in travel management. Specifically:

- For five travel processes sampled (TR Nos. 719272, 684506, 632260, 705564, and 705560) there were neither BTORs, nor sufficient evidence that an official mission was undertaken.
- For one sample (TR No. 632260), there was no logistics note or mission agenda for the approved travel.
- For one sample (TR No. 701191), the TR had no corresponding F10 claim. In another case, the F10 claim (No. 703037) was not linked to a TR.
- For two local travels (TR No. 680720 and TR 719272), the travels were conducted over the weekend (i.e., departing on Friday, with mission agenda starting on Monday). Daily Subsistence Allowance was paid for Friday and Saturday nights, prior to the official start of the agenda. The audit team did not receive documentation supporting the approvals for these exceptions.
- For two samples, TR No. 705560 and ER 705564, an extra day of Daily Subsistence Allowance was reported as per the F10 claim. However, no adequate support was provided to justify that an extra day was required in the official mission. Travel unit staff indicated that these cases were due to senior staff members overriding the UNDP travel policy.
- For one sampled (TR No. 683130), approval was obtained from a staff member who was not in the upward line of authority of the traveler.

- For four samples reviewed, claims were submitted after the 14-day threshold as defined by the 'UNDP Programme and Operations Policies and Procedures'.

Travel expenses recorded outside the T&E module

The 'UNDP Programme and Operations Policies and Procedures' requires all business travel organized and paid for by UNDP to be processed through the Atlas T&E module.

The audit team found that, for the audit period, the Office processed travel-related transactions for a total amount of $108,368 outside of the T&E module.

To assess the impact of transactions that should have been reported via the T&E module, the audit team sampled eight transactions that were processed outside the T&E module. The audit team noted that five out of the eight transactions amounting to $4,788 were travel cases organized and paid for by the Office. Three of these five samples related to project travel (ICT Hinterlands), while two samples related to Engagement Facility project travel. The Office cited extenuating circumstances, as well as unawareness of adequate procedures as the reasons for not processing UNDP travel in the T&E module.

Inadequate processing of travel expenses may result in financial losses, as well as inaccurate financial reporting.

Priority	Medium (Important)
Recommendation 7: The Office should enhance travel management by: (a) training all staff involved in processing travel in the travel and expense (T&E) module, including related roles, responsibilities, and documentation requirements; and (b) ensuring that travel requests and travel claims are processed in the T&E module.	
Management action plan: The Office will: (a) Liaise with Regional Bureau for Latin America and the Caribbean for training on the use of T&E module. (b) Develop a standard operating procedure for travel management, including roles and responsibilities and the centralization of domestic travel management. **Estimated completion date:** 30 June 2023	

4. Administrative Services – Vehicles

Issue 8 Weaknesses in vehicle management

The 'UNDP Programme and Operations Policies and Procedures' stipulate adequate management requirements for the use of UNDP vehicles. These requirements include provisions for exceptional personal vehicle use, as well as requirements on insurance for third party liability.

The audit team found the following lapses in regard to vehicle management:

Exceptions to UNDP vehicle management policy

The UNDP vehicle management policy requires offices to ensure that the use of UNDP vehicles is in UNDP's best interests, and after office hours or when not in use, UNDP vehicles must be parked at the UNDP compound (where this exists), or at a garage or in a secure area designated in writing by the Resident Representative. Clause 31 of the policy allows the head of office to approve (in writing) any exceptions to the policy.

For the audit period, the audit team found the following:

- The Resident Representative approved a policy exception, citing clause 31 of the vehicle management policy, for the Office's driver to have temporary custody of the Office's vehicle at his private residence to avoid any potential relating to the COVID-19 pandemic.
- The special circumstance memorandum was signed on 26 March 2020 and did not have an end date. As of the date of the audit, the memorandum was still in use and the audit team noted that the Office hadn't reassessed if the special circumstances that motivated this exception were still valid.
- The Office did not conduct a risk assessment to assess the risks associated with keeping the vehicle outside of UNDP premises.

By not reviewing the exceptions made to the vehicle management policy, the Office runs the risk of damage or loss to assets or inappropriate use of assets.

Inadequate vehicle insurance coverage

As per 'UNDP Programme and Operations Policies and Procedures' stipulates, vehicles that are registered under UNDP and for which UNDP has the legal title, UNDP should retain vehicle insurance coverage for third-party liability. Operations managers should ensure that UNDP vehicles carry insurance coverage in line with UNDP policies.

The audit team noted that one of the Office's vehicles which was in the custody of the Resident Coordinator's Office, was uninsured for a period of nine months.

Inadequate management of vehicles may lead to the misuse or loss of assets. Lack of insurance coverage may result in financial and legal implications for the Office.

Priority	Medium (Important)

Recommendation 8:

The Office should improve vehicle management by:

(a) reassessing the special circumstances that allowed the exception to the UNDP vehicle management policy and ensuring that the vehicle is adequately safeguarded overnight while not on the UN premises; and
(b) retaining a central repository with valid vehicle third-party insurance documentation for all UNDP vehicles to ensure all vehicle insurance policies are up to date.

Management action plan:

The Office will retain a central repository for all UNDP vehicle documentation that addresses the weaknesses noted by OAI.

Estimated completion date: 31 March 2023

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Fully 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.

- **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.