



**AUDIT**

**OF**

**REDUCCIÓN DE VULNERABILIDAD CLIMÁTICA**  
**(Directly Implemented Project No. 125286, Output No. 119698)**

**IN**

**UNDP CHILE**

**Report No. 2380**  
**Issue Date: 15 July 2021**

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**Report on the Audit of  
Reducción de vulnerabilidad climática (Project No. 125286, Output No. 119698) in UNDP Chile  
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through PKF Littlejohn LLP (the audit firm), from 24 May to 14 June 2021, conducted an audit of *Reducción de vulnerabilidad climática* (Project No. 125286, Output No. 119698) (the Project), which is directly implemented and managed by the UNDP Country Office in Chile (the Office). This was the first audit of the Project.

The audit firm conducted a financial audit in accordance with the International Standards of Auditing (ISA), the 700 series, to express an opinion on whether the financial statements present fairly, in all material aspects, the Project's operations. The audit covered the Project's Combined Delivery Report, which includes expenses for the period from 1 January to 31 December 2020 and the accompanying Funds Utilization statement<sup>1</sup> as of 31 December 2020. The audit did not cover the Statement of Assets as no assets were held by the Project. In addition, the audit did not cover the Statement of Cash Position as no separate bank account was established and maintained for the Project.

The audit was conducted under the general supervision of OAI in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Due to the COVID-19 pandemic, the audit was conducted remotely.

### Audit results

Based on the audit report and corresponding management letter submitted by the audit firm, the results are summarized in the table below:

Project Expenses*	
Amount (in \$ '000)	Opinion
150	Unmodified

**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 lack of evidence on pension payments for service contractors and uncompleted mandatory trainings.

The two recommendations aim to ensure the following: compliance with legislative mandates, regulations and rules, policies and procedures (Recommendations 1 and 2).

### Management comments and action plan

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<sup>1</sup> The Funds Utilization statement includes the balance, as at a given date, of five items: (a) outstanding advances received by the project; (b) undepreciated fixed assets used at the project level; (c) inventory held at the project level; (d) prepayments made by the project; and (e) outstanding commitments held at the project level.

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

A handwritten signature in blue ink, appearing to read 'B G Simpson', enclosed within a black rectangular box.

Brett Simpson  
Officer-in-Charge  
Office of Audit and Investigations

**AUDIT**

**OF**

**UNITED NATIONS DEVELOPMENT PROGRAMME**  
**CHILE**

**REDUCCIÓN DE VULNERABILIDAD CLIMÁTICA**

**(Project No. 125286, Output No. 119698)**

**Issue Date: 9 July 2021**

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**Report on the Audit of UNDP Chile**  
**Reducción de Vulnerabilidad Climática**  
**(Project ID 125286, Output ID 119698)**

The UNDP Office of Audit and Investigations (OAI), from 24 May to 14 June 2021 through PKF Littlejohn (the audit firm) conducted an audit of project “Reducción de Vulnerabilidad Climática” (Project ID 125286, Output ID 119698) (the Project), which is directly implemented by UNDP Chile (the Country Office). This was the first audit of the Project.

The audit firm conducted a financial audit to express an opinion on whether the financial statements present fairly, in all material aspects, the Project’s operations. The audit covered the Project’s Combined Delivered Report, which includes expenses for the period from 1 January to 31 December 2020 and the accompanying Funds Utilization statements<sup>1</sup> as at 31 December 2020 as well as the Statement of Fixed Assets as at 31 December 2020.

The audit did not include activities and expenses incurred or undertaken at the “responsible party” level or expenses processed and approved in locations outside of the country (such as UNDP Regional Centers and UNDP Headquarters) or expenses of other United Nations. The audit did not cover the Statement of Assets as no assets were held by the Project. In addition, the audit did not cover the Statement of Cash Position as no separate bank account was established maintained for the Project.

The audit was conducted under the general supervision of OAI in conformance with the International Standards for the Professional Practice of Internal Auditing.

**Audit results**

Based on the audit report submitted by the audit firm, the results are summarized in the table below:

<b>Project Expenses</b>	
<b>Amount (in USD 000)</b>	<b>Opinion</b>
150.	Unmodified

**Management letter summary**

There are two medium (Important) 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”. The two recommendations are aimed to: ensure an adequate documental support of staff costs (recommendation 1), and maintain a register of compulsory training courses to be followed by staff (recommendation 2),

The two recommendations classified as medium aimed to Compliance with UNDP legislative mandates, regulations and rules, policies and procedures.

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<sup>1</sup> The Funds Utilization statement includes the balance, as at a given date, of five items: (a) outstanding advances received by the project; (b) undepreciated fixed assets used at the project level; (c) inventory held at the project level; (d) prepayments made by the project; and (e) outstanding commitments held at the project level.

**United Nations Development Programme  
(UNDP)**

Report of the Independent Auditor on  
the United Nations Development Programme (UNDP)  
Directly Implemented (DIM) Project – Implemented by UNDP

Project name:	Reducción de Vulnerabilidad Climática
Output name:	Estrategia implementación
UNDP Country Office:	Santiago, Chile
Atlas Project ID:	125286
Atlas Output ID:	119698
Auditor:	PKF Littlejohn
Period subject to audit:	1 January to 31 December 2020
Project duration	1 January 2020 to 31 December 2024

## EXECUTIVE SUMMARY

PKF Littlejohn conducted the financial audit of UNDP DIM Project ID 125286, "Reducción de Vulnerabilidad Climática"- Output no. 119698 implemented by UNDP Chile following the Direct Implementation Modality for the period from 1 January to 31 December 2020. The audit was undertaken on behalf of the Office of Audit and Investigations (OAI) United Nations Development Programme (UNDP). The audit was carried out from 24 May to 14 June 2021.

Due to the on-going COVID-19 pandemic, the fieldwork was completed remotely without any limitations in scope.

### Audit opinions

We have issued audit opinions as summarized in the table below and as detailed in the next section:

Project Financial Position	Unmodified
Statement of Fixed Assets	Not applicable because the project the project did not present balances in the fixed assets accounts
Statement of Cash	Not applicable because the project did not maintain a separate bank account.

### Management letter summary

As a result of our audit, we have raised two audit findings, as summarised below:

N°	Title	Priority
1	Human Resources/Pensions	Medium
2	Mandatory Trainings	Medium

### Prior year audit

The project ID 125286 "Reducción de Vulnerabilidad Climática" - Output ID 119698 was not audited in the prior year and therefore there were no recommendations to follow up on.



**PKF Littlejohn LLP**

9 July 2021

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## THE AUDIT ENGAGEMENT

### Audit Objectives and Scope

The objective of the financial audit was to express an opinion on the DIM project's financial position which includes:

- Expressing an opinion on whether the financial expenses incurred by the project between 1 January to 31 December 2020 as well as the Funds Utilization statement as at 31 December 2020 and the accounts receivable and accounts payable as at 31 December 2020 are fairly presented in accordance with UNDP accounting policies and that the expenses incurred were: (i) in conformity with the approved project budgets; (ii) for the approved purposes of the project; (iii) in compliance with the relevant regulations and rules, policies and procedures of UNDP; and (iv) supported by properly approved vouchers and other supporting documents.
- Expressing an opinion on whether the Statement of Fixed Assets, at net book value, presents fairly the balance of depreciated assets of the project as at 31 December 2020. This statement must include all assets available as at 31 December 2020 and not only those purchased in a given period. Where a project does not have any assets or equipment, it is not necessary to express such an opinion.
- Expressing an opinion on whether the Statement of Cash held by the project presents fairly the cash and bank balance of the project as at 31 December 2020. Disbursements made against a project are usually financed from regular country office bank accounts. Exceptionally, a dedicated account may be opened and used solely for the cash transactions of a project, e.g. if the project is in a remote location. The audit firm is required to express an opinion on the Statement of Cash only where a dedicated bank account for the project has been established. In cases where the cash transactions of the audited project are made through the country office bank accounts this type of opinion is not required.
- As maybe applicable, provide the progress made in implementing the recommendations raised in previous year audit report.

The Financial Audit was conducted in accordance with the International Standards on Auditing (ISA), the 700 series.

The scope of the audit relates only to transactions concluded and recorded against the UNDP project between 1 January to 31 December 2020.

The project CDR recorded an amount of USD 14.879,02 as commitments at 31 December 2020. The breakdown of this amount was:

- USD 8.940,22 corresponding to PO 13632 for individual contract services
- USD 5.938,80 corresponding to PO 11308 for individual contract services

These commitments have been duly recognized as project expenses in 2021.

## **INDEPENDENT AUDITOR'S REPORT ON STATEMENT OF FINANCIAL POSITION**

**To: The Director of the Office of Audit and Investigations (OAI)**  
**United Nations Development Programme (UNDP)**  
Panama City, Panama

We have audited the financial position of the UNDP project ID 125286, "Reducción de Vulnerabilidad Climática" output ID 119698 titled 'Estrategia implementación', for the period 1 January to 31 December 2020 which includes: (a) the accompanying Combined Delivery Report (CDR); and (b) the Funds Utilization statement ("the statement").

The CDR expenditure totaling USD 150.509,31 is comprised of expenditure directly incurred by the UNDP Country Office in Chile for an amount of USD 150.509,31. Our audit covered the full expenditure amount of USD 150.509,31.

### **Unmodified opinion**

In our opinion, the attached CDRs and Funds Utilization statement present fairly, in all material respects, the expenses of USD 150.509,31 directly incurred by Country Office in Chile and charged to the project for the period 1 January to 31 December 2020 in accordance with UNDP accounting policies and were: (i) in conformity with the approved project budgets; (ii) for the approved purposes of the project; (iii) in compliance with the relevant regulations and rules, policies and procedures of UNDP; and (iv) supported by properly approved vouchers and other supporting documents.

### **Basis for unmodified opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities' for the audit of the CDR and funds utilization section of our report. We are independent of UNDP in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with this code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Management responsibilities**

Management is responsible for the preparation of the CDR and the Funds Utilization statement of the project, and for such internal control as management determines is necessary to enable the preparation of a CDR and funds utilization statement that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the CDR and the Funds Utilization statement are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these documents.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the CDR and the Funds Utilization statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the organization's internal control.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**PKF Littlejohn LLP**

9 July 2021

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# COMBINED DELIVERY REPORT AND FUNDS UTILIZATIONS STATEMENTS



UN Development Programme  
Report ID: unglodrp

## Combined Delivery Report By Project

Page 1 of 3  
Run Time: 01-07-2021 21:07:41

### Selection Criteria :

Business Unit : CHL10  
Period : Jan-Dec (2020)  
Selected Project Id : ALL  
Selected Fund Code : ALL  
Selected Dept. IDs : B0490  
Selected Outputs : 00119698

Project Id : 00125286 Reducción Vulnerabilidad Climá	Period :	Jan-Dec (2020)		
Output # : 00119698 Estrategia implementación	Impl. Partner :	99999 UNDP		
	Location :	Chile		
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp

Dept: 49001 (Chile - Central)

Fund : 30000 (Programme Cost Sharing)

71205 - Intl Consultants-Sht Term-Tech	0.00	8,940.25	0.00	8,940.25
71305 - Local Consult-Sht Term-Tech	0.00	2,819.20	0.00	2,819.20
71360 - Local Consult-Security	0.00	105.63	0.00	105.63
71405 - Service Contracts-Individuals	0.00	104,908.56	0.00	104,908.56
71410 - MAIP Premium SC	0.00	44.58	0.00	44.58
71415 - Contribution to Security SC	0.00	3,566.60	0.00	3,566.60
71605 - Travel Tickets-International	0.00	698.66	0.00	698.66
71610 - Travel Tickets-Local	0.00	598.09	0.00	598.09
71615 - Daily Subsistence Allow-Intl	0.00	1,642.10	0.00	1,642.10
71635 - Travel - Other	0.00	672.75	0.00	672.75
72515 - Print Media	0.00	2,017.02	0.00	2,017.02
72805 - Acquis of Computer Hardware	0.00	5,050.47	0.00	5,050.47
72810 - Acquis of Computer Software	0.00	4,237.50	0.00	4,237.50
74596 - Services to projects -GOE	0.00	4,059.05	0.00	4,059.05
75105 - Facilities & Admin - Implement	0.00	11,148.85	0.00	11,148.85
<b>Total for Fund 30000</b>	<b>0.00</b>	<b>150,509.31</b>	<b>0.00</b>	<b>150,509.31</b>
<b>Total for Dept: 49001</b>	<b>0.00</b>	<b>150,509.31</b>	<b>0.00</b>	<b>150,509.31</b>
<b>Total for Output : 00119698</b>	<b>0.00</b>	<b>150,509.31</b>	<b>0.00</b>	<b>150,509.31</b>

<b>Project Total :</b>	<b>0.00</b>	<b>150,509.31</b>	<b>0.00</b>	<b>150,509.31</b>
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Signed By : CLAUDIA TORRES, UNDP RR Date : \_\_\_\_\_  
Signed By : Mauricio Soriano Mauricio Soriano Date : \_\_\_\_\_

*PKF Littlejohn LLP*

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UN  
DP UN Development Programme  
Report ID: unglodrp

Combined Delivery Report By Project

Page 2 of 3  
Run Time: 01-07-2021 21:07:41

Selection Criteria :

Business Unit : CHL10  
Period : Jan-Dec (2020)  
Selected Project Id : ALL  
Selected Fund Code : ALL  
Selected Dept. IDs : B0490  
Selected Outputs : 00119698

Project Id : ALL	Period : Jan-Dec (2020)			
Output # : ALL	Impl. Partner : Location :			
	Govt Exp	UNDP Exp	UN Agencies Exp	Total Exp
49001 - Chile - Central	0.00	150,509.31	0.00	150,509.31



Funds Utilization

Selection Criteria :

Business Unit : CHL10  
Period : Jan-Dec (2020)  
Selected Project Id : ALL  
Selected Fund Code : ALL  
Selected Dept. IDs : B0490  
Selected Outputs : 00119698

Project/Award: 00125286 Reducción Vulnerabilidad Climá Period : As at Dec 31, 2020

Output #	00119698	Impl. Partner :99999 UNDP	UNDP AMOUNT
Outstanding NEX advances			0.00
Undepreciated Fixed Assets			0.00
Unamortized Intangible Assets			0.00
Inventory			0.00
Prepayments			0.00
Commitments			14,879.02

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## **INDEPENDENT AUDITOR'S REPORT ON STATEMENT OF FIXED ASSETS**

**To: The Director of the Office of Audit and Investigations (OAI)**  
**United Nations Development Programme (UNDP)**  
Panama City, Panama

We noted that Project 125286 “Reducción de Vulnerabilidad Climática”, output ID 119698 titled “Estrategia implementación”, did not present balances in the fixed assets accounts and accordingly a Statement of Fixed Assets was not produced.

## **INDEPENDENT AUDITOR'S REPORT ON STATEMENT OF CASH**

To: The Director of the Office of Audit and Investigations (OAI)  
**United Nations Development Programme (UNDP)**  
Panama City, Panama

We noted that Project 125286 “Reducción de Vulnerabilidad Climática”, output ID 119698 titled “Estrategia implementación”, did not have a dedicated bank account for the project subject to audit and accordingly a Statement of Cash was not produced.



## MANAGEMENT LETTER

### 1. Lack of evidence on pension payments for Service Contractor (SC)

**Observation:** From the sample reviewed, the audit noted the lack of evidence of pension payment of a project employee in 2020 as required by the SC Guidelines.

**Cause:** Lack of proper follow up by the Human Resource area officials as not all employees were requested to provide the documents supporting these payments.

**Priority:** Medium

**Recommendation:** The audit recommends improvements in the procedures for assuring that personnel engaged under Service Contract duly comply with UNDP and applicable local legal requirements.

It should be noted however, that the elimination of this contractual modality (SC) is already foreseen as of 1 July 2021, therefore this recommendation will be no longer applicable after this date.

#### Management comments and Action Plan:

CO takes note of this recommendation and will pay close attention to any implication this could have in the new contract modality NPSA.

### 2. Mandatory training incomplete

**Observation:** The audit found that project personnel had not complete all mandatory training courses required by UNDP. as there were not enough follow-up actions by the Human Resources area officials to report such situation to project managers for timely corrective actions to be taken

**Cause:** The Talent Management focal point monitors training needs for the Office At least twice a year, a report is issued and sent as a reminder to all employees who are required to take courses or to those who have not completed mandatory courses. In this case, monitoring was not effectively discharge to ensure full completion of mandatory courses.

**Priority:** Medium

**Recommendation:** We recommend stricter controls over mandatory training as to ensure courses are timely completed by all personnel as required by UNDP.

#### Management comments and Action Plan:

Regarding mandatory training not completed yet, the Human Resources unit will contact every personnel to advice on mandatory courses during July and follow up to assure these are completed before September 2021.