

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

ARGENTINA

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Report on the Audit of UNDP Argentina Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Argentina (the Office) from 10 to 21 July 2017. 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 2016 to 30 June 2017. The Office recorded programme and management expenditures of approximately \$239 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 **satisfactory**, which means, "The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area."

Key recommendation(s): Total = 4, high priority = 0

The audit did not result in any high (critical) priority recommendations. There are 4 medium (important) priority recommendations, which means "Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP." These recommendations include actions to address:

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

Implementation status of previous OAI audit recommendations: Report No. 1402, 5 December 2014.

Total recommendations: 14

Implemented: 12

Withdrawn: 2

Management comments and action plan

The Resident Representative accepted all four recommendations and is in the process of implementing them. Comments and/or additional information provided have 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.



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I. About the Office

The Office, located in Buenos Aires, Argentina (the Country), had 55 staff members under fixed-term appointments and two service contract holders at the time of the audit. The Office was implementing a Country Programme agreed with the Government for the period from 2016 to 2020, which was aligned to both the national priorities as confirmed by interviewed government officials, and to the 'UNDP Strategic Plan 2014-2017'. The United Nations Strategic Cooperation Development Framework and the Country Programme Document were aligned to the Sustainable Development Goals, and the Office was working with the Government for the implementation of the Agenda 2030.

II. Audit results

Satisfactory performance was noted in the following areas and sub-areas:

- (a) Governance/Corporate Direction. Adequate controls were in place to ensure that the governance, risk management and control systems in the Office's corporate direction were adequate to improve performance.
- (b) Governance/Corporate Oversight and Assurance. There were established controls aiming to ensure that inputs from evaluation and audits were taken into account in order to improve the Office's operations.
- (c) Governance/Corporate External Relations and Partnerships. The Office established partnerships with different stakeholders who expressed their appreciation during the audit fieldwork, for the quality of services received from the Office.
- (d) Programme/Knowledge Management. The Office made use of research results such as the National Human Development Report.
- (e) Operations/Financial Resources Management. The Office adequately monitored the level and use of financial resources, managed risk of financial loss, and maintained accurate accounting records, adequately controlled commitments and disbursements and followed-up on outstanding receipts, and adequately protected cash in compliance with all relevant UNDP regulations and rules, policies and procedures.
- (f) Operations/ICT and General Administrative Management. The governance, risk management and control systems in the Office were adequate and effective.
- (g) Operations/Human Resources Management. Adequate controls in place to ensure that UNDP was equipped to attract, develop and retain a talented and diversified workforce. The Office had also developed an internal Human Resources newsletter to disseminate information on UNDP rules and regulations changes.
- (h) Operations/Staff and Premises Security. The governance, risk management and control systems in the Office were adequate and effective, due to sound business continuity systems and security arrangements.

OAI made four recommendations ranked medium (important) priority.

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

Medium priority recommendations, arranged according to significance:

- (a) Fully adhere to the current guidelines for nationally implemented projects for all new and ongoing projects (Recommendation 2).
- (b) Improve the Programme Unit staff job descriptions (Recommendation 1).
- (c) Strengthen project risk management (Recommendation 3).
- (d) Fully adopt the Harmonized Approach to Cash Transfers in 2017 (Recommendation 4).

The detailed assessment is presented below, per audit area:

A. Governance

1. Leadership

Issue 1 Deficiencies in staff job descriptions within the Programme Unit

The International Civil Service Commission recommends that a job description format be used in describing professional and higher category jobs at headquarters locations and established field offices. The job description should accurately reflect the name and stipulate to whom the staff member reports to, in addition to the duties, purpose, responsibilities and scope of the post. In summarizing the duties and responsibilities of the position, the percentage of time spent on each work area should be indicated. In addition, job descriptions are an essential component to the organization; it is not only important that they are accurate, but it is also vital that the job description be kept up-to-date, as job functions evolve.

The audit noted the following:

- As the Programme Coordinator post had been vacant since April 2009, the supervision of the four programme unit clusters (Inclusive Development, Democratic Governance, Environment, and Gender) had been delegated to the Deputy Resident Representative (DRR). As such, the job descriptions of programme analysts as Cluster Leads, stipulated that the programme analysts reported to the Programme Coordinator and DRR. Effective 1 July 2017, the Programme Coordinator post was filled, however the job descriptions of the programme analysts were not updated and signed by the Cluster Leads accordingly, to reflect the supervisory role of the incoming Programme Coordinator.
- The Programme Analyst (National Officer at A Level) within the Democratic Governance cluster, led the United Nations Global Compact initiative, a voluntary initiative of private sector Chief Executive Officers to implement universal sustainability principles and to take steps to support United Nations goals. Fifty percent of the Programme Analyst's time was devoted to the projects of the Democratic Governance cluster, and the other 50 percent to the Global Compact initiative. However, the respective job description did not accurately reflect such work arrangements and did not specify the reporting lines, which were both to the Resident Representative for the Global Compact initiative and to the Cluster Leader for the Democratic Governance portfolio. Furthermore, there was no established mechanism to measure the time devoted to each work area and potential measurable results for the Global Compact activities, which in turn could be translated into engagement with the private sector.

Inaccurate or outdated job descriptions may negatively impact productivity, , as well as staff moral and working environment relationships.

Priority	Medium (Important)
Recommendation 1:	
The Office should improve the Programme Unit staff job descriptions by:	
<ul style="list-style-type: none"> (a) updating them to reflect the current organizational structure within the Unit, and in case of a dual reporting line, properly reflecting the matrix supervision of the post; and (b) including measurable results in the job description of the Programme Analyst (National Officer at A Level) for the Global Compact initiative in line with the time devoted to the function. 	
Management action plan:	
Job descriptions for Programme Unit staff are under revision and will be updated accordingly.	
Estimated completion date: September 2017	

B. Programme

1. Quality Assurance Process

Issue 2 Use of contract templates not in line with the corporate guidelines for nationally implemented projects

In accordance with the UNDP guidelines for nationally implemented projects, such projects are to be implemented following one of two scenarios: (a) full national implementation, in which the national implementing partners directly assume responsibility for the related outputs and carry out all activities; or (b) national implementation, in which the national implementing partner assumes full responsibility for the related outputs, but at the request of the Government through a standard Letter of Agreement UNDP serves as a responsible party that undertakes specific, clearly defined activities for the implementing partner. Whenever the implementing partners hire project personnel, consultants or companies, the corporate guidelines require standard contract templates to be used.

The audit identified the following weaknesses:

- Implementing partners were using a non-standard contract template for recruiting project personnel. This was a recurrent issue from the previous OAI audit of September 2014. Despite the efforts made by the Office to resolve the issue, the final word of acceptance by the related government ministry was still pending.
- Implementing partners were signing non-standard contracts with suppliers. The terms and conditions contained in the contracts for the procurement of goods or services did not follow the standard template as per the guidelines. Templates in use corresponded to an earlier version of contracts agreed with and adopted by the Government presently not in use, despite the efforts made by the Office to ensure the full adoption of such guidelines. The UNDP logo was used in the project documentation signed by the implementing partners contrary to the prescribed use of UNDP logo.

The use of non-standard contracts for nationally implemented projects that involve UNDP and the incorrect use of the UNDP logo may expose the Office to legal implications and/or reputational damage.

Priority	Medium (Important)
Recommendation 2:	
The Office should fully adhere to the current guidelines for nationally implemented projects for all new and ongoing projects as required.	
Management action plan:	
The Office will take the following action:	
<ul style="list-style-type: none"> (a) Address this issue with national counterparts who were appointed in July, 2017. (b) Continue to ensure that all corporate templates are used by implementing partners, train project personnel and provide appropriate formats; additional controls will be set (starting as of September 2017). (c) Remind all implementing partners and more controls will be applied to the document review process (starting as of September 2017). 	
Estimated completion date: December 2018	

2. Programme/Project Design and Implementation

Issue 3 Weaknesses in risk management

UNDP uses the Corporate Planning System to capture risks and mitigating actions at the office level, and Atlas (the Enterprise Risk Management system of UNDP) to record and yearly update project risk details. The 'UNDP Programme and Operations Policies and Procedures', along with the 'Managing for Development Results' guidelines, stipulate that all planning, implementation, monitoring and evaluation, including associated decision-making should involve a consideration of risks. UNDP has implemented an Enterprise Risk Management policy, which indicates that risks should be identified, with appropriate plans and actions to mitigate and manage risks.

The audit reviewed risk management activities as presented in the Integrated Work Plan, and a sample of nine ongoing projects out of a total of 60 projects in the Office's portfolio. Only one project out of the nine reviewed had timely recorded and yearly updated risks in Atlas, while the remaining eight projects had their risks identified during the project formulation phase, and they were not updated in Atlas on a yearly basis.

The lack of adequate risk management practices may result in risks not being identified and not being addressed in a timely manner. In addition, failure to meet expected results may negatively affect the reputation of UNDP, and may reduce donors' interests in funding future projects.

Priority	Medium (Important)
Recommendation 3:	
The Office should strengthen project risk management by assessing risks at least once a year and by using Atlas to capture, assess, and update identified risks.	
Management action plan:	
The Office will take immediate actions in order to assure that project risks, -which are identified during the project formulation phase, and regularly monitored in field visits, progress reports and board meetings- are updated in Atlas at least annually, along with the appropriate plans and actions to address them.	
Estimated completion date: November 2017	

C. United Nations Leadership and Coordination

Issue 4 Harmonized Approach to Cash Transfers not fully implemented

To lessen the burden caused by the multiplicity of the United Nations procedures and rules for its partners, the 'Framework for the Harmonized Approach to Cash Transfers (HACT) to Implementing Partners' has been established. Compliance is achieved when the following four steps have been completed: (a) macro-assessment of the public financial system; (b) micro-assessments of implementing partners; (c) agreement with the Government on implementing the HACT; and (d) development and implementation of an assurance and audit plan for implementing partners. According to the Framework for Cash Transfers to Implementing Partners, UN Agencies will adopt a risk management approach and will select specific procedures for transferring cash on the basis of the joint assessment of the financial management capacity of Implementing Partners.

At the time of the audit fieldwork, HACT was pending to be fully adopted despite several efforts made by the Office. The HACT Readiness indicator showed 89 percent completion for the Office per the HACT Dashboard indicators. A macro-assessment had been carried out in 2015 for Argentina; out of 22 planned micro-assessments, 18 were completed while three were in the process of being assessed.. An assurance plan was developed and FACE forms were being used; 20 spot checks were undertaken in 2016, while 18 were planned to be carried out in 2017.

Unless all HACT requirements are fulfilled, the objectives of harmonizing practices among United Nations agencies may not be achieved.

Priority	Medium (Important)
Recommendation 4:	
The Office, in coordination with the national implementing partners and other participating United Nations agencies, should fully adopt the Harmonized Approach to Cash Transfers in 2017 by completing the pending activities, such as micro-assessments and spot checks.	
Management action plan:	
The Office will comply with the established deadlines for both micro-assessments and spot checks activities, as follows:	
<ul style="list-style-type: none"> (a) Micro-assessments: Out of 22 micro-assessment planned, 20 are completed, 1 was cancelled due to the closure of the IP and 1 is in process. (b) Spot checks: Out of 18 Spot checks planned for 2017, 6 are completed, 4 are being carried out, and 8 will be finalized by March 2018. 	
Estimated completion date: March 2018	

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Satisfactory** The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Some Improvement Needed** 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.
- **Partially Satisfactory / Major Improvement Needed** 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.
- **Unsatisfactory** The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

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. Failure to take action could result in 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.