



AUDIT

OF

UNDP COUNTRY OFFICE

IN

CHILE

Report No. 2186
Issue Date: 29 October 2020

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 25 August to 11 September 2020. 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
- (b) Development activities
- (c) Operations – procurement, finance, human resources, administrative services, information communication and technology (ICT)

OAI designed one performance audit question and a set of sub-questions to guide the review of the following areas and sub-areas:

Main audit question: To what extent were project results likely to be achieved?

- (a) Governance
 - i. Was the Office's organizational structure adequate to achieve the agreed results in its portfolio of projects?
- (b) Development activities
 - ii. Was project management undertaken effectively?
 - a. Were projects designed with clear and measurable results linked to strategic instruments?
 - b. Were project monitoring and change management timely undertaken?
 - c. What were the major factors influencing the achievement or non-achievement of the objectives?
- (c) Procurement
 - iii. Were procurement activities conducted effectively?
 - a. Did the Office procure goods and services in a timely manner?
 - b. Was value for money achieved?
- (d) Finance
 - iv. Were financial transactions processed timely and accurately?
- (e) Human resources
 - v. Were human resources activities on behalf of projects conducted effectively?
 - a. Were service contract holders hired timely and did their recruitment meet the project requirements?
 - b. Were payments and benefits administered effectively?

The audit covered the activities of the Office from 1 January 2019 to 30 June 2020. The Office recorded programme and management expenses of approximately \$19.6 million. The last audit of the Office was conducted by OAI in 2015.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Due to the COVID-19 pandemic, the audit was conducted remotely. Scope limitations due to the nature of the remote audit related to the following activities:

- (a) A review of original supporting documentation could not be carried out, and therefore the audit team relied on scanned copies of documents provided by the Office for all audit areas reviewed.
- (b) Meetings with Office staff and personnel were carried out virtually, which limited the audit team's understanding of the Office's working environment.
- (c) Project visits (location, site visits, meeting with counterparts/beneficiaries) were not conducted. Interviews with selected project counterparts, government officials, donors and project beneficiaries were carried out virtually, which allowed OAI to assess how the work carried by the Office was perceived by stakeholders in the Country.
- (d) A physical verification of assets was not performed.
- (e) Safe and petty cash contents were not verified.

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 ineffective internal controls and inadequate travel management.

Key recommendations: Total = 6, high priority = 2

The six recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Reliability and integrity of financial and operational information	2	High
Effectiveness and efficiency of operations	1, 6	Medium
	5	High
Compliance with legislative mandates, regulations and rules, policies and procedures	3, 4	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:

Internal Control Framework not effective (Issue 2)

Inconsistencies between the Internal Control Framework, the Delegation of Authority and Atlas, were identified. These discrepancies allowed transactions to be approved and processed exceeding the threshold levels established by the Internal Control Framework and the Delegation of Authority.

Additionally, five staff had approval rights set in Atlas that differed from the approved Internal Control Framework and the Delegation of Authority. And 13 payments worth \$0.9 million, and three accounting entries valued at \$0.2 million were approved by staff that did not have the level of authority required.

The approval of the payment vouchers was not evenly distributed among the authorized staff members; this unequal workload distribution created inefficiencies in the payment processes.

Recommendation: The Office should improve the effectiveness of internal controls by: (a) reviewing and aligning its Internal Control Framework, Delegation of Authority and Atlas roles and ensuring that the levels of authority are kept within authorized limits set by UNDP financial rules and regulations, and; (b) re-assessing the overall workload of staff members approving payment vouchers to ensure a balanced and effective segregation of duties that promotes efficiency while ensuring a more robust internal control system.

Inadequate travel management (Issue 5)

The review of the selected sample disclosed the following inconsistencies in travel management:

- Travel requests were entered in the Travel & Expense Module after the mission had taken place.
- Travel requests entered in the Travel & Expense Module lacked the airfare ticket cost.
- Outstanding travel claims and travel reports/expense reports for over 30 days.
- Travel was booked only 9 days in advance, well below the recommended 21 days stated in UNDP travel policy.
- The Office had over 700 vendor profiles of travellers but did not have a dedicated travel unit to handle the high volume of travel requests.

Recommendation: To improve travel management, the Office should: (a) ensure that all travel requests are accurately recorded, completed and authorized in the Travel & Expense Module prior to travel, and travel booking is made in advance according to UNDP guidelines; (b) ensure that all travel requests and travel claims are timely submitted and processed, and; (c) re-assess travel management workflow to identify areas for improvement and ensure that all personnel involved in travel processing are properly trained.

Management comments and action plan

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



Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.


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