

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



*Empowered lives.  
Resilient nations.*

**AUDIT**

**OF**

**UNDP COUNTRY OFFICE**

**IN**

**MEXICO**

**Report No. 1755**  
**Issue Date: 9 June 2017**

## Report on the Audit of UNDP Mexico Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Mexico (the Office) from 20 to 31 March 2017. 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 (leadership, corporate direction, corporate oversight and assurance, corporate external relations and partnership);
- (b) programme (quality assurance process, programme/project design and implementation, knowledge management);
- (c) operations (financial resources management, ICT and general administrative management, procurement, human resources management, and staff and premises security); and
- (d) United Nations leadership and coordination.

The audit covered the activities of the Office from 1 January 2015 to 31 December 2016. The Office recorded programme and management expenditures of approximately \$62 million. The last audit of the Office was conducted by OAI in 2010.

OAI also included a performance audit segment focused on the review of the Office's practices for monitoring development projects. The audit work focused on whether the Office established: results-based planning at programme and project levels; (b) the use of corporate tools to track and report on results; and (c) an approach to capture lessons learned to improve performance. Overall, OAI concluded that the Office had effective monitoring practices of its performance. The detailed results of this audit work are presented under Section B of the report.

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 / some improvement needed**, which means, "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." This rating was mainly due to weaknesses in the payment process when using the E-banking web application, and lack of segregation of duties and conflicting roles and responsibilities.

### Good practice

Operations/Human resources. The Office developed a video session explaining to prospective applicants how to apply online to a UNDP vacancy, which was recognized as a good practice by the Office of Human Resources.

**Key recommendations:** Total = 8 high priority = 2

The eight recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	2	Medium
Reliability and integrity of financial and operational information	3	High
	4, 5	Medium
Effectiveness and efficiency of operations	6	High
	7, 8	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	1	Medium

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

Weaknesses in payment process when using E-banking web application (Issue 3)

The review of the online payments disclosed the following weaknesses:

- Prior to approval of the funds disbursement, the Office did not match payment information from Atlas against the information entered into the E-banking web application. The control was carried out with the bank reconciliation on a post-facto basis.
- Even though procedures for using the E-banking web application were submitted to UNDP Treasury in October 2016, approval for the use of these procedures remained outstanding at the time of the audit.

Recommendation: Match payment information from Atlas against the information entered into the E-banking web application prior to the approval of disbursement of funds.

Lack of segregation of duties in Office and conflicting roles and responsibilities (Issue 6)

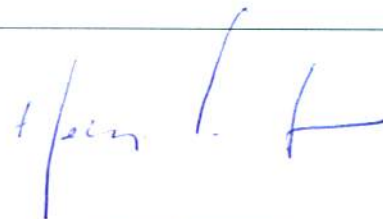
There was a lack of segregation of duties and conflicting roles and responsibilities in the Office. For instance, The Delegation of Authority granted to the Operations Manager was limited to \$30,000; however, the Atlas role for the Operations Manager allowed unlimited approval authority, as the Operations Manager acted as a substitute in the absence of the Office's senior management. In addition, the audit noted 31 vouchers paid with budget overrides, out of which 30 were performed by operational staff (25 by the Operations Assistant and 5 by the Finance Associate), which was not in line with the override policy. Furthermore, there were 10 requisitions where the associated purchase orders totalling \$9,722 were approved by the same three staff members. Finally, five vouchers totalling \$1,000 were identified where the beneficiary was also the approving manager.

Recommendation: The Office should review the roles and responsibilities in line with the Internal Control Framework principles to ensure adequate segregation of duties.

### 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.

A handwritten signature in blue ink, appearing to read 'Helge S. Ostveiten', is enclosed in a rectangular box.

Helge S. Ostveiten  
Director  
Office of Audit and Investigations