

**UNITED NATIONS DEVELOPMENT PROGRAMME**  
**Office of Audit and Investigations**



*Empowered lives.  
Resilient nations.*

**AUDIT**

**OF**

**UNDP COUNTRY OFFICE**

**IN**

**URUGUAY**

**Report No. 1324**  
**Issue Date: 9 June 2014**

## Report on the audit of UNDP Uruguay Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Uruguay (the Office) from 21 April to 2 May 2014. 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 and strategic management (organizational structure and delegations of authority, leadership ethics and values, risk management, planning, monitoring and reporting, financial sustainability);
- (b) United Nations system coordination (development activities, Resident Coordinator Office, role of UNDP – “One UN”, Harmonized Approach to Cash Transfers);
- (c) programme activities (programme management, partnerships and resource mobilization, project management); and
- (d) operations (human resources, finance, procurement, information and communication technology, general administration, safety and security, asset management, leave management, Global Environment Facility).

The audit covered the activities of the Office from 1 January 2013 to 31 March 2014. The Office recorded programme and management expenditures totalling \$17.4 million in 2013, and \$3.2 million in 2014 (as at 31 March). The last audit of the Office was conducted by OAI in 2008.

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 “Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.”

**Key recommendations:** Total = 5, high priority = 1

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. The high (critical) priority recommendation is presented below:

Financial sustainability of Office at risk (Issue 1)	The Office faced challenges similar to those faced by other high income countries, and consisted of increased operational costs, and reduced inflow of core resources. Over the past four years the Office had spent more than its actual income by approximately \$350,000 per year. The Office had engaged UNDP’s Management Consulting Team to conduct an evaluation of its Operations, which resulted in a Transformation Plan that included a restructuring of the Office. Although the Office had begun implementing the plan, the financial situation of the Office continued to be a matter of concern due to the decline in income and the Office’s inability to secure funding from the Government to support its
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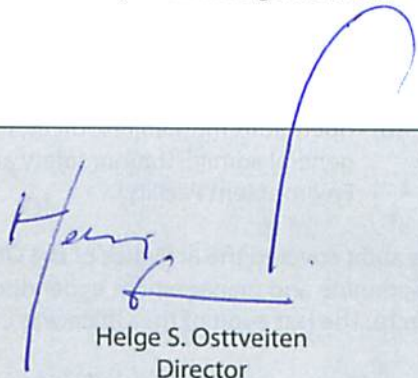
operational costs.

Recommendation: Continue implementing actions contained in the Transformation Plan by: (a) expanding partnership base; (b) enhancing resource mobilization; (c) accelerating delivery to increase income; (d) reducing transaction cost and overall operational cost; and (e) negotiating with the Government to reduce rental costs.

### Management comments and action plan

The Resident Representative accepted all of the 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.



Helge S. Osttveiten  
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