

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



*Empowered lives.
Resilient nations.*

AUDIT

OF

UNDP COUNTRY OFFICE

IN

BELIZE

Report No. 1907
Issue Date: 3 April 2018

Report on the Audit of UNDP Belize Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Belize (the Office) from 23 January to 2 February 2018. 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 2016 to 31 December 2017. Since the human resources operational function is conducted at UNDP El Salvador, the audit did not cover recruitments, separations or promotions, and did not conduct a review of personnel files of staff members and service contracts. The Office recorded programme and management expenses of approximately \$7.5 million. The last audit of the Office was conducted by OAI in 2013.

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 the following: weaknesses in resource mobilization, pipeline and partnerships management; projects implemented without project documents and authorization; and deficiencies in financial management.

Key recommendations: Total = 10, high priority = 3

The 10 recommendations aim to ensure the following:

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

The Office's pipeline was composed of 12 potential projects: 5 classified as "Class B" with a total estimated amount of \$19.3 million and 7 as "Class C" with a total estimated amount of \$2.1 million, and no projects classified as "Class A." According to the Office's management, there were ongoing negotiations for future projects that were not part of the pipeline.

In addition, the Office assigned target for resource assignment from the core (TRAC) resources to regional and local projects without having specific results linked to an annual work plan, and without a clear link to resource mobilization initiatives. The Resource Mobilization Strategy established by the Office for the programme cycle was lacking an action plan.

Furthermore, at the time of the audit fieldwork, there was \$230,000 in uncollected Government Contributions to Local Office Costs for the period 2014-2018, despite the efforts made by the Office. Lastly, key partners interviewed by OAI expressed concerns on the insufficient communication on the direct implementation modality applied by the Office.

Recommendation: The Office should improve resource mobilization and pipeline management by: (a) establishing an action plan for the Resource Mobilization Strategy; (b) allocating TRAC resources strategically to allow the mobilization of resources; and (c) improving communication with partners to enhance their awareness of project modalities.

Projects implemented without applying policies on project documentation and quality standards (Issue 3)

The review of five development projects noted the following:

- Three projects were supported by simplified Project Appraisal Committee minutes without details on project scope, alignment to national development plan, Country Programme and UNDP Strategic Plan, and monitoring and evaluation framework.
- One project had no project document during its first year of implementation, and another project had no project document at all, thus the Office was implementing projects without an annual work plan and a structured budget. As a result, there were no output definitions, baselines, indicators, or targets. Furthermore, without an approved annual work plan the second authority of the Internal Control Framework was unable to determine if the payments approved for the projects were contributing to the achievement of the development results agreed with the donor.
- Two projects were directly implemented without the required direct implementation authorization from the Regional Bureau for Latin America and the Caribbean, one of which was already in the closing stage.
- Between March 2017 to March 2018, the Office closed projects and opened new ones that required quality assessments to be conducted; however, the Office did not conduct any of these.

Recommendation: The Office should improve project implementation by: (a) including quality reviews of project documents in the Project Appraisal Committee minutes and having approved project documents for all projects before their implementation; (b) recording quality assessments for new and closing projects in the system timely; and (c) obtaining the required authorization for directly implemented projects from the Regional Bureau for Latin America and the Caribbean.

Deficiencies in financial management (Issue 6)

OAI found the following deficiencies in regards financial management of resources:

- Expenses were billed to the wrong project, and hence these expenses were later reversed. The charges were made without the approval of the Project Manager and donor, which posed a risk for the Office in case funds could not be timely received. The Office effected payments in local currency and US dollars by cheque or wire transfer. Cheques were handwritten as a customary practice due to the lack of a system to print them automatically; out of a total of 4,642 payments during the period covered by the audit, 2,784 were effected by cheque (60 percent).
- Payments to seven individual contractors were based on certificates of payments, which did not include an official invoice (the Office engaged 29 consultants in 2017 and 20 in 2016).

Recommendation: The Office should improve financial management by: (a) refraining from moving funds between projects and ensuring that charges made to projects belong to the project and are aligned to the approved annual work plans; (b) assessing with the local bank the possibility of using an automated system to generate/prepare cheques and/or seek advice from the Office of Financial Resources Management through the Regional Bureau for Latin America and the Caribbean on this matter; and (c) ensuring payments are made based on official invoices containing consultant and/or company's fiscal information.

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.

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