



AUDIT

OF

UNDP COUNTRY OFFICE

IN

BOLIVIA

Report No. 2187
Issue Date: 9 February 2021

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 23 November to 11 December 2020. 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
- (b) Development activities
- (c) Operations – procurement, finance, human resources, administrative services, information communication and technology (ICT)

OAI designed the following performance audit questions to guide the review of the following areas and sub-areas:

- (a) Governance
 - i. Was the Office's organizational structure adequate to achieve the agreed results in its portfolio of projects?
- (b) Development activities
 - ii. Was project management undertaken effectively?
 - a. Were projects designed with clear and measurable results linked to strategic objectives?
 - b. Were project monitoring and change management timely undertaken?
 - c. What were the major factors influencing the achievement or non-achievement of the objectives?
- (c) Finance
 - iii. Were financial transactions processed timely and accurately?

The audit covered the activities of the Office from 1 January 2019 to 30 September 2020. The Office recorded programme and management expenses of approximately \$33.7 million. The last audit of the Office was conducted by OAI in 2016.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Due to the COVID-19 pandemic, the audit was conducted remotely. Scope limitations due to the nature of the remote audit related to the following activities:

- (a) A review of original supporting documentation could not be carried out, and therefore the audit team relied on scanned copies of documents provided by the Office for all audit areas reviewed.
- (b) Meetings with Office staff and personnel were carried out virtually, which limited the audit team's understanding of the Office's working environment.
- (c) Project visits (location, site visits, meeting with counterparts/beneficiaries) were not conducted. Interviews with selected project counterparts, government officials, donors and project beneficiaries were carried out virtually.
- (d) A physical verification of assets was not performed.
- (e) Safe and petty cash contents were not verified.
- (f) The information and communication technology areas were not reviewed on site.

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 project monitoring and risk management, Global Environment Facility (GEF) project implementation issues, and the inadequate use of budget overrides.

Good Practice

OAI identified a good practice, as follows:

Replacing the old telephone system with a cost-efficient solution: The Office’s Information, Communication and Technology Unit implemented a temporary and cost-efficient telephone system that was now being considered as a permanent solution.

Key recommendations: Total = **6**, high priority = **3**

The six recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Reliability and integrity of financial and operational information	6	High
Effectiveness and efficiency of operations	1, 5	Medium
	3, 4	High
Compliance with legislative mandates, regulations and rules, policies and procedures	2	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 three high (critical) priority recommendations are presented below:

<p>Inadequate use of budget overrides (Issue 6)</p>	<p>The audit team identified 13 budget overrides (totalling \$1.8 million) that were processed to fund project activities that could not be delayed. Written assurance was not obtained from the donor indicating payments were in progress. Two of these budget overrides in one project, approved by the Resident Representative, exceeded the Office’s authority limit of \$200,000: one for \$776,000 and another for \$343,000. At year end, the project recorded a budget deficit of \$250,000.</p>
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Recommendation: The Office should improve controls over project budgets to avoid project deficits and unauthorized budget overrides by; (a) ensuring that resources are available prior to making financial commitments and that budget overrides are performed as per policy and budget deficits are approved within the authority limit; and, (b) recovering outstanding donor contributions to offset the budget deficit.

<p>Global Environment Facility (GEF) project implementation issues (Issue 4)</p>	<p>The GEF funded project is nationally implemented. The project started in January 2018 and was expected to be completed in December 2022. The Project Implementation Report rating was unsatisfactory for 2020. The audit team noted weaknesses in the project design, capacity assessments of implementing partners and project coordination.</p>
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Recommendation: To mitigate project risks, the Office should liaise with the GEF Regional Team to address the project implementation issues (project design, project coordination and implementing partner capacity) and develop a robust risk assessment.

Weaknesses in project monitoring and risk management (Issue 3)

The audit team reviewed a sample of 6 projects of a portfolio of 38 projects. In addition, the audit team reviewed the use of the engagement facility and initiation plans. The following weaknesses were noted:

- Three of the six reviewed projects contained a monitoring framework that described quarterly monitoring activities to be carried out during the life cycle of the project; the audit disclosed that activities were carried out quarterly as stated in the project documents but annually. The Office failed to enter project output targets for three of the six projects reviewed within the enterprise resource planning system (Atlas).
- The Office did not conduct the Social and Environmental Screening Procedures for five out of the six projects.
- Target for Resource Assignment from Core (TRAC) funds intended as seed funding for projects were incorrectly used to fund salaries of project personnel of projects under implementation for several years.

Recommendation: The Office should strengthen project monitoring and risk management by: (a) adjusting the results and resources monitoring plan according to the complexity and needs of each project and conducting the monitoring activities with the frequency stipulated and updating Atlas with all output targets for all projects and with adequate file naming; (b) completing the Social and Environmental Screening Procedures; and (c) ensuring adequate financial monitoring of project funds, including TRAC funds, to make strategic use of them.

Management comments and action plan

The Resident Representative accepted all six 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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