

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

PARAGUAY

Report No. 2040
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Report on the Audit of UNDP Paraguay Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Paraguay (the Office) from 22 April to 3 May 2019. 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 2018 to 31 March 2019. The Office recorded programme and management expenses of approximately \$31.2 million. The last audit of the Office was conducted by OAI in 2014.

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/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 due to concerns regarding the Office’s financial sustainability.

Good practice

The audit team noted that the Office took the initiative to automate several workflow tasks, which served to enhance the effectiveness of the Office’s operations, such as the drivers pool, ICT help desk, and requests from projects, payment registry for projects under the national implementation modality, and procurement processes, among many others. The audit team considered the automatization of workflows as a good practice that could be replicated for use and application in other offices within UNDP.

Key recommendations Total = 7, high priority = 1

The seven recommendations aim to ensure the following:

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

Concerns on Office's financial sustainability (Issue 2)

The Office faced financial sustainability challenges as an upper middle-income country. These challenges included increased operational costs, reduced inflow of core resources, and reduced possibilities for mobilizing resources from traditional donors. The audit found that the Office was dependent on one project, which represented 58 and 50 percent of the recorded programme expenditures for 2017 and 2018, respectively. The Office also relied heavily on government cost sharing for its operations (about 80 percent).

Recommendation 2: The Office should improve its financial sustainability by: (a) expanding efforts to collect the Government Contributions towards Local Office Costs; (b) increasing delivery and reducing operational costs; (c) enhancing the project pipeline, improving resource mobilization, and seeking other sources of funding; and (d) further enhancing cost recovery.

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.



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 Office of Audit and Investigations