

**UNITED NATIONS DEVELOPMENT PROGRAMME**  
**Office of Audit and Investigations**



**AUDIT**  
**OF**  
**UNDP COUNTRY OFFICE**  
**IN**  
**GUYANA**

**Report No. 2567**  
**Issue Date: 19 December 2022**

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## 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 12 to 27 September 2022, remotely. 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)

In addition, OAI assessed the performance of the Office in the following areas and sub areas: development activities and procurement.

Performance auditing is an independent, objective and reliable examination of an entity or process to assess whether economy, efficiency and effectiveness in the employment of available resources is being achieved.

- (a) Development activities: Were project results achieved in accordance with the planned budget and timeframe?
- (b) Procurement: Did the Office conduct procurement activities in a timely manner to support development activities?

The audit covered the activities of the Office from 1 January 2021 to 30 June 2022. The Office recorded programme and management expenses of approximately \$5.6 million. The last audit of the Office was conducted by OAI in 2017.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors (The IIA). In view of the Office's low risk rating resulting from OAI's annual risk assessment exercise, 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.
- (d) A physical verification of assets was not performed.
- (e) Safe contents and petty cash were not verified.
- (f) The information communication and technology area was not reviewed on-site.

### Overall audit rating

OAI issued an audit rating for the Office of **partially satisfactory/major improvement needed**, which means that "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 concerns regarding the Office's financial sustainability, weaknesses in risk management, and weaknesses in procurement management and oversight.

Conclusions on the performance audit areas reviewed:

- Projects were not timely implemented (Issues 1 to 4) and this had an impact on the position of the Office as a key development actor, especially from the perspective of two key donors, namely the Global Environment Facility (GEF) and Guyana REDD+ Investment Fund (GRIF), and project counterparts. In addition, staff capacity gaps affected the timely implementation of projects, which led to financial sustainability concerns for the Office.
- The procurement of goods and services was not timely conducted, and that also affected programme delivery (Issue 5).

These findings have been incorporated in the overall auditing rating.

**Key recommendations** Total =8, high priority = 3

The eight recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	1, 3, 5	High
	2, 4	Medium
Reliability and integrity of financial and operational information	6	Medium
Effectiveness and efficiency of operations	7	Medium
Safeguarding of assets	8	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 recommendations are presented below:

Office financial sustainability concerns (Issue 1)

The Office was not financially sustainable. Over the past three years, it recorded deficits between the institutional revenue and the related expenses, amounting to \$428,000 in 2019, \$263,000 thousand in 2020 and \$724,000 in 2021. These deficits were financed with the Regional Bureau for Latin America and the Caribbean's core resources. This occurred because of the following shortcomings:

- Programme delivery targets during the previous Programme Cycle (2017–2021) were not achieved by the Office, except for 2018. The previous Country Programme Document closed with an implementation rate of 56 percent of the original target of \$36.4 million.
- The management efficiency ratio (management expense/programme expense), which indicates how efficiently the Office is using its resources to implement programmes, was higher compared to the other offices in the Latin America and the Caribbean region. This was due not only to low programme delivery but also to the Office's inability to contain costs.
- A financial sustainability strategy and corresponding action plan were yet to be prepared.

**Recommendation:** To address financial sustainability issues, the Office, in coordination with the Regional Bureau for Latin America and the Caribbean, should: (a) develop a financial sustainability strategy and action plan; and (b) closely monitor the gap analysis implementation plan to address shortcomings identified in project implementation.

Weaknesses in risk management (Issue 3)

The quality of risk management did not conform to risk management principles. At the programme level, risks assessed and ranked by the Office were not consistent with the audit team's own assessment.

At the project level, for three of five projects sampled (Project Nos. 77798, 94518 and 126596), risk registers in Atlas were not properly managed as the activities for treatment identified for these risks lacked respective implementation timeframes, expected effects from treatment of these risks, and did not have a responsible focal point assigned to them.

In addition, the audit team noted that discussions on project-level risks were only documented in two project board meetings out of the five development projects sampled (held in September 2021 for Project No. 94518 and in December 2021 for Project No. 110555).

Recommendation: The Office should strengthen risk management by: (a) reassessing its programme risks for the required mitigation measures and respective treatment plans; and (ii) reviewing all project-level risks and ensuring that the Atlas risk register is complete and updated for all ongoing projects,

Weaknesses in procurement management and oversight (Issue 5)

The audit team found the following shortcomings in procurement: (i) procurement strategies were not developed for large-scale projects; (ii) procurement plans were not prepared for all projects; and (iii) the Procurement Unit did not assess the reputational risks in delays encountered in the procurement processes.

Further, there were delays arising from inefficient procurement processes. The audit team reviewed the timeliness of the requisitions and the creation of purchase orders (POs) and noted that out of 74 POs created during the audit period and amounting to \$1.7 million, 31 requisitions amounting to \$0.5 million were created on the same day when POs were created due to lack of adequate planning.

Recommendation: The Office should strengthen procurement management and oversight by: (a) preparing a comprehensive and consolidated annual procurement plan in the corporate platform and updating it on a regular basis, and a procurement strategy for projects requiring large-scale procurement; (b) reviewing the composition of its Contracts, Assets and Procurement Committee (CAP); and, (c) reinforcing oversight on procurement activities and risk assessment of potential delays, including timely creation and approval of requisitions and POs that have been set up to be aligned with the terms and conditions agreed with the selected vendor.

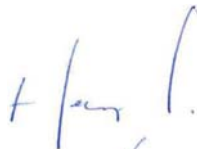


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**Management comments and action plan**

The Deputy Resident Representative accepted all eight 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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