

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

CHILE

Report No. 1455
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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 20 April to 1 May 2015. 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).

The audit covered the activities of the Office from 1 January 2013 to 31 December 2014. The Office recorded programme and management expenditures totalling \$29 million. The last audit of the Office was conducted by OAI in 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 **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 recommendation: Total = 6, high priority = 2

The six recommendations aim to ensure the following: (a) effectiveness and efficiency of operations (Recommendations 3 and 5), and (b) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendations 1, 2, 4 and 6).

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:

Lack of adherence to corporate guidelines for nationally implemented projects (Issue 1)	The review of eight nationally implemented projects indicated that the Office failed to implement the corporate guidelines regarding carrying out the required capacity assessments, granting of cash advances, the use of a standard Letter of Agreement, application of the cost recovery policy, and alignment of Annual Work Plans to the standard templates.
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Recommendation: Implement the Guidelines for all active and new nationally implemented projects by: (a) performing capacity assessments before engaging implementing partners and assessing the level of risk when granting cash advances; (b) signing the standard Letter of Agreement whenever the Office provides support to national implementation; (c) recovering actual costs when providing support to national implementation; and (d) aligning projects' Annual Work Plans to the standard templates to include output targets, baselines and indicators.

Lack of compliance with the 'Service Contract User Guide' (Issue 4)

The audit disclosed several weaknesses regarding adherence to the 'Service Contract User Guide', such as service contractors performing core functions, lack of evidence of pension coverage as required, pension fund coverage paid in excess of the national practice, leave periods exceeding the maximum set limit, lack of alignment of salaries to the approved scale, and salary advances granted on grounds of emergency without any supporting documentation.

Recommendation: Adhere to the 'Service Contract User Guide' by: (a) limiting the use of service contractors to non-core functions; (b) obtaining evidence that all service contractors acquired pension coverage – where this evidence is not provided, assess whether respective payments as part of the salaries should be stopped by amending or terminating the contracts; (c) aligning the portion of the salary for pension coverage in accordance with local practice; (d) ensuring that leave benefits of service contractors are generally consistent with the local labor market; (e) aligning salaries paid with the approved salary scales for each level; and (f) refraining from approving salary advances for service contractors.

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.



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