



AUDIT

OF

UNDP COUNTRY OFFICE

IN

ARGENTINA

Report No. 1402
Issue Date: 5 December 2014

Report on the audit of UNDP Argentina Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Argentina (the Office) from 19 August to 5 September 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 30 June 2014. The Office recorded programme and management expenditures totalling \$399 million. The last audit of the Office was conducted by OAI in March 2010.

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 **partially satisfactory**, which means, “Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.” This rating was mainly due to annual work plans not being aligned to the ‘Programme and Operations Policies and Procedures’; monitoring function weaknesses related to nationally implemented projects; the lack of adherence to corporate guidelines for nationally implemented projects; and implementing partner’s procurement capacity assessment not carried out as required.

Key recommendations: Total = 14, high priority = 4

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. All high (critical) priority recommendations are presented below:

Annual work plans not aligned to ‘Programme and Operations Policies and Procedures’ (Issue 1)	The level of detail in the annual work plans was not sufficient and had no linkage between inputs and project activities. In particular: implementing partners used their own annual work plan format; annual work plans were not results-oriented, exceeded the recommended number of outputs, and lacked annual output targets, indicators and baselines; the annual work plans did not contain a
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sufficient breakdown of project budgets, making it difficult to assess the appropriateness of expenses of the project; and project outputs were not fully aligned to Country Programme Action Plan and Atlas.

Recommendation: Align project annual work plans to the requirements set forth in the 'Programme and Operations Policies and Procedures,' specifically by: (a) using standardized annual work plan format/templates; (b) making the work plans more results-oriented with targets, indicators and baselines; and (c) aligning the project annual work plans to the Country Programme Action Plan.

Monitoring function weaknesses related to nationally implemented projects (Issue 2)

Given the size of the portfolio of projects, project budgets and the volume of procurement processes involved with most projects, monitoring activities were found to be insufficient. Weaknesses noted included: risk assessments not carried out or updated; baselines and indicators not "SMART" (i.e., Specific, Measurable, Attainable, Relevant, and Time-bound); indicators not used to measure the progress towards the agreed targets; infrequent field visits and visit reports not results oriented; project steering committee meeting reports not properly addressing results; inadequate resources for Monitoring and Evaluation unit; and lack of awareness throughout the Office on the roles and responsibilities of the monitoring function.

Recommendation: Strengthen the monitoring function, specifically by: (a) formulating SMART indicators, baselines and targets; (b) adopting a results-oriented approach when documenting the field visit and project progress reports; (c) reviewing the portfolio of projects, and according to budget size and volume of procurement involved, schedule the frequency of the monitoring activities; (d) assessing staffing requirements and workload of the unit; and (e) enhancing the awareness of monitoring responsibilities of senior management and programme unit staff.

Lack of adherence to corporate guidelines for nationally implemented projects (Issue 4)

OAI found that the Office was using an outdated national execution manual, which was not aligned to the guidelines for nationally implemented projects effective since January 2012. OAI identified the following discrepancies: the required procurement capacity assessments of implementing partners were not conducted as required; a non-standard project document template was being used; non-standard contracts were used by projects for the recruitment of project personnel (the Office had processed 2,400 contracts in 2014 with an estimated value of \$26.5 million). In addition, the UNDP logo was inappropriately used in project procurement solicitation documents, contracts and business cards of project personnel, even though the solicitation was conducted by the national partner.

Recommendation: Implement the valid guidelines for nationally implemented projects for all new and ongoing projects, as required. In addition, discontinue the use of the UNDP logo in project documentation.

Implementing partner's procurement capacity assessment not carried out as required (Issue 12)


The Office did not undertake procurement capacity assessments of implementing partners as required by the guidelines, despite the fact that most implementing partners received over \$100,000 per year on projects that were procuring goods and services. Furthermore, the role of the Procurement Unit in regard to the national implementation modality was not adequately clarified. Despite the procurement experience of the staff, the Procurement Unit mainly undertook ex-post verifications on some questionable procurement processes without proactively engaging in additional oversight activities. This was the result of the lack of a strategy on how to best use the Procurement Unit's capacity to provide assurance to the Office management on project procurement and vendor management.

Recommendation: Strengthen oversight of procurement activities by: (a) performing detailed capacity assessments of implementing partners; and (b) developing a strategy to strengthen the procurement function for national implementation modality that should include the provision of procurement advisory services to projects, adequate monitoring, contract management for project procurement activities, and procurement training for government counterparts and vendors.

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 had 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.



Digitally signed
by Helge S.
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