

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

BOLIVIA

Report No. 1513
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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 20 July to 7 August 2015. 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 and delegations of authority, leadership/ethics and values, risk management, planning, monitoring and reporting, financial sustainability);
- (b) United Nations system coordination (development activities, Resident Coordinator Office, role of UNDP – “One UN”, Harmonized Approach to Cash Transfers);
- (c) programme activities (programme management, partnerships and resource mobilization, project management); and
- (d) operations (human resources, finance, procurement, information and communication technology, general administration, safety and security).

The audit covered the activities of the Office from 1 January 2014 to 30 June 2015. During this period, the Office recorded programme and management expenditures of approximately \$12 million. The last audit of the Office was conducted by OAI in 2010.

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 **unsatisfactory**, which means, “Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised.” This rating was mainly due to weaknesses in organizational structure and delegation of authority, programme and project management, human resources management, and finance.

As a result of the audit work, OAI disclosed some potential irregularities, namely, excess of rental subsidy paid to a former staff member, lapses in staff separation from the Office and subsequent recruitment by another UNDP office, and irregularities identified in the medical evacuation approval process of a former staff member’s dependent child. These cases have been referred to the OAI Investigations Section for further processing.

Key recommendations: Total = 11, high priority = 6

The 11 recommendations aim to ensure the following objectives:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	1, 2, 4, 5	High
Reliability and integrity of financial and operational information	3	Medium
	7	High
Effectiveness and efficiency of operations	6	High
Safeguarding of assets	10	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	8, 9, 11	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 Office's control environment (Issue 1)

The following shortcomings were negatively impacting the Office's control environment: delays in addressing negative Global Staff Survey results and trends; inconsistencies in personnel duties and their user profile in Atlas (enterprise resource planning system of UNDP); unauthorized use of signature stamps in lieu of original signatures; and undisclosed outside activities undertaken by personnel.

Recommendation: The Office should strengthen the control environment in conformance with UNDP policies and procedures and the Internal Control Framework by: (a) creating a discussion forum in order to analyse and address issues raised by the Global Staff Survey, including considerations of holding a staff retreat; (b) re-establishing staff meetings as a regular practice throughout the Office for sharing and learning purposes; (c) revising and updating Atlas profiles for all Office personnel in alignment to their roles and responsibilities and deactivating Atlas profiles of personnel immediately upon separation/departure; (d) discontinuing the use of signature stamps as a substitute of actual signatures; and (e) requiring that outside activities be fully disclosed by staff members and service contract personnel and have this disclosure processed in compliance with Ethics guidelines.

Office's financial sustainability at risk (Issue 2)

The following factors could potentially put the financial sustainability of the Office at risk: a decrease of reserves since 2013 from 25 months to 8 months; low delivery against delivery targets; resource mobilization strategy not fully implemented; and long-outstanding Government Contributions to Local Office Costs of \$4 million.

Recommendation: The Office should strengthen its financial sustainability by: (a) exploring mechanisms to improve delivery; (b) developing a resource mobilization strategy and action plan for its implementation and evaluation; (c) pursuing negotiations with the Government, with, as necessary, the involvement of the Regional Bureau for Latin America and the Caribbean, to agree on the settlement of long-outstanding Government Contributions to Local Office Costs; and (d) developing a cost-reduction strategy to alleviate the Office's financial situation.

<p>Inadequate staffing for implementing programme activities (Issue 4)</p>	<p>The structure of the Programme Unit was weak as a result of personnel that had taken various types of leave during the period under review, creating gaps in the coverage of programme areas. There was limited coverage of the programme portfolio, and limited interactions with donors, government counterparts and contracted partners for development projects. In some instances, these gaps were not adequately addressed by senior management at the Office. In addition, opportunities for expanding programmatic interventions with government institutions at the sub-national level, where technical shortcomings were acknowledged by donors and government counterparts, were not fully addressed by the Office. This effort had been undertaken primarily by personnel from one project, but the opportunity to expand in this realm had been unfulfilled as of the audit fieldwork.</p> <p><u>Recommendation:</u> The Office should improve the functioning and staffing of the Programme Unit by: (a) devising a more suitable structure that better responds to the Office's challenges and needs, taking into account budgetary limitations; and (b) revising and updating all job descriptions with the objective of aligning tasks and responsibilities to the required structure.</p>
<p>Deficiencies in project management and oversight (Issue 5)</p>	<p>The audit disclosed gaps in the documentation of monitoring activities (updates to risks logs, field visits, and minutes of meetings) in the records of the projects sampled. In addition, uneven use of the Atlas grants module for project management was noticed, which impacted project management.</p> <p>There were delays in project implementation in two flagship projects implemented by the Office. The project <i>Articulacion de Redes Tematicas y Territoriales</i> has been subject to 14 revisions (substantive and budgetary) in the past eight years together with an extended application of Targeted Resources among Countries (TRAC) funds. As for the project Human Development Report (<i>Desarrollo Humano y Derechos Sociales</i>), it was completed in June 2014 and was still not launched, which increased the risk of the data contained in the report becoming irrelevant or outdated.</p> <p><u>Recommendation:</u> The Office should enforce stricter project monitoring practices by: (a) directing staff to use the grants module in Atlas; (b) tracking project expenditures, both the programmatic delivery and fixed costs, to ensure that direct project costs can be allocated; (c) rationalizing the use of TRAC funds as seed capital; and (d) prioritizing the engagement of the government counterpart in hopes of launching the Human Development Report.</p>
<p>Inadequate use of service contract modality (Issue 6)</p>	<p>As of June 2015, the Office retained 58 service contractors working for the Office and projects, with 11 of them undertaking core functions and 3 of them renewed for over 10 consecutive years. Contracts were initially made for one-year periods but subsequent extensions were made for periods of up to five years. There were five service contracts that did not follow the standard template. Medical coverage was assumed by the Office (directly paid to the insurance company) and pension coverage amounts were included in the monthly payment to the contractor for his /her direct coverage. However, in the contracts verified, both coverages were stated as being paid to the service contractors on monthly basis as part of the payroll.</p>

Recommendation: The Office should fully adhere to the 'UNDP Service Contract User Guide' by: (a) limiting the use of the service contract modality to non-core services rendered; (b) aligning the contract durations, the requirements for extensions, and the clauses included, with the respective guidelines; and (c) aligning medical and pension coverage in the contracts with the existing system implemented since 2014.

Inadequate procedures
for cash management
(Issue 7)

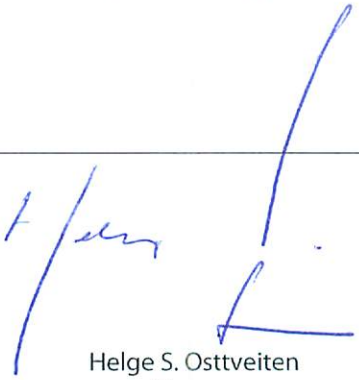
There were deficiencies in the management of cash payments and the liquidation of cash advances. The audit indicated 87 project cash payments totalling \$238,000 that were used to facilitate the implementation of workshops, seminars and training held in remote locations. The Office had not appointed Project Cash Advance Custodians and project cash advance vouchers were not approved at the required level within the Office. The sample review of 22 cases amounting to \$60,000 disclosed several weaknesses, such as delays in cash advances clearance averaging 9.4 days, instance where advances were issued prior to the clearance of the previous advance, and some cases where the amount advanced was over the 50 percent of the amount actually utilized.

Recommendation: The Office should strengthen its control over cash management by designating a Project Cash Advance Custodian for all personnel receiving advances, and ensuring the proper approval, as well as timely and correct liquidation of cash advances.

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 had been incorporated in the report, where appropriate.

Issues with less significance (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

I. About the Office

The Office, located in La Paz, Bolivia (the Country) had 23 staff members and 58 service contract holders at the time of the audit. The Office had a Country Programme of 25 directly implemented projects and 6 nationally implemented projects. In 2007, the Government issued a national decree (No. 29308) to regulate the management and administration of resources assigned to the Country from international cooperation funds, which were required to be transferred to government institutions for decision-making and management purposes. This limited the possibilities for resource mobilization and has had a negative impact on the financial sustainability of the Office.

II. Audit results

Satisfactory performance was noted in the following areas:

- (a) Information and communication technology. The ICT systems managed by the Office, including hardware, software, systems security, and disaster recovery mechanisms were adequately operating.
- (b) Safety and security. The Country Security Plan was updated in September 2014, and the latest Security Risk Assessment for the Country was completed in April 2015 with adequate risk mitigating measures in place.

OAI made six recommendations ranked high (critical) and five recommendations ranked medium (important) priority.

Low priority issues/recommendations were discussed directly and agreed with the Office and are not included in this report.

High priority recommendations, arranged according to significance:

- (a) Strengthen the Office's control environment (Recommendation 1).
- (b) Strengthen the Office's financial sustainability (Recommendation 2).
- (c) Improve the functioning and staffing of the Programme Unit (Recommendation 4).
- (d) Enforce stricter project monitoring practices (Recommendation 5).
- (e) Adhere to the 'Service Contract User Guide' (Recommendation 6).
- (f) Strengthen controls over cash management (Recommendation 7).

Medium priority recommendations, arranged according to significance:

- (a) Ensure that procurement processes at the Resident Coordinator's Office adhere to the provisions of the 'UNDP Programme and Operations Policies and Procedures' (Recommendation 3).
- (b) Re-structure the procurement business function (Recommendation 8).
- (c) Strengthen controls over travel management (Recommendation 9).
- (d) Strengthen the safeguarding and use of assets (Recommendation 10).
- (e) Improve leave management (Recommendation 11).

The detailed assessment is presented below, per audit area:

A. Governance and strategic management

1. Organizational structure and delegation of authority

Issue 1 Weaknesses in Office's control environment

The 'UNDP Operational Guide of the Internal Control Framework' outlines that each head of office has overall responsibility for establishing and maintaining adequate internal controls, and for ensuring adequate documentation of the office's internal control procedures. Likewise, the 'UNDP Programme and Operations Policies and Procedures' define the control environment as one of the components of the internal control system that sets the tone for the organization and provides the foundation for an effective internal control system.

The audit indicated the following shortcomings that were negatively impacting the Office's control environment:

(a) Delays in addressing issues raised by the Global Staff Survey

The 2014 Global Staff Survey on the Office's management team dimension showed an average of 43 percent, about 25 points lower than the 50th percentile of all offices. Compared to the previous year, the dimension that showed the most significant decrease was the management team effectively managing conflicts and grievances in the Office, which received only 17 percent of favorable responses, 53 points lower than the previous year.

In March 2015, a proposal was submitted from the Office's management to the Regional Bureau for Latin America and the Caribbean, outlining specific actions to mitigate concerns raised in the Global Staff Survey; however, this action plan had not been put in place. The situation was further exacerbated by the fact that a staff retreat planned for 2015 aimed at addressing the results of the Global Staff Survey had yet to take place.

(b) Inadequate segregation of duties due to inconsistencies between Atlas profiles, staff levels and job descriptions

- In some cases, Atlas roles assigned to staff did not match their functions and level of responsibility. For instance, the Strategic Planning Analyst, who also acted as Programme Officer for the Global Fund project, was assigned the Atlas role allowing the approval of General Ledger Journal Entries. However, this role requires an appropriate level of accounting competencies and is normally assigned to a staff member within the Operations Unit according to the 'UNDP Operational Guide of the Internal Control Framework'.
- A Programme Analyst also assigned with the Atlas role of manager level 2 approval rights was on special leave without pay for a one-year period starting in July 2015, however, the Atlas rights had not been re-designated to another Office staff member. There were no specific plans for the replacement of the position at the time of the audit.
- The distribution of approval rights in Atlas did not follow the number and amount of transactions of the Office as recommended by the 'UNDP Operational Guide of the Internal Control Framework'. Only two staff members, the Administrative Associate and a Programme Analyst, had manager level 1 approval rights, while 8 staff members held manager level 2 and senior manager approval rights.
- Two staff members, the Human Resources Associate and a Registry Clerk, had approval rights at the Manager 2 level as well as vendor approval rights in Atlas, which were conflicting, as the same individuals held vendor creation and payment approval roles.

- The Finance Analyst held treasury rights in Atlas while also having signatory rights for the local bank account. These rights were in conflict with the supervisory role of payment processing and bank reconciliation.
- A service contract holder assigned to the Finance Unit (as Financial Management Assistant) had a treasury/finance user role, contravening the Internal Control Framework.
- Payments for travel were approved and created by the same individual.
- The Operations Manager had senior manager rights, which should have been reserved for the Resident Representative and an alternate approver (i.e. Deputy Resident Representative).
- The two petty cash custodians were designated by staff other than the Resident Representative.
- There was no petty cash custodian designated for directly implemented projects.
- The only staff member with a human resources manager profile was the Operations Manager, rather than the Deputy Resident Representative. Although not mandatory, granting the Deputy Resident Representative the human resources manager profile within the Office would be in line with the function/responsibility of the post.
- A Procurement Associate, who was under a flexible working arrangement of part time employment since November 2014 and who had subsequent extended absences from the Office since May 2015, retained Atlas rights up until his resignation in August 2015.
- The former Deputy Resident Representative, who was reassigned to another Country Office on 19 June 2015, retained an active Atlas profile until 20 July 2015.

(c) Weak internal controls

- The Office used signature stamps in lieu of original signatures. This practice had been adopted by the previous Office management and was continued by subsequent managers, for use on internal and external documents. The former Deputy Resident Representative confirmed the use of a signature stamp for a number of documents, which at that time, was in the custody of an Office Assistant. The Office did not develop a protocol that would ensure the proper safeguard and use of the stamp.
- Not all outside activities were fully disclosed by staff members and service contract holders; only two staff members filed documentation with the Ethics Office disclosing outside activities during the audit period. However, during the course of the audit, OAI found three additional cases of Office personnel and one service contract holder involved in outside activities. As all outside activities were not reported to the Office's management for endorsement, the Office did not perform the required due diligence process.
- In the case of one of two staff members who disclosed an outside activity, the Office was advised by the Ethics Office, that if approval for the outside activity was granted by the Office of Human Resources, the staff member had to ensure that involvement in the outside activity was compatible with the functions and status of an international civil servant. Furthermore, the Ethics Office required the staff member to observe a number of conditions. The Ethics Office advice was erroneously considered by the Office as an approval for the staff member to conduct the outside activity, which was incompatible with the staff member's responsibilities as a Procurement Associate. The Office did not conduct due diligence to ensure that the staff member complied with the conditions set forth by the Ethics Office.

A control environment that is not well designed and results from Global Staff Surveys that are not acted upon, may lead to low staff morale that may negatively affect the overall work environment and performance of the Office. In addition, a weak control environment may jeopardize the effectiveness of the entire internal control system, which may lead to the delayed detection of errors and fraud, and to financial losses for the organization. The improper use of signature stamps by senior management, as well as undisclosed and/or unapproved outside activities could lead to contingencies for the Office as well as reputational risks.

Priority	High (Critical)
Recommendation 1: <p>The Office should strengthen the control environment in conformance with UNDP policies and procedures and the Internal Control Framework by:</p> <ul style="list-style-type: none"> (a) creating a discussion forum in order to analyse and address issues raised by the Global Staff Survey, including considerations of holding a staff retreat; (b) re-establishing staff meetings as a regular practice throughout the Office for sharing and learning purposes; (c) revising and updating Atlas profiles for all Office personnel in alignment to their roles and responsibilities and deactivating Atlas profiles of personnel immediately upon separation/departure; (d) discontinuing the use of signature stamps as a substitute of actual signatures; and (e) requiring that outside activities to be fully disclosed by staff members and service contract personnel and have this disclosure processed in compliance with Ethics guidelines. 	
Management action plan: <ul style="list-style-type: none"> (a) Since the audit mission took place, a working group was established in the Office to prepare a proposal to address the recommendations of the 2014 Global Staff Survey. The proposal has since been finalized, discussed with management and endorsed by the full staff complement. The proposal, now under implementation, includes a commitment to hold an office retreat before the 31st of March 2015. (b) Similarly, all-staff monthly meetings have now been re-instituted and have been taking place without exception since July 2015 (22 July, 11 August, 21 September, 13 October, 11 November). A pre-agreed schedule of meetings between management and both the programme and operations teams is now available and is being implemented. (c) The Office has revised its Internal Control Framework to address the inconsistencies identified by the audit. As part of the new Internal Control Framework, the Office has revised, inter alia, Atlas roles, signatures, e-transfers and vendor management arrangements. With this revised version, which takes into account the arrival of the new Resident Coordinator, all the issues identified in point (c) above have been addressed. As of September 2015, the Atlas profiles of all the staff members who have left the Office in the last quarter have been de-activated. The Deputy Resident Representative, as the ARGUS manager in the Office, is checking on a monthly basis the accuracy of the ARGUS accounts. (d) An Administrative Instruction was issued by the Deputy Resident Representative (as Resident Representative a.i.) on 17 September 2015 reminding all staff that signature stamps should not be used in lieu of signatures under any circumstance. The signature stamp of the Operations Manager, which was the only stamp that was located following the audit mission, was destroyed in the presence of the Resident Representative a.i. on the same date. (e) Following the identification of four colleagues who had been undertaking external activities without due authorization, on 31 August 2015, they were asked to report these activities officially, which they all did. <ul style="list-style-type: none"> ▪ Given that two of these colleagues were no longer carrying out these external activities, a query was sent to the Office of Human Resources to ascertain how to proceed and we were advised that the Ethics Office did not see any added value in reviewing these cases, as the activities had 	

- taken place sometime in the past and were not continued.
- The third case related to a colleague who resigned during the audit mission. The Office deemed it unnecessary to pursue that case any further.
- The fourth case was sent to the Ethics Office who has since given its approval. The Office is nonetheless considering whether to continue with the submission to the Office of Human Resources in view of some of the comments made by the Ethics Office with regards to the past external activities of this colleague.
- An Administrative Instruction was issued by the Deputy Resident Representative (as Resident Representative a.i.) on 17 September 2015 reminding all staff of their obligation to report external activities and explaining the procedure to obtain prior authorization from the Ethics Office and subsequently the Office of Human Resources.
- The Office has since processed the renewal of one existing authorization and submitted a new request.

The current Office management is clear about the obligation it has to conduct due diligence to ensure that staff members comply with the conditions set forth by the Ethics Office, even in the case where their external activities may have been approved by the Office of Human Resources.

Estimated completion date: Implemented as of 16 November 2015

OAI Response

OAI acknowledges the action taken by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.

Issue 2 Office's financial sustainability at risk

In accordance with UNDP corporate requirements, all Country Offices are required to maintain a minimum financial reserve of 12 months and ensure financial sustainability by securing long-term committed resources. The 'UNDP Programme and Operations Policies and Procedures' require Country Offices to establish effective partnerships, develop a resource mobilization strategy, as well as implement a corresponding resource mobilization action plan.

OAI identified the following factors that could potentially put the financial sustainability of the Office at risk:

- Decrease of reserves – in 2013, the Office had an extrabudgetary reserve of 25 months; in 2014, 20 months; and in July 2015, the number of months was down to 8.
- The delivery targets for 2015 were \$12 million, but as of the audit mission in July 2015, the Office's recorded expenditures for projects reflected a delivery of \$3 million. The break-even point for the Office was about \$8 million, given the existing staffing configuration and operational expenses. However, even after management consulted extensively with its programme and project staff to obtain the best up-to-date estimates, achieving the break-even point for 2015 was deemed to be highly unlikely.
- The Office's resource mobilization strategy for the period 2014-2017 did not include a plan for its implementation, evaluation and update, based on changing priorities in the Country. In addition, the strategy did not map donor interests to thematic areas of intervention where UNDP has a proven track record of delivering development results. The non-core resources needed to fund the Country Programme Action Plan in 2014 and 2015 amounted to \$17.4 million; as of July 2015, the amount

mobilized for 2014 and 2015 was \$8.2 million, representing a shortfall of almost 52 percent if the pipeline remained unchanged until the end of the year. Potential areas for mobilizing resources from new prospective donors flagged in the strategy, such as sub-national governments and private sector companies, were not being actively pursued by the Office at the time of audit.

- From 2001 to 2015, the arrears for Government Contributions to Local Office Costs amounted to \$4 million. In July 2015, the Government made a payment of \$240,000 towards its expected contribution for calendar year 2014. The Office continued to work with the Government to encourage them to pay the outstanding contributions.

Subsequent to the audit, the Office's management commented that according to the latest calculation of the Office's 2015 delivery target, the Office aimed at reaching a figure of \$7.5 million. Overall delivery levels, as well as income and expenditures for the running of the Office in 2015 would be very similar to those in 2014. In May 2015 however, the Office was informed of the cuts in TRAC and General Operating Expenses for the Office and the transfer of the cost of the Deputy Resident Representative from core to the extrabudgetary funds budget. These were the changes that the Office was not able to structurally absorb, which resulted in the additional use of the reserves.

Failure to secure critical resources for programmatic interventions can limit the range of action and contributions to development results.

Priority	High (Critical)
Recommendation 2:	
The Office should strengthen its financial sustainability by:	
<ul style="list-style-type: none"> (a) exploring mechanisms to improve delivery; (b) developing a resource mobilization strategy and action plan for its implementation and evaluation; (c) pursuing negotiations with the Government, with, as necessary, the involvement of the Regional Bureau for Latin America and the Caribbean, to agree on the settlement of long-outstanding Government Contributions to Local Office Costs; and (d) developing a cost-reduction strategy to alleviate the Office's financial situation. 	
Management action plan:	
<ul style="list-style-type: none"> (a) A first set of measures to improve delivery was already identified during a project-by-project portfolio review that took place in early September and a second round of discussions is currently underway. While some actions are possible (and are being applied) to accelerate the delivery in 2015, the type of issues that have been identified to be slowing down delivery across the Office are more structural in nature and will require adjustments within the Office and in the implementation modality of some projects, which in turn will entail negotiation with our government counterparts. (b) At this juncture, together with reaching delivery targets, resource mobilization is the highest priority of the Office. Management acknowledges the importance of updating its resource mobilization strategy and developing an action plan to be able to measure progress against it. Such a strategy, however, needs to be linked to the rebuilding of the Office's programmatic offer, something the Office is advancing on. Having had a programming retreat in early September and following a round of programming discussions with government, sub-national counterparts and donors, management will be in a position to complete the resource mobilization strategy and action plan in mid-2016. This strategy 	

will be mostly reflected on the strengthening of the pipeline.

- (c) Despite the significant effort made by the Office in the last two years to regularize the Government Contributions to Local Office Costs payment situation (the 2013 contributions were paid in full in September 2013; in August 2015 a partial payment of \$240,000 was received for the 2014 contributions; and on 10 September a letter was sent to the Government requesting their 2015 contributions), there is indeed a concerning backlog. The Office will discuss this matter with the Regional Bureau for Latin America's Directorate to jointly agree on the best course of action.
- (d) Management agrees with the need to explore all possible avenues for cost contention and in this regard, it will be submitting a plan to the Regional Bureau for Latin America by the first quarter of 2016.

Estimated completion date: June 2016

B. United Nations system coordination

1. Resident Coordinator's Office

Issue 3 Non-adherence to UNDP policy on competitive procurement process

The 'UNDP Programme and Operations Policies and Procedures' stipulate that consistent with the general procurement principle, it is the policy of UNDP to rely on competitive procurement methods, in the course of determining the best sources of goods and services that will satisfy its requirements.

The audit indicated that the Resident Coordinator's Office undertook a media campaign in 2014 known as "*No me dejes fuera*" for which consultants and specialized communication companies were engaged via direct contracting without following competitive procurement processes. The amount expended in these activities totalled approximately \$95,000 which was funded from the Resident Coordinator Office's budget.

The process followed in procurement may put the Office at risk of non-compliance with applicable UNDP procurement policies.

Priority	Medium (Important)
Recommendation 3:	
The Office's management should ensure that procurement processes at the Resident Coordinator's Office adhere to the provisions of the 'UNDP Programme and Operations Policies and Procedures'.	
Management action plan:	
The Office's current management is very clear about the standards and procedures that should govern procurement processes for the Resident Coordinator's Office. In this regard, UNDP, as a service provider for the Resident Coordinator's Office, will ensure that the dialogue between the Resident Coordinator's Office and UNDP's procurement unit is regular and constructive in order to have sufficient time to plan, anticipate	

and serve the Resident Coordinator's Office procurement needs with due respect for the 'UNDP Programme and Operations Policies and Procedures'.

Estimated completion date: November 2015

OAI Response

OAI acknowledges the action taken by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.

C. Programme activities

1. Programme management

Issue 4 Inadequate staffing for implementing programme activities

The 'UNDP Programme and Operations Policies and Procedures' emphasize the need for proper management arrangements which include adequate staffing to govern and implement the programme agreed with the host Government. Adequate staffing of the Programme Unit facilitates timely communication between UNDP and donors, government counterparts and contracted partners for development projects.

The existing structure of the Programme Unit had undergone changes reflected in both attrition as well as in various types of leave taken by personnel during the period under review. As a result, there were critical gaps in the coverage of the programme activities managed by the Office. Of eight programme personnel, the changes were as follows:

- one person retired in December 2013 and no successor had been appointed as of the audit mission;
- one staff was sent on a detail assignment to Headquarters for a period of three months, from the end of 2014 until the end of February 2015;
- one individual started a period of special leave without pay in July 2015, which was expected to last until mid-2016; and
- one staff member had been reassigned from the Procurement Unit to the Programme Unit in April 2015 – the staff member later resigned.

These gaps in coverage diminished the capacity of the Programme Unit to maintain a proper level of oversight, both of the ongoing projects as well as changes occurring in the Country impacting the Office's strategy. OAI interviewed programme staff, donors and government counterparts, and found the following:

- A changing donor landscape, brought about by favourable socio-economic conditions in the Country, became an increasing challenge for the Office to properly attract donor attention to UNDP interventions. With limited staff covering the programme portfolio, this also limited interactions with donors and government counterparts; in some instances, some of these gaps were not adequately covered by senior management in the Office.
- Opportunities for expanding programmatic interventions with government institutions at the sub-national level, where technical shortcomings were acknowledged by donors and government

counterparts, were not fully being taken advantage of by the Office. This effort had been undertaken primarily by personnel from one project, but the opportunity to expand in this realm had been unfulfilled as at the time of the audit fieldwork.

- Implementation of one major project that was intended to influence public policy at the national level was delayed because the Office did not take a more proactive stance to address the concerns raised by the government counterpart.

Failure to have effective and efficient arrangement of programme staff for the different thematic areas creates an institutional risk by limiting the ability of the Office to maintain, explore and pursue areas of intervention, and to serve as a critical link with donors and counterparts.

Priority	High (Critical)
Recommendation 4:	
The Office should improve the functioning and staffing of the Programme Unit by:	
<ul style="list-style-type: none"> (a) devising a more suitable structure that better responds to the Office's challenges and needs, taking into account budgetary limitations; and (b) revising and updating all job descriptions with the objective of aligning tasks and responsibilities to the required structure. 	
Management action plan:	
<ul style="list-style-type: none"> (a) Management is fully cognizant of the strong imbalance that currently exists in the Office between its Operations and Programme Units. It is also clear that turning around this imbalance, sizing these units to the volume of resources being delivered, and ensuring that the Office has the right skill set for UNDP to be able to be the partner of choice of the Government will be at the heart of any future restructuring. In this regard, there is no doubt of the need to restructure the Office. However, the number one priority during the last quarter of the year is to reach the delivery levels the Office has committed to while advancing resource mobilization for future years. With these two priorities occupying most of the Office's energies, it does not seem realistic to think that the Office can embark in the thought-through restructuring it requires until the first quarter of 2016. (b) Furthermore, the process of deciding how to improve the current structure will need to be based on an up-to-date understanding of the socio-economic and political context in the Country, UNDP's value added in support of the Country reaching the SDGs, and the Government's expectations about the UN system. All this should inform the tasks and responsibilities the Office will need to perform and in turn, the skills and profiles of its staff, which will ultimately be reflected in a revised organization chart and job descriptions. 	
Estimated completion date: December 2016	

2. Project management

Issue 5 Deficiencies in project management and oversight

Proper monitoring includes a process for identifying and communicating critical risks that can be escalated from staff to management, to allow management to take corresponding measures aimed at mitigating possible risks. Further to the use of resources, UNDP's programming arrangements play a key role in supporting Country Offices achieve development results. The arrangements allow for predictability and availability of resources, combined with a need for management in the Country Offices to adequately respond to the dynamic needs of programme countries through the strategic prioritization and deployment of sufficient amounts of resources to where they are needed most.

OAI noted the following deficiencies:

- There were gaps in the documentation of monitoring activities reports (updates to risk logs, field visits, and minutes of meetings) in the records of the projects sampled as well as in the Atlas system. Management and staff responsible for monitoring and evaluation also confirmed that, overall, the practice in the Office was not adequate. In the context of an office with frequent staff turnover, critical information of any given project should remain part of the institutional memory of the Office.
- There was inconsistent use of the Atlas grants module for project management. The use of the grants module in Atlas is intended to assist programme staff to manage projects by enabling them to review documentation and milestones associated with a project. While some staff in the Programme Unit made good use of Atlas, others were not and were furthermore reluctant to learn and utilize Atlas as a management system tool. The lack of Atlas use hindered the ability of staff to manage projects in a more effective manner. Management acknowledged that these weaknesses were driven by individual work styles that had not been harmonized.
- One project (*Articulación de Redes Temáticas y Territoriales*, Project No. 61689), initiated in 2008 had since undergone 14 revisions (a combination of substantive and budgetary ones) and more recently relied on TRAC funding, averaging \$500,000 in 2013 and in 2014, and anticipated expenditures of close to \$600,000 in 2015. Seven years after the project's initiation, it was still unclear whether the TRAC funds had been an investment for the Office to garner donor interest and to then allow the Office to direct TRAC resources to other areas of intervention.
- Another project, the National Human Development Report (*Desarrollo Humano y Derechos Sociales*, Project ID No. 00084458) was assigned \$1.35 million from TRAC over a span of four years. The report had been completed in June 2014, but had not been launched yet. This situation raised an increasing risk following of the data in the report becoming irrelevant and/or outdated.

Failure to properly monitor project activities and to require that staff to use UNDP institutional tools for managing projects can limit the ability of senior management to have a complete picture of emerging risks and actions that can be taken to mitigate their impact. Further, not being proactive in how critical institutional resources are used may result in wasted efforts and interventions.

Priority	High (Critical)
Recommendation 5: The Office should enforce stricter project monitoring practices by: <ul style="list-style-type: none"> (a) directing staff to use the grants module in Atlas; (b) tracking project expenditures, both the programmatic delivery and fixed costs, to ensure that direct project costs can be allocated; (c) rationalizing the use of TRAC funds as seed capital; and (d) prioritizing the engagement of the government counterpart in hopes of launching the Human Development Report. 	
Management action plan: <ul style="list-style-type: none"> (a) Following the audit mission a working group was established in the Office to specifically look at the issue of standards and practices for project oversight, including a strengthened use of the grants module in Atlas. The proposal prepared by this working group, which is being rolled out in mid-November, covers four areas: (i) updating and re-circulating all the templates and formats required for project oversight included in the 'UNDP Programme and Operations Policies and Procedures'; (ii) updating the monitoring tasks in Atlas for all ongoing projects; (iii) developing a capacity-building refresher programme on how to use the Atlas monitoring tools, the module on Integrated Annual Planning Monitoring and Return on Assets Ratio, and how to do corrective measures in the system during budget execution; and (iv) developing monitoring and evaluation plans for all projects. The idea behind this effort is to clarify the standards and tools available for monitoring and empower all colleagues to apply them on a regular basis. (b) The Office has already been actively charging Direct Project Costs to ongoing projects. In this regard, it is expecting to recover \$120,000 by the end of the year from this practice. Similarly, the Office is actively recovering costs from the services it provides other agencies and by the end of the year it expects to have recovered an additional \$150,000. These other sources of income are crucial for the Office's sustainability and in fact exceed what the Office has recovered through indirect costs in projects, so full attention is being given to it. (c) With decreasing TRAC allocations across the organization, and the likelihood of having only about \$500,000 for 2016, there is no doubt that the Office needs to be very selective on how it programmes its TRAC resources. Undoubtedly, the catalytic nature of TRAC allocations will be an important criteria. This, however, will need to be combined with the requirement for co-financing that some donors (such as EU) or projects funded from vertical funds (such as Global Environmental Facility) have, as well as the imperative the Office faces to open new business lines with the private sector or sub-national partners, which may require smaller upfront investments from UNDP to help the partners 'visualize' UNDP's value added. (d) The government counterpart for the National Human Development Report project changed at the end of 2014. This resulted in the draft report having to be presented to and reviewed by the new counterpart, a process that took place in 2015. At this juncture, the Office has a final version agreed upon, and the report is being laid out for printing and a date and venue for the public release of the report has also been agreed upon with the Government for 15 December 2015. 	

Estimated completion date: January 2016

D. Operations

1. Human resources

Issue 6 Inadequate use of service contract modality

The 'UNDP Service Contract User Guide' stipulates that individuals under service contracts are not covered by the 'Staff Rules and Staff Regulations of the United Nations' and should not perform core functions. Service contract assignments are intended to be of finite duration, and except for projects, the contracts shall not be issued for more than 12 months at a time.

In addition, UNDP offices should ensure that service contractors are covered under a pension plan and have adequate medical coverage. For both coverages, a pre-existing private scheme can be used. In such cases, UNDP provides a cash amount equivalent to both employer and subscriber contributions, as part of the monthly remuneration.

As of June 2015, the Office retained 58 service contractors working for the Office and projects, with 11 of them undertaking core functions and 3 of them renewed for over 10 consecutive years. Contracts were initially made for one-year periods but subsequent extensions were made for periods of up to five years. There were five service contracts that did not follow the standard template. Medical coverage was assumed by the Office (directly paid to the insurance company) and pension coverage amounts were included in the monthly payment to the contractor for his /her direct coverage. However, in the contracts verified, both coverages were stated as being paid to the service contractors on monthly basis as part of the payroll. Subsequent to the audit the Office management indicated that the Office had been paying both the medical insurance and the pension fund contributions for service contractors. In the first case, the payment was being made directly by the service contractor to the national pension scheme and evidence of payment has been kept by the Office. With regards to the medical insurance, UNDP has been making the service contract holders' contributions directly, but at the time of the audit the text of the service contract template had not been adjusted to reflect this modality and was still referring to cash payments for the staff. In effect, the Office was using the right practice but the contract documents had not been updated to reflect this.

The use of long-term service contractors to perform core office functions could impact the Office's workforce morale. The inadequate management of medical and pension contingencies may expose the Office to financial, regulatory and reputational risks.

Priority High (Important)

Recommendation 6:

The Office should fully adhere to the 'UNDP Service Contract User Guide' by:

- (a) limiting the use of the service contract modality to non-core services rendered;
- (b) aligning the contract durations, the requirements for extensions, and the clauses included, with the

- respective guidelines; and
- (c) aligning medical and pension coverage in the contracts with the existing system implemented since 2014.

Management action plan:

- (a) The Office will endeavor to ensure that the support received from service contract holders does not cover core functions and they are instead used for functions that could be rendered by an external service. Service contractors are currently used, for instance, for IT service support, transportation services, project coordination, and support services to the HR or finance team to alleviate some of the workload. The management of the Office confirms that none of the colleagues holding service contracts have Atlas access rights.
- (b) The Office has no record of having contracted service contract holders for periods exceeding one year at a time and does not intend to do so in the future.
- (c) The service contract templates that the Office is issuing for new service contract holders have been corrected since the audit took place.

Estimated completion date: November 2015

OAI Response

OAI acknowledges the actions taken by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.

2. Finance

Issue 7 Inadequate procedures for cash management

The 'UNDP Programme and Operations Policies and Procedures' provide that Project Cash Advances shall be used only when there are no alternative options to disbursing payments for one-time project activities, and must be fully accounted for within seven days following the conclusion of the activity. All advances up to \$25,000 shall be duly authorized by the Resident Representative or Deputy Resident Representative when delegated. Project Cash Advances must be closed and fully accounted for within seven days after the last day of activities and no new advances shall be provided before the complete closing of a previous one.

The review indicated 87 project cash payments totalling \$238,000 made to 26 individuals, including 16 service contract holders. These cash payments were used to facilitate the implementation of workshops, seminars and training held in remote locations.

The Office had not appointed any of the 26 staff who received cash advances as Project Cash Advance Custodians, and Project Cash Advance vouchers were not approved at the required level within the Office (e.g., Deputy Resident Representative).

The sample review of 22 payments totalling \$60,000 indicated the following weaknesses:

- In 15 cases valued at \$47,000 there were delays in the closure of advances averaging 10 days.
- In 8 cases amounting to \$20,000, subsequent advances were issued prior to clearance of the previous advance.
- In 4 cases totalling \$11,000, the amount advanced was over 50 percent of the amount actually utilized.

Deficient controls over cash management (advances and liquidation) could lead to mismanagement of resources when funds are used for unintended/unauthorized purposes.

Priority	High (Critical)
Recommendation 7:	
The Office should strengthen its control over cash management by designating a Project Cash Advance Custodian for all personnel receiving advances, and ensuring the proper approval, as well as timely and correct liquidation of cash advances.	
Management action plan:	
The Office's management acknowledges the importance of strengthening the management of cash advances. Following the audit mission, the Office undertook to review a number of issues related to the way payments were being processed for both directly and nationally implemented projects, the processing of General Ledger Journal Entries, and the handling of cash advances. Regarding this last point, management issued an Administrative Instruction re-circulating UNDP's policy on cash advances and assigning the Finance Unit the responsibility for verifying the cash advance request form and the status of any previous request by the same Project Cash Advance Custodian (or any other colleague from the same project, to avoid split requests). This check is to be done before the approval request reaches management. According to the new Administrative Instruction, the Finance Unit is also responsible for generating monthly reports to the Operations Manager to ascertain that all the custodians of cash advances have indeed settled them within the established time frames and to provide early warning for pending cases. With the issuing of the Administrative Instruction this new procedure has now entered into force.	
Estimated completion date: November 2015	
OAI Response	
OAI acknowledges the action taken by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.	

3. Procurement

Issue 8 Weaknesses encountered in procurement business function

The 'UNDP Programme and Operations Policies and Procedures' indicate that during the definition stage of the project cycle, consideration must be given to the acquisition of goods, services and works for the successful implementation of the project. In addition, all procurement requirements are to be conducted in a fair and transparent manner, in the interest of UNDP, and provide best value for money through a competitive process.

At the time of the audit, the Procurement Unit consisted of two Procurement Associates who performed core functions, one service contractor (for administrative tasks) in substitution for a Procurement Associate that had been reassigned to the Programme Unit in April 2015, and one individual contractor, who was solely responsible for customs clearance processes. A total of 52 small purchases (procurement processes of \$5000 or less) were sub-delegated and decentralized among the Office (units and projects) and United Nations agencies.

The following weaknesses were encountered with the organizational scheme of the Procurement Unit:

- One Procurement Associate, who was funded by a project was also handling procurement processes corresponding to other projects. This was due to the fact that one procurement staff was in a flexible working arrangement of part time employment, which impacted the workload within the unit.
- There were documents missing from procurement files. The files were previously under the responsibility of a Procurement Associate who was reassigned to the Programme Unit. The missing documents showed that there were weaknesses in records managements and weaknesses in the supervision of procurement functions.
- Cost recovery was limited to those processes carried out by the Procurement Unit, as there was no cost recovery assessed for processes conducted by the sub-delegated buyers, or for any of the procurement support (ex-ante or post facto) provided by the Procurement Unit.

The decentralization of small purchases (procurement processes of \$5000 or less) was a mechanism put in place to alleviate the workload of the Procurement Unit. Even though the Procurement Unit provided training to the buyers, there were 52 sub-delegations for small purchases, an excessive number to control and manage.

The procurement functions were not adequately coordinated as the Procurement Unit was not involved in addressing the requirements of key contracts such as the contract for the provision of banking services. OAI found that the contract for banking services had not undergone a competitive process for the past 10 years.

The noted weaknesses in procurement business functions puts the Office at risk of non-compliance with applicable UNDP procurement and financial policies as well as with local regulations on the importation of goods and may jeopardize the successful implementation of projects.

Priority	Medium (Important)
Recommendation 8: The Office should re-structure the procurement business function to improve the supervision and coordination at the unit level by: <ul style="list-style-type: none"> (a) ensuring an adequate division of labor of the procurement responsibilities; (b) recovering all costs associated with procurement services rendered to projects and United Nations agencies; (c) reducing the number of sub-delegations for small purchases to mitigate weaknesses noted; (d) involving the Procurement Unit in addressing the key Office contracts; and (e) updating information for the Office of Finance and Administration's assessment in future harmonized Request for Proposal for banking services. 	
Management action plan: (a) Currently the Procurement Unit in the Office has two staff members, both with fixed term contracts. The	

Operations Manager as the direct supervisor of the team offers guidance for prioritization purposes, ensures quality control and accompanies their work in particularly complex cases. The customs clearance function has been outsourced to a company and the service contractor who had been assisting the unit was re-assigned elsewhere in the office.

- (b) The approval and quality control support the Operations Manager will render to the delegated processes described below will be included in the list of processes the Office can cost recover from the projects. Besides this, the Office will continue, as it has been doing, recovering the cost of all its procurement services to projects and sister agencies.
- (c) Following the audit mission, management decided to limit the scheme it had been using in the past through which the procurement of items below \$5,000 was delegated to a pool of project colleagues, who had been previously duly certified. An Administrative Instruction has now been issued to limit the number of colleagues who retain this delegation from 52 to 6. This has been done on the basis of the evidence the Office had of the use these colleagues were making of this delegation. The Office leaves the door open to modifying slightly the number of delegates as a function of the estimated workload and the risk levels for the Office. But this is to be done with management's approval only and on a case-by-case basis. These procurement responsibilities relate only to the projects these colleagues work under and are duly reflected in their terms of reference. A new modification to this scheme is that the processes will no longer be reviewed on a post facto basis by the Operations Manager but he will be receiving them ex-ante before contract signature. Finally, the procurement documentation related to all these cases will be archived in original form in the Procurement Unit, which will keep them centrally once the processes have been concluded.
- (d) Management has requested the Procurement Unit to send again to the Treasury Division the information provided earlier in regards the Request for Proposal for banking services, including the fact that the banking services required don't need to expand in scope and that there are other banks in the Country that could be interested in the exercise.

Estimated completion date: December 2015

4. General administration

Issue 9 Inadequate controls over travel expenditure

The 'UNDP Programme and Operations Policies and Procedures' require that each travel request include the following: the name of the traveller; the purpose of travel and authorized itinerary; dates of official business; details of the travel advance; and corresponding daily subsistence allowance calculation. All travel requests shall be authorized by the Resident Representative/Resident Coordinator and her/his by the head of the Regional Bureau, and the approval must be obtained before the traveller leaves and before any prepayments can be made.

As part of the approval process for travel, managers are required to certify that there are no alternative means that are feasible to meet the objectives of the proposed travel. In addition, a travel expense claim form (F10) is to be submitted within two weeks after the completion of the travel and should be supported by the relevant tickets and boarding passes. All airline tickets shall be acquired from the contracted travel agency.

The audit identified the following weaknesses in 20 travel expense reports sampled:

- 10 travel authorization requests did not include a detailed itinerary and purpose of trip, such as meeting invitations or workshop timetables. As a result, it was not possible to determine the reason for the approval and whether the corresponding daily subsistence allowance calculation was accurate.
- 15 travel authorizations were not authorized at the required level within the Office.
- Completed travel expense reports (F10) and/or boarding passes were not available to support travel claims (18 out of the 20 cases assessed).
- In 6 cases, the traveller purchased plane tickets directly without using the authorized travel agency with which there was a Long Term Agreement (LTA) signed.
- In 5 of 10 local travels reviewed, OAI did not find proper justification on the purpose of the travel, especially in two instances where travels took place on weekends.

Without adequate traveller itinerary information, the corresponding flight-related expenditure and daily subsistence allowances may be overstated, leading to financial losses for the organization.

Priority	Medium (Important)
Recommendation 9: The Office should strengthen controls over travel by: <ul style="list-style-type: none"> (a) centralizing all travel work flows to ensure global compliance with the Long Term Agreement with the travel agency, and adherence with organizational policies by all staff members; (b) ensuring that travel authorizations are approved (prior to travel) by the proper authority with supporting evidence indicating the purpose of the travel; (c) documenting the most direct and economical route and formalizing travel cost comparisons to ensure best value for money; and (d) requesting that travel expense forms be prepared within two weeks of return and supported by the ticket and boarding passes. 	
Management action plan: Management takes note of the serious deficiencies identified by the audit. In response to this, a working group was established to revisit the entire travel management system in the Office, and a proposal has been prepared and reviewed with management. The proposal includes four parallel work streams: (i) actions to centralize all travel related payments in the Operations Unit in order to monitor payment requests, avoid duplication and cross reference the Travel Agency's bills with the Office's own records; (ii) actions to ensure authorizations are secured before travel takes place for all staff regardless of contract type and e-requisitions are used; (iii) actions to evidence best value for money in travel choices; and (iv) actions to ensure that travel expense reports and 'back to office' reports are submitted within two weeks of completion of travel and their verification and clearance become a routine step in the travel process and a requirement for any further travel. The proposal also includes actions to update the Office's travel workflows, standardize templates and forms, train new and existing colleagues and disseminate these updated procedures.	
Estimated completion date: January 2016	

Issue 10 Deficiencies in safeguarding and use of assets

Assets that are used and controlled by UNDP, regardless of their value, must be managed appropriately in compliance with the 'UNDP Financial Regulations and Rules'. They include the following: periodic verification of the existence of assets; assessing assets for impairment; reconciling physical verification results to the records; and internal controls and checks to ensure completeness and accuracy of records.

The audit disclosed the following weaknesses in the management of assets controlled by the Office:

- A driver retained overnight one of the Office vehicles for 90 of the 178 days observed. The vehicle had been previously assigned to the former Deputy Resident Representative and remained with the same driver after the departure of the Deputy Resident Representative in June 2015. There was no adequate justification in the official logs for the entire period that the vehicle was taken home by the driver. Subsequent to the audit fieldwork, the Office's management reported that the driver was reprimanded and stronger controls were established to avoid such incidents.
- Four vehicles were out of service (two cars and two motorcycles) and required maintenance. In addition, vehicle logs were not found and a disposal plan for depreciated vehicles no longer in use had not been prepared.
- Out of the six computers under custody of the *Articulacion de Redes Tematicas* project and stored at the Socopachi warehouse (valued at over \$10,000), two of them could not be found. An Administrative Associate indicated that the computers were in the process of being transferred to an active project and one computer was found in a pile among other random items in the Office.

In addition, while performing a physical verification of assets, OAI identified an asset purchased amounting to \$5,700 that was paid and mistakenly recorded as an expense in December 2014, but the item had not been received yet.

Inadequate asset management could lead to assets not fully accounted for, undetected losses and misuse of assets.

Priority	Medium (Important)
Recommendation 10:	
The Office should strengthen the safeguarding and use of assets by:	
<ul style="list-style-type: none"> (a) developing an assets disposal plan; (b) improving the management of vehicle logs; (c) conducting physical verifications more often to assess asset conditions; and (d) recording assets only when the goods are received. 	
Management action plan:	
<ul style="list-style-type: none"> (a) The Office will prepare the assets disposal plan. (b) An Administrative Instruction was issued on 24 September reminding all staff of the conditions of vehicle use, including the procedures for managing vehicle logs and reporting irregularities. From now on, the Office will be cross-referencing the vehicle logs with the electronic access cards, as they offer a more factual account of people/vehicle movement. 	

- (c) Since the audit mission took place, the Office's warehouse has been cleaned and put in order. This includes labeling the items, cleaning the vehicles and doing the necessary maintenance. An Administrative Instruction was issued on 24 September regarding the standards expected for the upkeep and handling of warehouse space, both for the Office and projects. The instruction makes reference to the necessary periodic inspections and quarterly reports to the Operations Manager to assess adherence to these inspections and regular cleaning efforts. Management has tasked the Operations Manager with undertaking control visits and spot checks of the warehouse regularly.
- (d) Management takes note of the importance of recording assets only upon receipt and is reinforcing the message within the office to avoid exceptional errors in this regard.

Estimated completion date: December 2015

Issue 11 Weaknesses in leave management controls

The leave management process is governed by the 'Staff Rules and Regulations of the United Nations' and the 'UNDP Programme and Operations Policies and Procedures'. UNDP staff shall use the eServices module in Atlas to apply for leave; direct supervisors shall authorize or deny the standard leave requests. Special types of leave require the Resident Representative's immediate authorization. Leave monitors shall maintain monthly leave and attendance reports for all personnel, signed by them and by direct supervisors and reconciled with Atlas leave records.

According to Administrative Instruction ST/AI/2005/3, staff that take certified sick leave due to illness or injury must submit a medical certificate or medical report no later than the twentieth working day following the initial absence. In cases of doubt, staff members may be required at any time to submit a medical report as to his or her condition or to undergo a medical examination by the United Nations Medical Service or a medical practitioner designated by the Medical Director.

The following deficiencies were identified by OAI regarding leave management:

- 13 staff attendance records reviewed differed from the Atlas records.
- For two days sampled, Atlas records presented differences with the clock-in, clock-out records of five staff members. In the case of the Procurement Associate, there was no justifiable explanation why an absence of May 15, 2015 was not recorded in the eServices module.
- No signatures of the staff and/or the supervisors confirming their absences/attendances were found in Absence Records. Signatures were usually missing.
- Monthly Attendance Reports used by the Office were not regularly signed by supervisors.
- Official business days and compensatory days were not recorded in the Absence Records. Therefore, the leave monitor could not easily monitor the absences.
- Only one leave monitor was assigned to the Office, even though staff were located on four different floors within the building.
- Absences were not timely recorded by the Office's employees in Atlas on a monthly basis.
- Not all signed absence record cards were in the custody of the head of HR and kept in personnel files.
- On five occasions, OAI identified that leave was entered after it was concluded, with the exception of one emergency (maternity leave).

Inaccurate leave balances negatively impact UNDP's financial liabilities and exacerbate risks.

Priority	Medium (Important)
Recommendation 11: The Office should improve leave management by: <ul style="list-style-type: none"> (a) systematically obtaining monthly absence/attendance records signed by the staff and by supervisors, and reconciling them with Atlas records to ensure that discrepancies are immediately corrected; (b) improving the control of attendance and leave, by assigning at least one leave monitor per floor to ensure the proper monitoring of attendance; and (c) managing properly the controls over leave authorizations in accordance with applicable procedures 	
Management action plan: Management takes very seriously the systematic deficiencies identified in leave management in the Office. A proposal has been prepared to address the main areas that need attention. Roles and responsibilities are currently being revised and the systems re-designed to be able to implement the full package of recommendations by early next year.	
Estimated completion date: February 2016	

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Satisfactory** Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.
- **Partially Satisfactory** Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.
- **Unsatisfactory** Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised.

B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **High (Critical)** 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.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UNDP.
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.