

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



*Empowered lives.  
Resilient nations.*

**AUDIT**

**OF**

**UNDP COUNTRY OFFICE**

**IN**

**BARBADOS**

**Report No. 1764**  
**Issue Date: 2 August 2017**

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## Report on the Audit of UNDP Barbados Executive Summary

The UNDP Office of Audit and Investigations (OAI) conducted an audit of UNDP Barbados (the Office) from 8 to 19 May 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 March 2017. The Office recorded programme and management expenditures of approximately \$16.9 million. The last audit of the Office was conducted by OAI in 2012.

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 identified in the areas of governance, programme and project activities, procurement, and United Nations leadership and coordination.

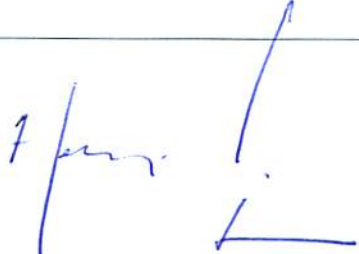
**Key recommendation(s):** Total = 9, high priority = 0

Objectives	Recommendation No.	Priority Rating
Achievement of the organization’s strategic objectives	2	Medium
	1, 3	Medium
Effectiveness and efficiency of operations	5	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	4, 6, 7, 8, 9	Medium

### Management comments and action plan

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

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



Helge S. Osttveiten  
Director  
Office of Audit and Investigations

## I. About the Office

The Office, located in Bridgetown, Barbados (the Country), covered the Country, and also the Organization of Eastern Caribbean States (OECS), which comprised of the following countries: Anguilla, Antigua and Barbuda, British Virgin Islands, Commonwealth of Dominica, Grenada, Montserrat, Saint Lucia, Saint Christopher and Nevis (also known as Saint Kitts and Nevis) and Saint Vincent and the Grenadines.

The Office shared premises with other United Nations agencies in a building called United Nations House, donated by the Government. The Office has been set up to handle the complex environment, in which the United Nations Resident Coordinator and UNDP Resident Representative is responsible for several countries, each with a different income level and development status.

The programme of the Office and of OECS was aligned to the 2017-2021 United Nations Multi-Country Sustainable Development Framework and the UNDP Strategic Plan, 2104-2017.

National consultations in 15 countries ensured that the development challenges identified in the Common Multi-Country Assessment were consistent with national development needs through four key priority areas: (a) a sustainable and resilient Caribbean; (b) a safe, cohesive and just Caribbean; (c) a healthy Caribbean; and (d) an inclusive, equitable and prosperous Caribbean.

## II. Audit results

Satisfactory performance was noted in the following areas:

- (a) Governance/Corporate Direction. Adequate controls were in place to ensure that the governance, risk management and control systems in the audit sub-area of corporate direction are adequate to improve performance.
- (b) Operations/Financial Resources Management. The Office adequately monitors the level and use of financial resources, manages risk of financial loss, maintains accurate accounting records, adequately controls commitments and disbursements and follows-up on outstanding receipts, and adequately protects cash in compliance with all relevant UNDP regulations and rules, and policies and procedures.
- (c) Operations/ICT and General Administrative Management. The governance, risk management and control systems in the Office are adequate and effective in the audit sub-areas of ICT and general administrative management.
- (d) Operations/Staff and Premises Security. The governance, risk management and control systems in the Office in the audit sub-area of staff and premises security are adequate and effective in ensuring that it is resilient due to sound business continuity systems and security arrangements.

OAI made nine recommendations ranked medium (important) priority.

Low priority issues/recommendations were discussed directly and agreed with the Office and are not included in this report.

**Medium priority recommendations**, arranged according to significance:

- (a) Ensure financial sustainability (Recommendation 2).
- (b) Strengthen the Office organizational structure (Recommendation 1).
- (c) Improve its operations activities (Recommendation 5).
- (d) Strengthen monitoring and risk management (Recommendation 3).
- (e) Ensure compliance with Procurement Policies and Procedures in respect of the procurement business function (Recommendation 6).

- (f) Comply with the guidelines set forth for Individual Contracts (Recommendation 7).
- (g) Strengthen knowledge sharing and organization learning (Recommendation 4).
- (h) Improve management of Service Contracts (Recommendation 8).
- (i) Fully adopt the Harmonized Approach to Cash Transfers in 2017 (Recommendation 9).

The detailed assessment is presented below, per audit area:

## A. Governance

### 1. Leadership

#### Issue 1 Gaps in organizational structure

The 'UNDP Operational Guide of the Internal Control Framework' stipulates that each head of office has the overall responsibility for establishing and maintaining adequate internal controls, and for ensuring documentation of their office's internal control procedures. Further, the 'UNDP Programme and Operations Policies and Procedures' define the control environment as one of the components of the internal control system that provides the foundation for an effective internal control. The vision and mission of an office as well as its organizational effectiveness rely on the office's adequate organizational structure, which allows for clear roles and responsibilities, as well as reporting lines.

The audit identified weaknesses in the organizational structure and activities, as follows:

- Three senior programme staff members were separated in the past two years. The Office distributed the programme functions to existing staff to mitigate vacancy gaps. Nevertheless, one Programme Manager and the Monitoring and Evaluation Analyst posts at the national officer level remained vacant, which increased the burden of programmatic and operational tasks to existing staff.
- Two posts (Driver and UN house Receptionist) were identified in the organigram under the supervision of the Human Resources Associate. However, the responsibilities over the two posts were actually not under the direct control of the Human Resources Associate, rather the supervision of these posts was diluted amongst other staff. Specifically, the driver was reporting to the Executive Associate and the UN house Receptionist was reporting to the Operations Manager.
- The Office designated the Information Communication and Technology (ICT) Support Associate as the procurement focal point who held a Fixed-Term Appointment contract. However, designation had not been formalized in the staff member's job description as the job description solely identified ICT functions. (Refer to Issue 5 on related procurement issue).

An organizational structure that is not aligned with the operations of the Office may result in unclear roles, responsibilities, and accountabilities.

<b>Priority</b>	Medium (Important)
<b>Recommendation 1:</b>	
The Office should strengthen the organizational structure by addressing weaknesses in structure and unclear roles and responsibilities.	
<b>Management action plan:</b>	
The Office will do the following:	
<ul style="list-style-type: none"> <li>▪ Organigramme with new reporting lines for driver and UN House Receptionist has been created.</li> <li>▪ Job descriptions for a second Programme Manager and for the Monitoring and Evaluation Analyst are in preparation, and should be advertised in August.</li> <li>▪ Job descriptions of the procurement focal point have been amended to reflect the procurement role.</li> </ul>	
<b>Estimated completion date:</b> December 2017	
<b>OAI Response</b>	
OAI acknowledges the action already taken by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.	

## **Issue 2**      Office's financial sustainability at risk

The 'UNDP Programme and Operations Policies and Procedures' require offices to establish effective partnerships, develop a resource mobilization strategy including a corresponding resource mobilization action plan and set accurate annual delivery targets in order to ensure an adequate inflow of resources towards financial sustainability. The regular review and analysis of a project pipeline portfolio allows an office/unit to more accurately project the availability of resources, both for programme and operational requirements.

Concerns on the Office's financial sustainability were observed by OAI, as follows:

- Government Local Contributions to Local Office Costs, amounting to \$3.8 Million, remained uncollected. There was a backlog of contributions built up during the financial crisis prior to 2014, which hit some of the country islands.
- The Resource Mobilization Strategy for the programme cycle lacked an action plan which affected its implementation. The review of the Office's pipeline<sup>1</sup> noted that there were 2 projects under category A, 2 projects under category B, and 10 projects under category C, with budgeted amounts of \$260,000,

<sup>1</sup>. "Pipeline" refers to the totality of planned projects, programmes, and initiatives that UNDP is expected to pursue within a foreseeable time in the future. There are three classes of pipeline, as follows: A - Hard Pipeline; B -Soft Pipeline; and C - Ideas.

\$616,450 and \$33.4 million respectively. Without a solid pipeline, the achievement of agreed programme results might be compromised and availability of resources, for both programme and internal needs, might not be available.

- Although the Office exceeded its financial delivery target by \$7 million in 2016, the audit identified 14 projects with a total financial delivery of \$125,965, which was below the approved budget of \$610,667, or a delivery rate of 20 percent only.
- Even though the 2017 Integrated Work Plan was approved with a target expenditure on development projects of \$10 million, which was considered the level necessary to justify the Office's costs, OAI's estimation was that Office's level of expenditure in 2017 needed to be recorded at \$12 million.

Without adequate delivery results, the Office's financial sustainability may be at risk. Failure to plan and monitor the Office's resources effectively may negatively impact the achievement of UNDP's overall mandate in the Caribbean sub-region.

Priority	Medium (Important)
<b>Recommendation 2:</b>  The Office should ensure financial sustainability by: <ul style="list-style-type: none"> <li>(a) developing a strategy in collecting outstanding Government Local Contributions to Local Office Costs, including seeking advice from the Regional Bureau for Latin America and the Caribbean;</li> <li>(b) enhancing its resource mobilization strategy including the preparation of a plan of action; and</li> <li>(c) exploring mechanisms to achieve its targeted projects expenditure and to expand its project portfolio.</li> </ul>	
<b>Management action plan:</b>  The Office will take or has taken the following actions: <ul style="list-style-type: none"> <li>▪ Has begun adapting the Resource Mobilization Strategy to a Resource Management Action Plan. The process, which will rely on consultation with staff, will conclude by the end of August 2017;</li> <li>▪ Will continue to pursue options with UNDP headquarters to recover outstanding Government Local Contributions to Local Office Costs (ongoing to December, 2017); and</li> <li>▪ Will explore methods to improve budgeting, improve the support to government counterparts and consult with Regional Hub and Bureau for Management Services on other potential steps to achieve expenditure targets (ongoing to December, 2017).</li> </ul>	
<b>Estimated completion date:</b> December 2017	
<b>OAI Response</b>  OAI acknowledges the action already taken by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.	



## B. Programme

### 1. Programme/Project Design and Implementation

#### Issue 3      Weaknesses in project monitoring and risk management

Programme and project monitoring is driven by the need to account for the achievement of intended results and to provide a factual basis for decision-making purposes. It is an essential management tool to support UNDP's commitment to accountability for results, resources entrusted to it, and organizational learning. Monitoring relates to pre-identified results in the development plan that are achieved throughout the project implementation, where baselines, indicators, targets and measurements of results are clearly defined and regularly monitored. Monitoring frameworks at the project level also ensure that projects are implemented within the agreed timeframe and are timely closed to capture the lessons learned.

The audit reviewed a sample of 8 projects with 9 outputs (representing 40 percent of total financial delivery for the audit review period) out of 39 projects with 42 outputs. The following weaknesses in project monitoring and risk management were identified:

- All project documents reviewed contained a monitoring framework detailing monitoring activities to be carried out during the life-cycle of each project. In one project, even though monitoring activities conducted showed that the desired results were on track to be achieved, the monitoring had weaknesses, since for instance, there was a delay in the procurement of solar panels and related equipment that affected the implementation and achievement of the results of the project.
- A case was found with a project implemented by a non-governmental organization, where the quality assurance module of the Corporate Planning System showed a 'satisfactory rating' and on track to achieve results, but the actual implementation had delays as identified in the Harmonized Approach to Cash Transfers/National Implementation (HACT/NIM) audit of the project.
- The quality assurance module of the Corporate Planning System showed that two of the eight projects reviewed required urgent attention. However, no management action plan was developed by the Office.
- The Office carried out risk assessments during project formulation. However, some risks were generic and not directly related to the projects. Furthermore, the risk logs were not updated on a yearly basis as required.
- There was incomplete monitoring and risk management information in Atlas in seven of eight projects reviewed.

The lack of effective monitoring may impede the Office from determining whether intended programme and projects results are being achieved and reported to main stakeholders, and whether corrective actions are necessary to ensure the delivery of intended results.

<b>Priority</b>	Medium (Important)
<b>Recommendation 3:</b>  The Office should strengthen monitoring and risk management by: <ul style="list-style-type: none"> <li>(a) ensuring that monitoring activities are carried as stipulated in the project documents and that the monitoring results are in line with the reported progress towards intended results;</li> <li>(b) conducting, on a yearly basis, the required risk assessment for the programme and for all projects; and</li> <li>(c) ensuring that the monitoring information and risk registers are updated in Atlas and the quality assurance module of the Corporate Planning System as required.</li> </ul>	
<b>Management action plan:</b>  The Office will undertake the following actions: <ul style="list-style-type: none"> <li>▪ Project monitoring and reporting tool has been developed to strengthen monitoring against indicators by project teams, and refresher training will be conducted in August 2017.</li> <li>▪ Log frames currently being updated for projects to ensure targets are achievable and indicators are appropriate and measurable. Should be completed by September 2017.</li> <li>▪ Specific training on results-based management, risk management, reporting requirements and corporate tools, inter alia, to be conducted for project teams in August 2017 and will continue as new projects are approved.</li> <li>▪ Programme plan for scheduled updating of corporate tools from June 2017. Two Fixed-Term Appointment posts (Programme Manager and Monitoring &amp; Evaluation Analyst) will be filled this year (December, 2017).</li> </ul>	
<b>Estimated completion date:</b> December 2017	
<b>OAI Response</b>  OAI acknowledges the actions already taken by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.	

## 2. Knowledge Management

### Issue 4 Weaknesses in knowledge sharing and organizational learning

The key objective of Knowledge Management in UNDP is to drive UNDP's global leadership in achieving the outcomes of the Strategic Plan. To this end, UNDP focuses its Knowledge Management work on supporting knowledge production in these areas, connecting internal and external stakeholders and fostering dynamic networking, knowledge exchange and collaboration, as well as collecting, analyzing and using evidence from external and internal experience.

The audit team interviewed government counterparts and implementing partners to gather information about knowledge sharing practices from the Office. The audit team noted the need to strengthen the guidance to

project personnel on UNDP policies and procedures. There were cases related to delays in procurement process caused by the lack of understanding of UNDP policies and procedures. Furthermore, counterparts mentioned that they were unaware of some financial reporting requirements which caused HACT/NIM audit observations that may have been avoided.

The evidence to support lessons learned for the programme and reviewed projects was either not adequately documented or unavailable. Furthermore, the audit identified 15 projects with 15 outputs that were operationally closed for over 12 months and yet not financially closed, whereby the evidence to support lessons learned was unavailable.

The Office's management acknowledged weaknesses identified which were primarily due to staff rotation in the programme unit and to the increased size of the Office's project portfolio.

Without a systematic approach to sharing knowledge with counterparts and learning from project implementation through capturing lesson learned, the Office might lose the ability to learn and may be exposed to the risk of making the same mistakes in the past, thus compromising the achievement of programme results.

<b>Priority</b>	Medium (Important)
<b>Recommendation 4:</b>	
<p>The Office should strengthen knowledge sharing and organization learning by:</p> <ul style="list-style-type: none"> <li>(a) carrying out adequate and sufficient knowledge sharing activities with partners and project personnel;</li> <li>(b) systematically capturing and documenting project lessons learned throughout the programme lifecycle; and</li> <li>(c) ensuring timely closure of projects.</li> </ul>	
<b>Management action plan:</b>	
<p>The Office will:</p> <ul style="list-style-type: none"> <li>▪ Ensure adequate knowledge sharing with partners and project personnel by undertaking training on project management including but not limited to overview of national implementation manual, FACE Forms, HACT/NIM audits, procurement, quality assurance processes and reporting during the induction to project personnel, inception workshop and first Project Steering Committee meeting (July 2017 and will continue).</li> <li>▪ Ensure that project lessons learned are systematically captured and documented throughout programme lifecycle.</li> <li>▪ Move the project closure forward in the case of projects over 12 months after they are operationally closed and continue closing projects in a timely manner as necessary.</li> </ul>	
<b>Estimated completion date:</b> December 2017	

## C. Operations

### 1. Procurement

#### Issue 5 Weaknesses within procurement management

According to the 'UNDP Programme and Operations Policies and Procedures', the general procurement principles of (i) best value for money, (ii) fairness, integrity and transparency, (iii) effective international competition, and (iv) the protection of the interests of UNDP must be applied to all types of procurement modalities and all phases of the procurement process, pre-award (solicitation), award and post award (contract management).

The following weaknesses were identified in the procurement management:

- (a) Lack of a procurement strategy. The Office had not established a procurement strategy to meet its operational and programmatic objectives. The Office's procurement portfolio increased by \$2.8 million from 2016 to 2017. The procurement portfolio was expected to increase further in subsequent years mainly due to the implementation of two regional projects.
- (b) Procurement unit not established. The Office designated the ICT Associate as a procurement focal point. Even though the ICT Associate had obtained a CIPS 3 procurement certification, the experience to undertake the expanding procurement portfolio and complex procurement processes was lacking. The Office engaged, on a retainer basis, an international consultant to undertake critical procurement processes for one of the two regional projects. For the other regional project, a Regional Procurement Analyst was recruited under a Service Contract. As a result, core procurement functions were mostly not undertaken by UNDP staff members.
- (c) Absence of a dedicated procurement email account. The audit noted inconsistent use of dedicated procurement e-mail accounts by Service Contractors conducting procurement functions, thereby there was a risk to the confidentiality and transparency of the procurement process. OAI identified e-mails where solicitation requests were sent from work email accounts or personal email account.

The Office's procurement activities might not achieve the best value for money if controls are not in place to ensure the fairness, integrity and transparency of procurement processes.

Priority	Medium (Important)
<b>Recommendation 5:</b>	
The Office should improve its operations activities by:	
<ul style="list-style-type: none"> <li>(a) developing a procurement strategy to address the procurement business function, taking into account the procurement volume forecast and capacity required, to meet the Office delivery objectives;</li> <li>(b) ensuring core procurement functions are carried out only by staff members; and,</li> <li>(c) setting up a dedicated email account with restricted access which will be used for the procurement processes.</li> </ul>	

**Management action plan:** The Office is awaiting guidance from Head of Procurement at the Regional Hub regarding whether core functions of the award phase of a procurement process must be carried out only by the staff and not by Service Contract holders. The Office will take appropriate action in line with this guidance.

- The Office has developed a 2017 Procurement Strategy that takes into account the procurement volume forecast and capacity required, to meet the Office delivery objectives and ensure adequate provision of procurement training and advisory support to projects.
- Management has instructed all procurement staff that there is to be a clear division between procurement account, to be used for all procurement items, and UNDP staff member accounts to be used for other correspondence.
- A dedicated email account for micro-canvassing (mcprocurement.bb@undp.org) has been created and is in use.

**Estimated completion date:** December 2017

#### OAI Response

OAI acknowledges the actions already taken by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.

#### **Issue 6**      Non-compliance with Procurement Policies and Procedures regarding the Contracts, Assets and Procurement Committee

UNDP requires an independent review of the procurement process prior to a contract award. The review confirms that offers received are the result of a fully compliant process, sufficient funding exists and risks have been adequately assessed and mitigated. Contracts, Assets and Procurement Committee (CAP) renders independent written advice and recommendations on a procurement action to the individual approving the procurement action. As such members of independent review committees are required to remain independent while skilled and up to date on UNDP procurement rules and regulations.

The following shortcomings were found:

- Lack of rotation amongst CAP members and non-compliance with the procurement level 1 certification for CAP members.
- As a contract management mechanism, no debriefing of unsuccessful bidders was carried out upon contract award. A procurement best practice is to ensure that unsuccessful bidders are debriefed for transparency and to improve quality of bid proposals.

Failure to address weaknesses noted may not provide assurance that procurement business function is conducted to the best interest of UNDP.

<b>Priority</b>	Medium (Important)
<b>Recommendation 6:</b>	
<p>The Office should ensure compliance with the 'UNDP Procurement Policies and Procedures' by:</p> <ul style="list-style-type: none"> <li>(a) rotating CAP members;</li> <li>(b) requiring CAP members to complete at least Procurement Certification level 1, upon designation; and</li> <li>(c) debriefing unsuccessful bidders after a contract has been awarded.</li> </ul>	
<b>Management action plan:</b>	
<p>The Office will undertake the following actions:</p> <ul style="list-style-type: none"> <li>▪ Review the current appointment and appoint new Chair and members as necessary.</li> <li>▪ Ensure that CAP members complete a Procurement Certification level 1.</li> <li>▪ Organize debriefings for unsuccessful bidders.</li> </ul>	
<b>Estimated completion date:</b> December 2017	

**Issue 7**      Discrepancies encountered in the management of Individual Contracts

The 'UNDP Programme and Operations Policies and Procedures' stipulate that business units are accountable for the proper use of the Individual Contract modality. Individual contracting is used for the procurement of services of an individual to perform time-bound and non-staff tasks, aimed at delivering clear and quantifiable outputs, which must be identified in the contract.

Individual contractors should be engaged through individual contracts when (i) the qualifications and experience of the individual is the predominant factor in ensuring the successful delivery of an output; and (ii) the individual alone can perform the demands of the Terms of Reference without any need for corporate back-up support in order to deliver the outputs specified in the Terms of Reference. For Individual Contracts to be converted to Service Contracts, it must be evident that the Individual Contracts were awarded as a result of a competitive process, the contracted services were not a result of a procurement notice, or of sourcing from a roster of experts.

The review of the management of Individual Contracts noted the following deficiencies:

- An individual was contracted as Individual Contract holder to perform Programme Analyst functions, contrary to the policy that Individual Contracts should not be used for functions performed by staff.
- Two Individual Contracts were converted to Service Contracts. There was no evidence that Individual Contracts were awarded as a result of a competitive process, the contracted services were not the result of a procurement notice, or of sourcing from a roster of experts. A competitive recruitment process for should have been conducted.

By not complying with UNDP procurement policies on individual contracts, the Office runs the risk of increased costs and not obtaining best value for money.

<b>Priority</b>	Medium (Important)
<b>Recommendation 7:</b>  The Office should ensure compliance with the guidelines set forth for Individual Contracts by: <ul style="list-style-type: none"> <li>(a) delegating other staff member to perform the functions of the vacated key post or explore other temporary measures, such as detail assignment or Temporary Appointment; and</li> <li>(b) ensuring that any conversion from Individual Contract to Service Contract is justified with a competitive process for the initial selection of the Individual Contract holder.</li> </ul>	
<b>Management action plan:</b> The Office will address the recommendations proposed.  <b>Estimated completion date:</b> December 2017	
<b>OAI response:</b>  OAI acknowledges the actions taken by management; these will be reviewed at a later stage as part of the standard desk follow-up process of OAI.	

## 2. Human resources management

### Issue 8 Weaknesses identified in the management of Service Contracts

The 'UNDP Service Contract User Guide', stipulates the roles and responsibilities to manage Service Contracts accordingly. Specifically, the human resources units at UNDP Offices must ensure that the Service Contract User Guide is complied with. UNDP Offices were required to migrate data of Service Contract holders, by 31 December 2011 and ensure accuracy of the data, such as accrual of annual leave days in accordance with the general local practice.

The audit reviewed a sample of 9 of 38 service contracts and identified the following:

- Annual leave established at 2.5 days/month without validation. The Office's template for 'Service Contract Conditions of Service' stipulated an accrual of 2.5 days of leave days per month. This decision was taken by the previous Office management to harmonize the number of annual leave days of Service Contract holders and staff members. However, the Office had not validated the established number of annual leave days per month with the survey of entitlements as part of the salary survey or at least submitted this decision to the Office of Human Resources for approval.
- Pending migration of Service Contract data. The data of Service Contract holders working in the OECS had yet to be migrated to the Atlas Human Resource Module. The Office indicated that the migration of Service Contract holders' information into the Atlas Human Resources module was in progress.



The discrepancies identified put the Office at risk of non-compliance with the responsibility and accountability delegated by the Office of Human Resources in the management of Service Contract holder entitlements.

<b>Priority</b>	Medium (Important)
<b>Recommendation 8:</b>	
<p>The Office should improve management of Service Contracts by:</p> <ul style="list-style-type: none"> <li>(a) validating the established number of leave days per month with the survey of entitlements as part of the salary survey;</li> <li>(b) forwarding the results of salary survey results to Office of Human Resources for approval and adjusting the annual leave records of the Service Contract holders, as necessary; and</li> <li>(c) migrating data of Service Contract holders in OECS into Atlas to effectively manage and process payrolls and other entitlements.</li> </ul>	
<b>Management action plan:</b>	
<ul style="list-style-type: none"> <li>▪ The Office is seeking to validate the allocation of the number of leave days with the survey of entitlements. The Office is awaiting response from headquarters with regards to the current salary survey. This guidance will determine if a salary survey is needed to undertake in the Country.</li> <li>▪ UNDP Copenhagen is facilitating the migration of OECS service contract holders' information to Atlas with support of the Office. The migration should be completed in time for August payroll</li> </ul>	
<b>Estimated completion date:</b> August 2017	

#### D. United Nations Leadership and Coordination

##### Issue 9 Harmonized Approach to Cash Transfers not fully implemented

To lessen the burden caused by the multiplicity of United Nations procedures and rules for its partners, the 'Framework for Harmonized Approach to Cash Transfers to Implementing Partners' has been established. Compliance is achieved when the following four steps have been completed: (a) macro assessment of the public financial system; (b) micro assessments of implementing partners; (c) agreement with the Government on implementing the HACT; and (d) development and implementation of an assurance and audit plan for implementing partners. According to the Framework for Cash Transfers to Implementing Partners, UN Agencies will adopt a risk management approach and will select specific procedures for transferring cash on the basis of the joint assessment of the financial management capacity of implementing partners.

At the time of the audit mission, HACT was not fully adopted despite of the efforts made by the Office. A macro-assessment had been carried out in 2015 for the Country and the OECS. There were micro-assessments of 14 implementing partners, out of which 11 had been conducted by UNDP and 3 by UNICEF. However, a comprehensive assurance plan and spot checks had not been put in place. The HACT readiness indicator showed a 70 percent completion rate, while the expected rate of completion for 2016 was 100 percent.



Unless all HACT requirements are fulfilled, the objectives of harmonizing practices among United Nations agencies may not be achieved.

<b>Priority</b>	Medium (Important)
<b>Recommendation 9:</b>	
The Office, in coordination with the government implementing partners and other participating United Nations agencies, should fully adopt the Harmonized Approach to Cash Transfers in 2017.	
<b>Management action plan:</b>	
The Office received and reviewed the comprehensive assurance plan with a number of spot checks outlined. The Office will organize meeting for the HACT Working Group in July 2017. This will be a critical step in fully adopting the HACT in 2017.	
<b>Estimated completion date:</b> December 2017	

## Definitions of audit terms - ratings and priorities

### A. AUDIT RATINGS

- **Satisfactory** The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Some Improvement Needed** 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.
- **Partially Satisfactory / Major Improvement Needed** The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.
- **Unsatisfactory** The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

### B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **High (Critical)** 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.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP.
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.