



AUDIT

OF

UNDP COUNTRY OFFICE

IN

GUYANA

Report No. 1752
Issue Date: 20 April 2017

(REDACTED)

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 30 January to 10 February 2017. 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 (leadership, corporate direction, corporate oversight and assurance, corporate external relations and partnership);
- (b) programme (quality assurance process, programme/project design and implementation, knowledge management);
- (c) operations (financial resources management, ICT and general administrative management, procurement, human resources management, and staff and premises security); and
- (d) United Nations leadership and coordination.

The audit covered the activities of the Office from 1 January 2015 to 31 December 2016. The Office recorded programme and management expenditures of approximately \$11.1 million. The last audit of the Office was conducted by OAI in 2012.

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 **partially satisfactory / major improvement needed**, which means, "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 weaknesses in organizational structure and management of corporate activities, the financial sustainability of the Office being at risk, weaknesses identified in payment processes through the E-banking web application, and the incorrect use of cash advances for project activities.

Key recommendations: Total = 9, high priority = 4

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

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 organizational structure and management of corporate activities (Issue 1)

The audit identified weaknesses in the organizational structure of the Office, which included key vacant posts since June 2016, overlapping roles and lack of segregation of duties within the Finance Unit, decentralized procurement functions in the Office, failure to implement established plans related to the Global Staff and Pulse Surveys of 2014 and 2015, and the lack of reports documenting management and staff meetings held to address the challenges faced by the Office.

Recommendation: The Office should strengthen the organizational structure and management of corporate activities by: (a) undertaking the planned restructuring process as soon as possible so that any weaknesses in structure and unclarified roles and responsibilities can be adequately addressed, including procurement activities that should be centralized; and (b) completing any pending actions to fully address the concerns disclosed in the Global Staff and Pulse Surveys should be completed, while managerial reports that document management and staff meetings should be prepared.

Office's sustainability at risk (Issue 3)

The financial sustainability of the Office in 2016 remained a concern for senior management, both at the Office and at the Regional Bureau levels, due to a reduction in the Office's available resources, low programme expenditure, an insufficient number of future projects compounded by the absence of measures to contain the Office administrative costs. The Office under-achieved on its targets in 2016 as only 30 percent of the year's approved budgets were expended and there was a noticeable reduction in extrabudgetary reserves from 24 months in 2015 to 7 in 2016. The Office's resource mobilization efforts were found to be insufficient. Further, the Office had not taken measures to reduce administrative costs and expenses that also contributed to the depletion of its extrabudgetary resources.

Recommendation: The Office should develop and implement a plan to ensure financial sustainability. The plan should: (a) explore mechanisms to achieve its targeted projects expenditure and expand its projects portfolio; (b) take measures to reduce administrative costs; and (c) enhance its resource mobilization strategy.

No link between Atlas and the E-banking web application used for processing payments (Issue 5)

During the audit period, the Office effected payments totalling \$5.7 million using an E-banking web application provided by the local bank, which was not linked to Atlas (the enterprise resource system of UNDP). The procedures for the use of the E-banking web application had not been reviewed and cleared by Treasury. In addition, the agreement with the bank for the web banking services had not been cleared by the Legal Office. Inefficiencies and lack of controls in the payment process when using the E-banking web application were identified during the audit. In the absence of an online transmission option for making payments, duplication of work was observed, as well as manual interventions for the completion of payment transactions.

Recommendation: The Office should review the payment process when using the E-banking web application for processing bank payments, and incorporate effective controls to reduce the risk of misuse of funds.

Incorrect use of cash advances for project activities (Issue 6)

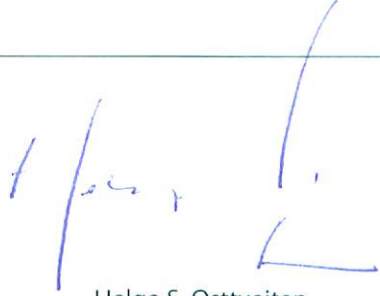
During the audit period, 23 individuals received project cash advances (PCAs) amounting to \$600,000. The audit observed that the Office granted 16 PCAs to service contractors amounting to \$41,000, exceeding the threshold of \$1,000 allowed by the policy. Further, the Office staff were granted PCAs to implement activities for nationally implemented projects without a Letter of Agreement specifying the activities to be implemented by the Office. Additionally, four PCAs amounting to \$28,000 were granted before the prior PCA was cleared.

Recommendation: The Office should review and strengthen the management of project cash advances and adhere to the corresponding UNDP policies and procedures.

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 have 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.



Helge S. Osttveiten
Director
Office of Audit and Investigations