

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

JAMAICA

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Report on the audit of UNDP Jamaica Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Jamaica (the Office) from 2 to 13 February 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, 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).

The audit covered the activities of the Office from 1 January 2013 to 31 December 2014. The Office recorded programme and management expenditures totalling \$7.9 million. The last audit of the Office was conducted by OAI in 2008.

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 the Office's inadequate organizational structure, its financial sustainability being at risk, and weaknesses in the monitoring function.

Good practices

OAI identified two good practices, as follows:

- The Office installed solar panels which helped reduce the cost of electricity by almost 50 percent.
- The Office scheduled team-building activities, which contributed to improving staff morale.

Key recommendations: Total = 11, high priority = 3

The 11 recommendations aim to ensure the following: (a) achievement of the organization's strategic objectives (Recommendations 1, 2 and 3); (b) reliability and integrity of financial and operational information (Recommendation 4 and 6); (c) effectiveness and efficiency of operations (Recommendations 8, 10 and 11); and (e) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendation 5, 7 and 9).

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:

Corporate Issue: Organizational structure not aligned with Office's strategic requirements (Issue 1)

A Management Change Team mission was carried out in 2013 to support management in reorganizing the Office's structure to strengthen its operational and programmatic functions. The Team recommended changes in 18 existing positions (including abolishing 7 positions) under the assumption that the Office would be serviced through back-office support from UNDP's global and regional service hubs. However, these service hubs did not fully commit to providing the required services and support, mainly due to the absence of Service Level Agreements. Services were thus provided on an ad-hoc basis and without any prioritization. As a result, the Office faced operational and reputational risks when the service hubs did not deliver within expected timeframes.

Recommendation: Mitigate the risks associated with the operational and back-office support gaps, as follows: (a) having the Regional Bureau for Latin America and the Caribbean ensure that the Office enter into Service Level Agreements with global and regional service hubs and, as a stop gap measure, provide funding for insourcing or outsourcing; and (b) having the Office ensure that the Management Change Team's transformation plan is fully implemented.

Lack of effective monitoring (Issue 2)

Several monitoring weaknesses were noted: (a) risk assessments were not carried out and field visits were not planned and field visit reports were activity-oriented rather than results-oriented; (b) project board meeting reports did not include risk assessments or review of project issues that might require substantive project revisions; (c) project delivery was below targets and no corrective actions were taken; (d) financial adjustments to project expenses increased due to incorrect accounting entries; (e) senior management and programme unit staff were not sufficiently involved in substantive monitoring activities; and (f) personnel were not aware on the roles and responsibilities of individuals performing monitoring functions.

Recommendation: Strengthen the monitoring function by: (a) carrying out risk assessments as required by the 'Programme and Operations Policies and Procedures'; (b) developing and implementing a field visit plan and adopting a results-oriented approach for field visit reports; (c) improving project board meeting reports to ensure they include risk assessments and project issues; (d) determining the reasons for low project delivery and developing action plans to ensure that projects meet delivery targets; (e) increasing financial monitoring to ensure that accounting entries correctly reflect project expenses; (f) involving senior management and programme unit staff in substantive monitoring activities; and (g) enhancing the awareness of monitoring responsibilities among senior management and programme unit staff.

Office's financial sustainability at risk (Issue 3)

While the Office maintained operational reserve of at least 12 months in the past three years, financial sustainability had become a concern to the Office senior management and the Regional Bureau primarily due to: (a) insufficient revenue collection to cover annual expenditures resulting in a decrease in the number of

months of operational reserve; (b) reduced possibility for mobilizing resources from traditional donors in the Country; (c) lack of resource mobilization strategy for 2015-2016; as well as (d) uncollected Government Contribution to Local Office Costs amounting to \$750,000.

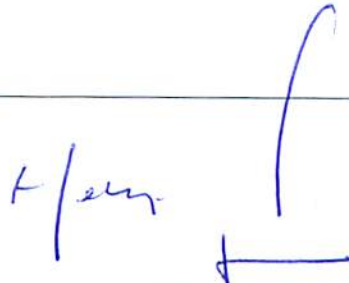
Recommendation: Implement actions to mitigate the risk to the Office's financial sustainability by: (a) containing operational costs within acceptable limits to keep extrabudgetary reserves at the required level; (b) expanding partner and donor opportunities by developing innovative project interventions to increase the inflow of resources; (c) designing and implementing a resource mobilization strategy and implementation plans for 2015-2016, as well as (d) pursuing negotiations with the Government to collect the outstanding Government Contribution to Local Office Costs, seeking input from the Regional Bureau, and also considering in-kind contributions as an option.

"Corporate issue" means action is required from a headquarters bureau.

Management comments and action plan

The Director of the Regional Bureau for Latin America and the Resident Representative accepted the recommendations under their purview and are 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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