UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP COUNTRY OFFICE

IN

URUGUAY

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Report on the Audit of Uruguay
Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted a remote audit of UNDP Uruguay (the Office) from 30 March to 17 April 2020. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas:

(a) Governance
(b) Development activities
(c) Operations - procurement, finance, human resources, administrative services, information communication and technology (ICT)

The audit covered the activities of the Office from 1 January 2018 to 31 December 2019. The Office recorded programme and management expenses of approximately $54.4 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*. In view of the COVID-19 pandemic the audit was completed remotely. Scope limitations due to the nature of the remote audit related to the following activities:

(a) Review of original supporting documentation could not be carried out, the audit team relied on scanned copies of documents provided by the Office for all audit areas reviewed;
(b) Meetings with Office staff and personnel were carried out virtually which limited the audit teams understanding of the Office working environment such as identifying non-verbal feedback and observing Office interactions;
(c) Project visits (location, site visits, meeting with counterparts/beneficiaries) were not conducted;
(d) Physical verification of assets was not performed;
(e) Safe and petty cash contents were not verified; and
(f) The Information Communication and Technology area was not reviewed onsite

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 recommendations: Total = **2**, high priority = **0**

The audit did not result in any high (critical) priority recommendations. There are two 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 flaws in organizational structure, and shortcomings in service contracts management.

The two recommendations aim to ensure the following: (i) achievement of the organization's strategic objectives (Recommendation 1); and (ii) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendation 2).

Management comments and action plan

The Resident Representative of UNDP Uruguay accepted both recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated in the report, where appropriate.

Low-risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.

Helge S. Osttveiten
Director
Office of Audit and Investigations

I. About the Office

The Office, located in Montevideo, Uruguay (the Country), consisted of 16 staff members (including 1 International and 15 local). In addition, the Office had 47 service contract holders where 37 were working for projects under the direct implementation modality and 10 were working in the Office in supporting the operations function. The UNDP country programme in Uruguay had been guided by the United Nations Strategic Development Cooperation Framework for the period 2016–2020. The country programme focused on three areas: (1) inclusive and equitable development; (2) sustainable development with innovation; and (3) democratic development based on institutional quality, decentralization and human rights. The areas of gender equality, human rights, environmental sustainability, good governance, decentralization and local development, and South-South and triangular cooperation were integrated as cross-cutting areas of the programme.

II. Audit results

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

(a) <u>Development Activities.</u> The use of corporate tools for the implementation, monitoring and evaluation of projects was applied consistently.

(b) <u>Operations – Procurement.</u> Internal control procedures were found to be adequate within the procurement of goods and services.

(c) <u>Operations – Finance.</u> The Office adequately monitored the level and use of financial resources, managed risk of financial loss, and maintained accurate accounting records. It also adequately controlled commitments and disbursements and followed up on outstanding receipts.

(d) <u>Operations – Administrative Services.</u> The governance, risk management and control systems within administrative services, which include travel and common services, were adequate and effective.

OAI made two recommendations ranked medium (important) priority.

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

Medium priority recommendations, arranged according to significance:
    (a)   Address weaknesses within the organizational structure (Recommendation 1).
    (b)   Ensure compliance with the service contract guidelines (Recommendation 2).

The detailed assessment is presented below, per audit area:

1. Governance

1. Organizational Chart and Overall Staffing

Issue 1   <u>Weaknesses within the organizational structure</u>

The vision and mission of an office, as well as its organizational effectiveness, rely on the office's adequate organizational structure. Job descriptions of staff should accurately reflect the name and designation of whom

the staff report to, in addition to the duties, role, responsibilities and scope of the position. Flexible working arrangements provide options to best achieve overall programme objectives and optimal performance while balancing the need of staff members with the demands of work.

The following issues in respect to the organizational structure of the Office were observed:

- As per the 'UNDP Programme and Operations Policies and Procedures', part-time employment is applicable for a limited time. The audit team noted that a staff member in the Operations Unit was under part-time employment, since 2011.

- Job descriptions of staff should accurately reflect the name and designation of whom the staff report to, in addition to the duties, role, responsibilities and scope of the post (full time/part-time). The audit team noted that (i) the roles and responsibilities of 5 job descriptions sampled (out of 10) were not aligned with the reporting lines and responsibilities; and (ii) 6 out of the 10 sampled job descriptions were outdated and did not reflect current supervisors.

Staffing constraints can cause an excessive burden on existing personnel which may impact on overall delivery.

Priority	Medium (Important)
Recommendation 1: In order to address the weaknesses in its organizational structure, the Office should: (a) terminate part-time employment beyond a limited term, and (b) review job descriptions for uniformity to ensure duties, roles and responsibilities adhere to corporate standards.	
Management action plan: The Office will continue actions to enhance its structure and address workload imbalances by reviewing job descriptions and terms of reference of all Office personnel (fixed-term and service contracts), adjusting duties, roles and responsibilities to corporate standards and to the Internal Control Framework and delegations of authority. **Estimated completion date:** June 2021	

2. Operations - Human Resources

2.1 Service Contracts

Issue 2   Shortcomings in service contracts management

The service contract is a cost-effective and flexible contracting modality used for hiring individuals under a non-staff contract. The 'UNDP Programme and Operations Policies and Procedures' stipulate the roles and responsibilities for the management of service contracts. The responsible officer, delegated by the Resident

Representative, manages the planning, contracting and accountability of service contracts, in addition to the responsibility of setting the remuneration scales.

There were 10 service contract holders in the Office: 5 working in programme, 4 in operations and 1 within communications.

The following issues in the management of service contracts were noted:

- The service contract guidelines stipulate examples of the improper use of this modality. One such example is the hiring of personnel for core functions that are of a continuing nature and part of UNDP's central work. The audit team noted that a service contract holder, in the programme unit, was performing core functions. The post was titled 'Programme Area Professional', at an SB 4 level, which is misleading, since the designation ''professional'' is assigned to the National Office staff category. In addition, two service contract holders were performing core functions in procurement and communications areas, in excess of 10 years.

- The service contract guideline stipulates that salaries are based on the level of responsibility. However, salaries were determined by the project manager and/or senior management on a case by case basis, which may have compromised the objectivity, instead of stipulating salaries based on the level of responsibility for each service contract.

Issues identified in the management of service contracts increase the financial and reputational risks of the Office.

Priority	Medium (Important)
Recommendation 2: To ensure full adherence to the service contract guideline, the Office should ensure: (a) the proper use of the service contract modality in relation to core functions; and (b) the salaries of each service contract holder are commensurate with the level of responsibility.	
Management action plan: To address the recommendations, the Office will: (a) Review the duties, roles and responsibilities of the personnel hired under service contracts and submit any cases that require adjustments in the contracting modality to the Regional Bureau for Latin America and the Caribbean and the Office of Human Resources at Headquarters. (b) Establish a remuneration equivalence matrix (bands/percentiles) according to the level of responsibility, following the Handbook for Service Contract Remuneration Scale. **Estimated completion date:** March 2021	

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.