



**AUDIT**

**OF**

**UNDP COUNTRY OFFICE**

**IN**

**TIMOR-LESTE**

**Report No. 2268**  
**Issue Date: 11 September 2020**

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## Report on the Audit of UNDP Timor-Leste Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Timor-Leste (the Office) from 13 to 30 July 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 six performance audit questions to guide the review of the following areas and sub-areas:

- (a) Governance
  - (i) Was the Office’s organizational structure appropriately designed to carry out its mandate, including oversight of projects implemented?
- (b) Development Activities
  - (i) Was programme monitoring undertaken effectively?
- (c) Procurement
  - (i) Were procurement transactions being completed in a timely manner?
  - (ii) Was the Office adequately leveraging economies of scale in its procurement processes?
- (d) Financial Management
  - (i) Were payments to vendors processed in a timely manner?
- (e) General Administration
  - (i) Were travel services (airline tickets) being procured at economical values (in line with a Long Term Agreement signed with a travel services provider)?

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 \$16 million. The last audit of the Office was conducted by OAI in 2016.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Due to the COVID-19 pandemic affecting the Office, 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.
- (d) A physical verification of assets was not performed, although photo images of all sampled assets were provided.
- (e) Safe contents and petty cash were not verified.

## Overall audit rating

OAI assessed the Office’s performance 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 inadequate Office capacity, which led to ineffective programme and project oversight, and not being able to optimally utilize all available programme resources.

**Key recommendations:** Total = **4**, high priority = **1**

The four recommendations aim to ensure the following:

| Objectives   | Recommendation No. | Priority Rating |
|--|--------------------|-----------------|
| Achievement of the organization’s strategic objectives | 1                  | High            |
| Effectiveness and efficiency of operations             | 2, 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. The high (critical) priority recommendation is presented below:

Insufficient Office capacity (Issue 1)

The Office underwent a change management process in 2017 that resulted in a transformation plan, which led to the departure of 18 staff and new positions to be filled. Seven positions, including those relating to key posts were still vacant during the fieldwork, despite repeated attempts to fill them. The transformation plan had not taken the prevailing operating context into consideration, such as limited availability of human resources with the required capacity within the Country.

Recommendation: The Office, in consultation with the Regional Bureau for Asia and the Pacific, should review the organizational structure to enable effective and systematic oversight and operational support. This review should take into consideration the operating context such as the available capacity within the local labor market.

## Management comments and action plan

The Resident Representative accepted all four 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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 Helge  
Ostveiten  
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Helge S. Ostveiten  
Director  
Office of Audit and Investigations