



AUDIT

OF

UNDP COUNTRY OFFICE

IN

ECUADOR

Report No. 2315
Issue Date: 1 December 2021



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Report on the Audit of UNDP Ecuador Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Ecuador (the Office) from 11 to 26 October 2021. 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 and communication technology (ICT)

The audit covered the activities of the Office from 1 January 2020 to 30 September 2021. The Office recorded programme and management expenses of approximately \$60 million. The last audit of the Office was conducted by OAI in 2017.

The audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing. 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.
- (d) A physical verification of assets was not performed.
- (e) Safe contents and petty cash were not verified.
- (f) The information and communication technology area was not reviewed on-site.

Overall audit rating

OAI assessed the Office's performance as **fully 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."

Good practices

Distribution of functions for the procurement of goods and services

The Procurement Unit distributed their functions to ensure adequate segregation of duties and specialization among procurement personnel. Specifically, different phases of the procurement function were segregated amongst the procurement practitioners. Starting with the procurement planning phase to the contract award phase, the distribution of functions ensures adequate segregation and specialization of the procurement practitioners. distribution of functions is closely monitored by senior management and adjusted annually.

Diversified Internship Programme

The Office established, in 2020, an internship agreement with one of the local universities that carries out an ethnic diversity programme in which seven students have participated at UNDP Ecuador.

Key recommendations:

The audit did not result in any recommendations.



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 Quito, Ecuador and its Country Programme covered the period 2019–2022 with the following development priorities:

- I. Help develop mechanisms to improve social policymaking and implement the 2030 Agenda, particularly to eradicate poverty and reduce inequalities.
- II. Promote the sustainable use of natural resources in a way that maintains and enhances the resilience of ecosystems and the services they provide.
- III. Help develop policies and tools for economic inclusion of vulnerable groups, particularly women and youth, and increasing disaster resilience.
- IV. Assist the Government, the planning secretariat, the competencies council, associations of local governments and civil society organizations in building institutional capacities that incorporate the sustainable development goals through planning and budgeting exercises.

During the period from January 2020 to September 2021, the Office spent \$56.7 million on development activities, an increase by 40 percent compared to the previous period.

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

	Expenditure Jan.-Dec. 2020 \$million	Expenditure Jan.-Sep. 2021 \$million
Green Climate Fund	8.60	5.56
Covid 19 respuesta emergencia en Ecuador	5.63	8.48
Full Size GEF Amazonia	2.51	1.42
Eficiencia energética y calidad ambiental	2.24	5.22
GEF químicos y contaminantes	1.44	0.85
Fondo nacional para investigación	1.01	0.55
Total	21.43	22.08

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
Green Climate Fund	31.61
Ecuador	19.27
Global Environment Facility	14.46
Total	65.34

II. Audit results

Effective controls were established and functioning in all audited areas, as follows:

- (a) Governance. Adequate internal controls were in place to ensure segregation of duties. Staff were aware of the Office's priorities, challenges, and control objectives.
- (b) Development activities. The controls governing project design, appraisal and implementation were adequate and supported the implementation of the Country Programme. Interviews were



conducted with government counterparts, project stakeholders and donors who expressed their appreciation of the Office as a valued development partner.

- (c) Operations – Procurement. A review of the procurement function, including samples of procurement transactions and the management of individual contractors indicated that adequate controls were in place.
- (d) Operations – Finance. The Office adequately monitored the use of financial resources, managed the risk of financial loss, and maintained accurate accounting records. There was appropriate management of commitments, disbursements, and follow-up of outstanding receipts, and cash.
- (e) Operations – Human resources. The governance, risk management and control systems within human resource management, including recruitment and separations were adequate.
- (f) Operations – Administrative services. The governance, risk management and control systems within administrative services, which include travel, assets, and common services, were adequate and effective.
- (g) Operations – Information and communication technology (ICT). The governance, risk management and control systems within ICT, including the implementation of the business continuity plan were operational and effective.

The audit did not result in any recommendations.

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Fully 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.
- **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.