

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



*Empowered lives.
Resilient nations.*

AUDIT

OF

UNDP IN THE PLURINATIONAL STATE OF BOLIVIA

GRANTS FROM THE GLOBAL FUND

Report No. 2001
Issue Date: 28 September 2018

Report on the Audit of UNDP in the Plurinational State of Bolivia Grants from the Global Fund Executive Summary

The UNDP Office of Audit and Investigations (OAI), from 7 to 17 August 2018, conducted an audit of three grants from the Global Fund (Output Nos. 101403 [tuberculosis], 98468 [malaria], and 87454 [Country Coordinating Mechanism]) managed by UNDP in the Plurinational State of Bolivia (the Office) as the Principal Recipient. 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, risk management, staffing and performance management, capacity development and transition strategy);
- (b) programme management (project approval and implementation, monitoring and evaluation, grant closure);
- (c) Sub-recipient management (selection, assessment and contracting, financial and programmatic activities);
- (d) procurement (quantification and forecasting, procurement of health products, quality assurance of health products, individual contractors, procurement of other goods and services), supply management (inventory, warehousing and distribution), and asset management; and
- (e) financial management (revenue and accounts receivable, expenses, reporting to the Global Fund, Fund Administrator Role).

The audit covered the Global Fund-related activities of the Office from 1 January 2017 to 30 June 2018. The Office recorded Global Fund-related expenses of approximately \$7 million. The last audit of the Office's Global Fund-related activities 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's management of the Global Fund grants as **partially satisfactory/some improvement needed**, which means "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." The rating was mainly due to weaknesses in cash management and Sub-recipient management.

Key recommendations: Total = 2, high priority = 2

The two recommendations aim to ensure the following: (a) reliability and integrity of financial and operational information (Recommendation 2); and (b) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendation 1).

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:

Weaknesses in Sub-recipient management
(Issue 1)

In September 2016, the Office signed a Standard Letter of Agreement with a United Nations agency as Sub-recipient, for consulting services and issuance of 13 technical reports in connection with the malaria grant. As a result, the Office transferred the full amount of \$381,955.

At the time of the audit, the Sub-recipient had yet to submit to the Office any of the technical reports, even though some reports were due in December 2016 and December 2017. In addition, the Sub-recipient had not provided the required quarterly reports or the annual financial and programmatic reports from 2016 to 2018.

Recommendation: The Office should follow up on agreements/contracts to ensure deliverables are received in accordance with the terms and timeline stipulated in the agreements/contracts.

Weaknesses in cash management
(Issue 2)

The Office took significant risks in cash management due to the incorrect use of the following three cash advance modalities:

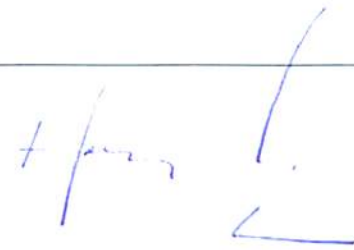
- The Office did not consult or seek approval from headquarters to use staff bank accounts for project cash advances and incorrectly used account 16005 to record these advances.
- In March 2017, the Office used the Project Cash on Hand (PCH) modality to issue cash advances amounting to 172,000 Bolivian Pesos (BOB), equivalent to approximately \$25,000, to two staff members. This resulted in a significant amount of cash on hand in the Office. These cash advances were liquidated at the end of 2017 and new advances were approved at the beginning of 2018. The Project Management Unit indicated that the cash served as an emergency buffer for unforeseen/unplanned project-related activities that may need to be funded.
- The Office used the project cash advance modality to issue advances for the maximum allowable threshold of \$25,000 each to 12 staff members, appointed as cash custodians. These advances were granted for activities that were not specific, and claims were not processed within seven days after the last day of the project activities, as required by the policy.

Recommendation: The Office should strengthen cash management by: (a) complying with 'UNDP Programme and Operations Policies and Procedures' when using different cash advance modalities; and (b) seeking guidance from UNDP Treasury, the Bureau for Policy and Programme Support, and the Regional Bureau for Latin America and the Caribbean, on the cash management alternatives for the implementation of projects in remote locations.

Management comments and action plan

The Resident Representative accepted both recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated into 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