

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

BOLIVIA

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Report on the Audit of UNDP Bolivia Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Bolivia (the Office) from 20 July to 7 August 2015. 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 and strategic management (organizational structure and delegations of authority, leadership/ethics and values, risk management, planning, monitoring and reporting, financial sustainability);
- (b) United Nations system coordination (development activities, Resident Coordinator Office, role of UNDP – “One UN”, Harmonized Approach to Cash Transfers);
- (c) programme activities (programme management, partnerships and resource mobilization, project management); and
- (d) operations (human resources, finance, procurement, information and communication technology, general administration, safety and security).

The audit covered the activities of the Office from 1 January 2014 to 30 June 2015. During this period, the Office recorded programme and management expenditures of approximately \$12 million. The last audit of the Office was conducted by OAI in 2010.

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

Overall audit rating

OAI assessed the Office as **unsatisfactory**, which means, “Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised.” This rating was mainly due to weaknesses in organizational structure and delegation of authority, programme and project management, human resources management, and finance.

As a result of the audit work, OAI disclosed some potential irregularities, namely, excess of rental subsidy paid to a former staff member, lapses in staff separation from the Office and subsequent recruitment by another UNDP office, and irregularities identified in the medical evacuation approval process of a former staff member’s dependent child. These cases have been referred to the OAI Investigations Section for further processing.

Key recommendations: Total = 11, high priority = 6

The 11 recommendations aim to ensure the following objectives:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	1, 2, 4, 5	High
Reliability and integrity of financial and operational information	3	Medium
	7	High
Effectiveness and efficiency of operations	6	High
Safeguarding of assets	10	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	8, 9, 11	Medium

For high (critical) priority recommendations, prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. All high (critical) priority recommendations are presented below:

Weaknesses in Office's control environment (Issue 1)

The following shortcomings were negatively impacting the Office's control environment: delays in addressing negative Global Staff Survey results and trends; inconsistencies in personnel duties and their user profile in Atlas (enterprise resource planning system of UNDP); unauthorized use of signature stamps in lieu of original signatures; and undisclosed outside activities undertaken by personnel.

Recommendation: The Office should strengthen the control environment in conformance with UNDP policies and procedures and the Internal Control Framework by: (a) creating a discussion forum in order to analyse and address issues raised by the Global Staff Survey, including considerations of holding a staff retreat; (b) re-establishing staff meetings as a regular practice throughout the Office for sharing and learning purposes; (c) revising and updating Atlas profiles for all Office personnel in alignment to their roles and responsibilities and deactivating Atlas profiles of personnel immediately upon separation/departure; (d) discontinuing the use of signature stamps as a substitute of actual signatures; and (e) requiring that outside activities be fully disclosed by staff members and service contract personnel and have this disclosure processed in compliance with Ethics guidelines.

Office's financial sustainability at risk (Issue 2)

The following factors could potentially put the financial sustainability of the Office at risk: a decrease of reserves since 2013 from 25 months to 8 months; low delivery against delivery targets; resource mobilization strategy not fully implemented; and long-outstanding Government Contributions to Local Office Costs of \$4 million.

Recommendation: The Office should strengthen its financial sustainability by: (a) exploring mechanisms to improve delivery; (b) developing a resource mobilization strategy and action plan for its implementation and evaluation; (c) pursuing negotiations with the Government, with, as necessary, the involvement of the Regional Bureau for Latin America and the Caribbean, to agree on the settlement of long-outstanding Government Contributions to Local Office Costs; and (d) developing a cost-reduction strategy to alleviate the Office's financial situation.

Inadequate staffing for implementing programme activities (Issue 4)

The structure of the Programme Unit was weak as a result of personnel that had taken various types of leave during the period under review, creating gaps in the coverage of programme areas. There was limited coverage of the programme portfolio, and limited interactions with donors, government counterparts and contracted partners for development projects. In some instances, these gaps were not adequately addressed by senior management at the Office. In addition, opportunities for expanding programmatic interventions with government institutions at the sub-national level, where technical shortcomings were acknowledged by donors and government counterparts, were not fully addressed by the Office. This effort had been undertaken primarily by personnel from one project, but the opportunity to expand in this realm had been unfulfilled as of the audit fieldwork.

Recommendation: The Office should improve the functioning and staffing of the Programme Unit by: (a) devising a more suitable structure that better responds to the Office's challenges and needs, taking into account budgetary limitations; and (b) revising and updating all job descriptions with the objective of aligning tasks and responsibilities to the required structure.

Deficiencies in project management and oversight (Issue 5)

The audit disclosed gaps in the documentation of monitoring activities (updates to risks logs, field visits, and minutes of meetings) in the records of the projects sampled. In addition, uneven use of the Atlas grants module for project management was noticed, which impacted project management.

There were delays in project implementation in two flagship projects implemented by the Office. The project *Articulacion de Redes Tematicas y Territoriales* has been subject to 14 revisions (substantive and budgetary) in the past eight years together with an extended application of Targeted Resources among Countries (TRAC) funds. As for the project Human Development Report (*Desarrollo Humano y Derechos Sociales*), it was completed in June 2014 and was still not launched, which increased the risk of the data contained in the report becoming irrelevant or outdated.

Recommendation: The Office should enforce stricter project monitoring practices by: (a) directing staff to use the grants module in Atlas; (b) tracking project expenditures, both the programmatic delivery and fixed costs, to ensure that direct project costs can be allocated; (c) rationalizing the use of TRAC funds as seed capital; and (d) prioritizing the engagement of the government counterpart in hopes of launching the Human Development Report.

Inadequate use of service contract modality (Issue 6)

As of June 2015, the Office retained 58 service contractors working for the Office and projects, with 11 of them undertaking core functions and 3 of them renewed for over 10 consecutive years. Contracts were initially made for one-year periods but subsequent extensions were made for periods of up to five years. There were five service contracts that did not follow the standard template. Medical coverage was assumed by the Office (directly paid to the insurance company) and pension coverage amounts were included in the monthly payment to the contractor for his /her direct coverage. However, in the contracts verified, both coverages were stated as being paid to the service contractors on monthly basis as part of the payroll.

Recommendation: The Office should fully adhere to the 'UNDP Service Contract User Guide' by: (a) limiting the use of the service contract modality to non-core services rendered; (b) aligning the contract durations, the requirements for extensions, and the clauses included, with the respective guidelines; and (c) aligning medical and pension coverage in the contracts with the existing system implemented since 2014.

Inadequate procedures
for cash management
(Issue 7)

There were deficiencies in the management of cash payments and the liquidation of cash advances. The audit indicated 87 project cash payments totalling \$238,000 that were used to facilitate the implementation of workshops, seminars and training held in remote locations. The Office had not appointed Project Cash Advance Custodians and project cash advance vouchers were not approved at the required level within the Office. The sample review of 22 cases amounting to \$60,000 disclosed several weaknesses, such as delays in cash advances clearance averaging 9.4 days, instance where advances were issued prior to the clearance of the previous advance, and some cases where the amount advanced was over the 50 percent of the amount actually utilized.

Recommendation: The Office should strengthen its control over cash management by designating a Project Cash Advance Custodian for all personnel receiving advances, and ensuring the proper approval, as well as timely and correct liquidation of cash advances.

Management comments and action plan

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

Issues with less significance (not included in this report) have been discussed directly with management and actions have been initiated to address them.



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