



AUDIT

OF

UNDP COUNTRY OFFICE

IN

CHILE

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Report on the Audit of UNDP Chile Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Chile (the Office) from 25 August to 11 September 2020. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

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

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

Main audit question: To what extent were project results likely to be achieved?

- (a) Governance
 - i. Was the Office's organizational structure adequate to achieve the agreed results in its portfolio of projects?
- (b) Development activities
 - ii. Was project management undertaken effectively?
 - a. Were projects designed with clear and measurable results linked to strategic instruments?
 - b. Were project monitoring and change management timely undertaken?
 - c. What were the major factors influencing the achievement or non-achievement of the objectives?
- (c) Procurement
 - iii. Were procurement activities conducted effectively?
 - a. Did the Office procure goods and services in a timely manner?
 - b. Was value for money achieved?
- (d) Finance
 - iv. Were financial transactions processed timely and accurately?
- (e) Human resources
 - v. Were human resources activities on behalf of projects conducted effectively?
 - a. Were service contract holders hired timely and did their recruitment meet the project requirements?
 - b. Were payments and benefits administered effectively?

The audit covered the activities of the Office from 1 January 2019 to 30 June 2020. The Office recorded programme and management expenses of approximately \$19.6 million. The last audit of the Office was conducted by OAI in 2015.

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

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

Overall audit rating

OAI assessed the Office as **partially satisfactory/some improvement needed**, which means "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." This rating was mainly due to ineffective internal controls and inadequate travel management.

Key recommendations: Total = 6, high priority = 2

The six recommendations aim to ensure the following:

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

Internal Control Framework not effective (Issue 2)

Inconsistencies between the Internal Control Framework, the Delegation of Authority and Atlas, were identified. These discrepancies allowed transactions to be approved and processed exceeding the threshold levels established by the Internal Control Framework and the Delegation of Authority.

Additionally, five staff had approval rights set in Atlas that differed from the approved Internal Control Framework and the Delegation of Authority. And 13 payments worth \$0.9 million, and three accounting entries valued at \$0.2 million were approved by staff that did not have the level of authority required.

The approval of the payment vouchers was not evenly distributed among the authorized staff members; this unequal workload distribution created inefficiencies in the payment processes.

Recommendation: The Office should improve the effectiveness of internal controls by: (a) reviewing and aligning its Internal Control Framework, Delegation of Authority and Atlas roles and ensuring that the levels of authority are kept within authorized limits set by UNDP financial rules and regulations, and; (b) re-assessing the overall workload of staff members approving payment vouchers to ensure a balanced and effective segregation of duties that promotes efficiency while ensuring a more robust internal control system.

Inadequate travel management (Issue 5)

The review of the selected sample disclosed the following inconsistencies in travel management:

- Travel requests were entered in the Travel & Expense Module after the mission had taken place.
- Travel requests entered in the Travel & Expense Module lacked the airfare ticket cost.
- Outstanding travel claims and travel reports/expense reports for over 30 days.
- Travel was booked only 9 days in advance, well below the recommended 21 days stated in UNDP travel policy.
- The Office had over 700 vendor profiles of travellers but did not have a dedicated travel unit to handle the high volume of travel requests.

Recommendation: To improve travel management, the Office should: (a) ensure that all travel requests are accurately recorded, completed and authorized in the Travel & Expense Module prior to travel, and travel booking is made in advance according to UNDP guidelines; (b) ensure that all travel requests and travel claims are timely submitted and processed, and; (c) re-assess travel management workflow to identify areas for improvement and ensure that all personnel involved in travel processing are properly trained.

Management comments and action plan

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

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

Helge S. Ostveiten
Director
Office of Audit and Investigations

I. About the Office

The Office, located in Santiago, Chile (the Country) and its Country Programme covered the period 2019–2022 with the following development priorities:

- a) Strengthening institutional capacities to address the drivers of vulnerability and exclusion.
- b) Barriers to the economic and social integration of women.
- c) Modernization of the State by boosting mechanisms for participation, transparency and decentralization.
- d) Balancing the sustainability dimension in the productive model to increase resilience throughout the territory.

During the period from January 2019 to June 2020, the Office spent \$18.1 million on development activities, a decrease by 25 percent compared to the previous period, caused by the limited sources of funding since the Country's classification as a Net Contributing Country, and the acute social unrest and the COVID-19 pandemic that started in March 2020.

The largest development projects in terms of expenses during the period covered by the audit were:

Title	Expenditure Jan - Dec 2019 \$million	Expenditure Jan - Jun 2020 \$million
Políticas Públicas de Juventud	2.80	0.01
Fondo Chile Fase II	0.93	-
Gestión de eliminación de HCFC	0.89	0.10
Marco de colaboración para apoyar el trabajo con INJUV	-	0.69
Fortalecimiento del Sistema Educativo	0.52	1.11
Total	5.14	1.91

Source: UNDP's STREAM Analytics website

The largest sources of funding of the Office's development activities for the period covered by the audit were:

Donor	Funding for the period \$million
Government of Chile	10.40
Montreal Protocol	1.86
Global Environment Facility	1.73
National Private Sector	1.08
Total	15.07

Source: UNDP's STREAM Analytics website

Other critical information

The Country is a high-income country, and since 2018, considered a Net Contributing Country where the Government fully funds the Office's costs and project activities of UNDP. This translated into new challenges for resource mobilization and at the same time into new opportunities for the advisory services that the Office provided.

The implementation of the 2019–2022 Country Programme was impaired by social unrest that started in October 2019 in response to a raise in the capital's subway fare, the increased cost of living and inequalities prevalent in the Country. The Government declared a State of Emergency in several of the provinces in the Country where violence escalated, including Santiago. As a result of these events, most of the ongoing projects in the Office's portfolio had to slow down their implementation for several months.

In the aftermath of the October 2019 events, a political agreement was reached, including a national referendum to take place in October 2020, to ask citizens whether they approved or rejected the drafting of a new Constitution. In March 2020, the Government declared a State of Emergency, this time due to the pandemic. Quarantines and curfews were later imposed in several areas of the Country. The severe impact of the pandemic on activities, gatherings and travel since mid-March further delayed the implementation of most projects in the Office's portfolio.

II. Audit results

Satisfactory performance was noted in the following areas:

Development activities/Country programme. Implementing partners, government counterparts and donors with whom the audit team members met via videoconference expressed their appreciation of the Office as a valued development partner.

Satisfactory performance was observed in relation to the performance audit questions, as indicated below:

(a) Governance

- i. Was the Office's organizational structure adequate to achieve the agreed results in its portfolio of projects?

The structure was adequate to achieve the agreed results. Project counterparts, donors, government officials and project beneficiaries, with whom the audit team met with virtually during the audit, expressed their appreciation of the Office as a valued partner.

While the structure was adequate, there were different contractual modalities and reporting arrangements among the programme cluster heads, which resulted in differences in pay settings and unequal workload, thus creating an issue of imbalanced portfolio management and staff morale. The contract modality (service contract) of one of the cluster heads also prevented him from approving transactions in Atlas (enterprise resource planning system of UNDP). The audit team was informed that due to budgetary constraints, this imbalanced situation had prevailed for several years, which in the audit team's view needed to be addressed; refer to Issue 1 below.

(b) Development activities

- i. Was project management effectively undertaken?

Based on the responses to the sub-questions below and the in-depth review of the selected projects, the audit team found that project management was undertaken effectively for the review period.

- a. Were projects designed with clear and measurable results linked to strategic instruments?

The review of a project sample showed that project outputs were clearly defined, measurable and in line with the strategic objectives documented in the 2019–2022 Country Programme and the United Nations Sustainable Cooperation Framework.

- b. Were project monitoring and change management timely undertaken?
Project monitoring was adequately conducted through quality assurance, frequent reviews as described in the project documents, visits and project audits conducted and supported by written reports. The overall delivery rate of the Office reduced by around 25 percent, because of the circumstances previously described. Project work plans were timely adjusted.
- c. What were the major factors influencing the achievement or non-achievement of the objectives?
Good cooperation and coordination with the project boards and partners were noted as one of the main factors influencing the achievement of objectives combined with the effective support services provided by the Office. Nevertheless, the events that started in October 2019 throughout the Country, as previously described, affected the implementation of projects, which were later further affected by the global pandemic.

(c) Procurement

- i. Were procurement activities conducted effectively? For the audit period and based on the sample of procurement processes selected for review, the audit team concluded that procurement activities were conducted effectively.
 - a. Did the Office procure goods and services in a timely manner?
The procurement of goods and services were processed timely. However, the procurement unit would benefit from an independent review by a committee from another office to assure an objective review process.
 - b. Was value for money achieved?
Value for money was achieved in the procurement processes reviewed.

(d) Finance

- i. Were financial transactions processed timely and accurately?
The financial transactions reviewed were processed timely and accurately. In all payment transactions reviewed, the payments were completed within the terms and conditions agreed. In most cases, the transactions were approved within one day of the entry date. All transactions reviewed were accounted for accurately and in accordance with supporting documents.

(e) Human resources

- i. Were human resources activities on behalf of projects conducted effectively?
The human resource activities, on behalf of projects, required improvements. Deficiencies noted are highlighted in Issue 4. Weaknesses were encountered in the management of service contracts, compromising the effectiveness of the HR processes.
 - a. Were service contract holders hired timely and did their recruitment meet project requirements?
For at least one project, service contract holders were hired for less than 6 months and subsequently extended, rather than the expected one-year period required by the project.
 - b. Were payments and benefits administered effectively?

Payments and benefits were not administered effectively. In at least one project, individuals were classified at the maximum pay range upon direct contracting, which could be perceived as favouritism. Benefits were not necessarily administered in compliance with the Service Contract User Guide.

Considering the results of the above performance sub-questions, the audit team concluded and prepared a response for the main audit question, as follows:

To what extent were the projects results likely to be achieved?

The Office's work in programme and operations supported project results and were likely to achieve the agreed results. The audit identified weaknesses in travel management and in the internal control areas of the Office, and recommendations were made to strengthen those areas, as described below.

OAI made two recommendations ranked high (critical) and four 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) Improve travel management (Recommendation 5).
- (b) Improve effectiveness of internal controls (Recommendation 2).

Medium priority recommendations, arranged according to significance:

- (a) Improve management of service contracts (Recommendation 4).
- (b) Comply with the UNDP Information Security Policy (Recommendation 6).
- (c) Address contractual issues in Programme Unit structure (Recommendation 1).
- (d) Enhance project documents and grant agreements management (Recommendation 3).

The detailed assessment is presented below, per audit area:

A. Governance

1. Organizational chart & overall staffing

Issue 1 Contractual issues in Programme Unit structure

The vision and mission of an office, as well as its organizational effectiveness, rely on the office's adequate organizational structure, which allows for clear roles and responsibilities, as well as reporting lines. Job descriptions of staff should accurately reflect the duties, roles, responsibilities and scope of the position.

The Office operated with limited staffing due to budget constraints. The Programme Unit was composed of three clusters. Two cluster heads were National Officer staff members at the D and A levels, whereas the third cluster was led by a service contract holder who reported to the National Officer at the D level. This structure resulted in differences in pay settings and unequal workload distribution among the cluster heads, as the contracting modality prevented the third cluster head from approving transactions in Atlas.

In addition, the staffing constraints forced the Office to redistribute workload among programme and operations unit staff and adopt *ad hoc* arrangements to overcome the inability of service contract holders to fully utilize Atlas and carry out functions reserved only for staff members. This in turn resulted in the inefficiencies as described below in issue 2. These *ad hoc* arrangements impaired the Office's ability to perform its functions in a more efficient manner.

Inadequacies in the Programme Unit structure may bring about contractual issues and jeopardize delivery while increasing financial and reputational risks for the Office.

Priority	Medium (Important)
Recommendation 1:	
The Office should review its structure to address contractual issues and workload imbalances, specifically in the Programme Unit, to ensure duties, roles and responsibilities adhere to corporate standards.	
Management action plan:	
The Office acknowledges the recommendation. The Office has, since 2019, requested the support and guidance from the Regional Bureau for Latin America and the Caribbean to review and align the Office's structure to new challenges and to address all contractual and workload issues in this plan.	
The implementation of a functional review to revisit the overall Office structure will be subject to the Regional Bureau for Latin America and the Caribbean's response, advice and approval on this matter. The Office is fully prepared to actively provide inputs to this process.	
Estimated completion date: December 2021	

2. Internal Control Framework and Delegation of Authority

Issue 2 Internal Control Framework not effective

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

Inconsistencies between the Internal Control Framework, the Delegation of Authority and Atlas, were identified. These discrepancies allowed transactions to be approved and processed exceeding the threshold levels established by the Internal Control Framework and the Delegation of Authority.

Five staff members had approval rights set in Atlas that differed from the approved Internal Control Framework and Delegation of Authority. Also, one of these staff members had an approved Delegation of Authority limit that was above the head of office's authority. The audit team also noted that 13 payments valued at \$0.9 million, and three accounting entries valued at \$0.2 million were approved by a staff member who did not have the level of authority required.

For the period audited, two staff members approved a total of \$10.7 million in payment vouchers, which represented 67 percent of the total payment vouchers valued at \$15.8 million. This unequal workload distribution created a burden on these two staff members and prevented optimal efficiency in the process, as the Office had other three staff members with the required approval levels in Atlas.

Deficiencies in the internal control system may also result in transactions that could go unauthorized, thus compromising the integrity of the Office's operations.

Priority	High (Critical)
Recommendation 2:	
The Office should improve the effectiveness of internal controls by:	
<ul style="list-style-type: none"> (a) reviewing and aligning its Internal Control Framework, Delegation of Authority and Atlas roles and ensuring that the levels of authority are kept within authorized limits set by UNDP financial rules and regulations; and (b) re-assessing the overall workload of staff members approving payment vouchers. 	
Management action plan:	
<ul style="list-style-type: none"> (a) The Office's Internal Control Framework, Delegation of Authority and Atlas profiles will be thoroughly reviewed to assure the alignment of the three frameworks, taking into consideration the reviewed Operational Guide of the Internal Control Framework for UNDP. (b) The exercise will include the re-assessment of the workload and re-distribution of duties to ensure efficiency and a more robust internal control system. The implementation of this recommendation will be linked to Recommendation 1. The Internal Control Framework, Delegation of Authority, Atlas profile will be balanced and effective subject to the decisions that will be made regarding the review of the overall structure. 	
Estimated completion date: June 2021	

B. Development activities

1. Implementation modalities

Issue 3 Standard clauses missing in project documents and low value grant agreements

UNDP provides standard templates available within the 'UNDP Programme and Operations Policies and Procedures', to ensure that project documents and all types of agreements include the required quality standards and standard clauses, such as legal context and terms and conditions for implementing partners, responsible parties and grantees. The standard clauses also cover funding agreements with currency of payment, risk management and audit arrangements, making it clear what to expect of each signed document.

The audit team reviewed a sample of 6 projects out of a portfolio of 42 ongoing projects. The sample included 1 directly implemented project, 1 engagement facility, and 4 nationally implemented projects receiving Country Office support.

The audit disclosed that the project documents of three of the four nationally implemented projects reviewed lacked the standard of risk management arrangements for nationally implemented projects, and lacked the audit clause, and had incomplete clauses for funding when receiving government funds. The Office explained that they used an old version of project document template, but for the last two updates of the project document template the standard clauses were there.

In addition, the audit team reviewed five low value grant agreements and found that the agreements were different from each other, containing different clauses and not fully aligned to the standard template. Two of the agreements were devised to be paid in US dollars, two in US dollars and Chilean pesos (CLP), and one in just CLP. Two of the agreements did not contain a work plan and reporting template attached as required by the standard template.

The lack of proper templates and standard clauses in project documents and agreements exposes the Office to legal and financial risks.

Priority	Medium (Important)
Recommendation 3: The Office should enhance project document and grant agreement management by: <ul style="list-style-type: none"> (a) using standard templates for project documents and agreements and ensuring that all applicable clauses are included in the signed documents; and (b) ensuring that low value grants are paid as agreed in terms of amount, currency and timeframe. 	
Management action plan: To implement the recommendation, the Office will take following actions: <ul style="list-style-type: none"> (a) Inform and present the new clauses to be included in the project documents to the relevant government ministry and negotiate with the government on the implementation of the new template moving forward. The implementation will necessarily be done gradually, and new clauses and standard templates will be used for new project documents beginning in 2021. 	

- (b) Ensure that all payments are in line with the grants, in terms of amount and currency following the provisions/ templates of the low value grant policy of 2018, effective from now on.

Estimated completion date: December 2021

C. Operations

1. Human resources/Service contracts

Issue 4 Weaknesses in the management of service contracts

The service contract modality for hiring individuals under a non-staff contract, stipulates that by signing the service contract, individuals acknowledge and accept that the terms and conditions of service are different than those that apply to UNDP staff, with no expectations for contract renewal. In protecting UNDP's legal interests, the Service Contract User Guide and the Handbook for Setting Remuneration for Service Contract Personnel must be adhered to, if UNDP is signatory.

The following instances of non-compliance with the applicable Service Contract User Guide and the Handbook were identified:

- Service contract awarded for less than six months. The engagement of two service contract holders was for less than six months, rather than the expected one-year period required by the project; subsequently, the contracts were extended. According to the Service Contract User Guide, a service contract should be issued for a minimum period of six months. In the cases of project personnel, the maximum period for the use of a service contract is for the duration of the project.
- Inadequate pay setting. Two service contract holders were classified at the maximum pay range upon entry; both were direct hires and insufficient evidence was available to substantiate the basis for setting the pay level for these two individuals. As a result, there was no assurance that the setting of pay scales was objective.
- Lack of UNDP email accounts. Service contract holders working for projects did not have a UNDP email account, and instead used their personal email accounts and/or government institution accounts. As a result, service contract holders were not able to complete the mandatory training courses, and lacked access to e-services for leave management. At least twice a year, projects submitted the leave balances of their service contractors to be registered manually in Atlas by the Human Resources Unit. The Office indicated that some projects did not agree to pay the respective fee for service contract holders to be able to have UNDP email accounts.
- Lack of updated service contract remuneration scale. The Office conducted a service contract salary survey in 2018, yet had not updated the service contract salary scale. The Office indicated that the results showed a percentage in salary increase in the service contract remuneration scale was due, which the Office could not afford to implement. The Handbook for Setting Remuneration for Service Contract Personnel stipulates that in such cases, transitional measures are to be implemented. The audit team also found that salary surveys for service contracts were not regularly conducted.

Weaknesses identified in the management of service contracts increases the financial and reputational risk of the Office. The lack of a salary scale that is comparative to the local market may contribute to challenges in filling vacant positions and inadequate pegging of remuneration scales.

Priority	Medium (Important)
Recommendation 4:	
The Office should improve the management of service contracts by:	
<ul style="list-style-type: none"> (a) aligning the management of service contracts with the procedures stipulated in the Service Contract User Guide for all contracts where UNDP is signatory; and (b) updating the salary survey data results to current market conditions and periodically conducting a service contract salary survey in conjunction with the staff salary survey. 	
Management action plan:	
The Office will:	
<ul style="list-style-type: none"> (a) align the management of service contracts to the Service Contract User Guide and will work in close consultation with the Office of Human Resources in the case of the 2.5 days annual leave per month accrual for service contract holders working within the Office's premises. (b) Seek clarity from Headquarters on the issue disclosed by OAI in regard to granting UNDP email accounts to all service contract holders. (c) The new salary scale for 2021 was submitted for approval to the Policy and Compensation Unit at Headquarters, on 30 September 2020. 	
Estimated completion date: December 2021	

2. Administrative Services/Travel

Issue 5 Inadequate travel management

The 'UNDP Programme and Operations Policies and Procedures' establish that all business travel should be approved prior to travel. The Travel Request is the formal document used to secure approval to incur travel expenses and undertake travel. The request is created electronically in Atlas via the Travel & Expense Module and must be submitted for those traveling on official business organized by UNDP. The Travel Request should contain a minimum amount of information including the authorized itinerary, and ticket cost. Furthermore, for each mission, an approved Travel Request must be obtained prior to finalizing travel arrangements. Once the authorizing unit fully approves the Travel Request, such authorization is sent to a travel agency for issuance of a ticket. After travel has concluded, all staff and non-staff members are required to submit a travel claim to the authorizing unit within two weeks from completion of travel. The completed travel claim must be accompanied by proof of travel and receipts of miscellaneous expenses as applicable.

The audit team reviewed a sample of 13 out of 27 international travel requests processed in the Travel & Expense Module. International travel accounted for 14 percent (86 percent was domestic) of all travel managed by the Office during the audited period. After an in-depth review of the selected sample, the following findings were identified:

- Travel requests were entered in the Travel & Expense Module after the mission had taken place. Three Travel Requests from the sample were entered in the Travel & Expense Module after travel had occurred. Consequently, Daily Subsistence Allowance dates were incorrectly recorded in the system, resulting in one instance of overpayment and one instance of underpayment due to the application of Daily Subsistence Allowance rates in incorrect months. In the third case, Daily Subsistence Allowance was incorrectly recorded in one single line as “ad hoc” for a lump sum payment of three days of Daily Subsistence Allowance. In addition, further review of the Travel & Expense Module showed five Travel Requests/Expense Reports pending approval, two of which related to domestic missions (involving air travel) undertaken before the Travel Request was entered in the system.
- Travel requests in the Travel & Expense Module lacked the airfare ticket cost. Six Travel Requests from the sample did not include a line to record airfare ticket costs. In two cases, a separate Travel Request for ticket cost was created and linked to the original Travel Request; however, this was done after travel had already occurred. After further inquiry and follow-up with the Office, it was observed that:
 - The travel agency issued tickets upon the request of the organizing unit but without an authorized Travel Request.
 - Decentralized travel management led to inefficiencies in the ticket reconciliation process. The Office’s Finance Unit indicated that the process of obtaining ticket invoices from either the travel agent and or/the requesting unit was not systematized, thus leading to inconsistencies (including currency exchange differences) and impacting the process. Consequently, the Office made a management decision to exclude the line for air ticket costs in the Travel Request, unless an invoice had already been obtained.
- Outstanding travel claims and Travel Requests/Expense Reports for over 30 days. At the time of the audit, the Office had 23 outstanding travel claims well beyond the two-week limit. There were also two open items (balance due from travellers in the amount of \$359) outstanding for a period over six months. In addition, the Travel & Expense Module showed eight Travel Requests/Expense Reports left unapproved for over 30 days (from 60 to 1,079 days).

In addition, the audit disclosed that on average, travel was booked only 9 days in advance, well below the recommended 21 days stated in the policy. It was also observed that most travel was undertaken by non-staff members (mostly project personnel), and that it was domestic. The Office had created over 700 vendor profiles of travellers but did not have a dedicated travel unit to handle the high volume of travel requests.

Deficiencies in travel management may lead to the inefficient use of resources, while reputational and financial risks may be exacerbated for the Office.

Priority	High (Critical)
Recommendation 5:	
To improve travel management, the Office should:	
(a) ensure that all travel requests are accurately recorded, completed and authorized in the Travel & Expense Module prior to travel, and travel booking is made in advance according to UNDP guidelines;	
(b) ensure that all travel requests and travel claims are timely submitted and processed, and;	
(c) re-assess travel management workflow to identify areas for improvement and ensure that all personnel involved in travel processing are properly trained.	

Management action plan:

To improve travel management, the Office will:

- (a) review, assess and improve the management workflow of the travel processes;
- (b) work in coordination with the local travel agency to improve the ticket issuance process based on a travel authorization duly approved and an enhanced payment and reconciliation process of air tickets; and
- (c) carry out training sessions for all Office personnel and counterparts to emphasize the correct use of Travel & Expense Module.

Estimated completion date: June 2021

3. Information and communication technology/Network security

Issue 6 Weaknesses in the management of information and communication technology (ICT)

The Information Security Policy sets out the basis for protecting the confidentiality, integrity, and availability of data, for classifying and handling confidential information, and for dealing with breaches of this policy. Information systems operated by UNDP are critical assets for the organization to fulfill its mission.

The following weaknesses were identified during the review of the ICT area:

- Lack of ICT plan for the audit review period.
- The Office used outdated equipment and software.
- The last approved and communicated Disaster Recovery Plan was outdated.
- The Office used an unsecured and unofficial UNDP website.

The insufficient or inadequate ICT resources put the Office at risk of not being able to conduct its operations effectively and efficiently.

The Office of information Management Technology (OIMT) from the Regional Hub in Panama conducted a remote ICT assessment, subsequently to the audit, and found similar weaknesses. The Office was involved in the remote assessment and agreed with OIMT on preparing a plan to address the recommendations.

Without an updated Disaster Recovery Plan, the Office may not be able to recover its information systems in the event of a systems failure or natural disaster. The use of an unsecured and unofficial UNDP website is more vulnerable to information breaches. The absence of effective management of information safeguards puts the efficient and cost-effective conduct of business operations and delivery of results at risk.

Priority Medium (Important)

Recommendation 6:

The Office should comply with the UNDP Information Security Policy by:

- (a) reviewing, updating, approving and communicating a new version of the Disaster Recovery Plan;
- (b) developing an ICT plan that takes into consideration the replacement and/or upgrades of existing ICT hardware and software; and,

- (c) using only the Official UNDP website to communicate with the public.

Management action plan:

- (a) The Disaster Recovery Plan process will be conducted in the first quarter of 2021, taking into consideration the contingency brought in by the COVID-19 pandemic and the changes and improvements that UNDP is introducing on ICT matters.
- (b) The ICT Plan will be ready by the end of 2020, but its implementation will need to be gradual, subject to funding that has already been requested to the Regional Bureau for Latin America and the Caribbean.
- (c) The ICT unit will incorporate in the Office's official website links to vacancies and procurement notices to manage recruitment and bidding processes by the end of the second quarter 2021.

Estimated completion date: December 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.