

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP COUNTRY OFFICE

IN

JAMAICA

Report No. 2033
Issue Date: 7 March 2019

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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 28 January to 8 February 2019. 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 2017 to 31 December 2018. The Office recorded programme and management expenses of approximately \$14.3 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*.

Overall audit rating

OAI assessed the Office as **satisfactory** which means “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”.

Good practices

Operations/ procurement: The Office undertook a procurement fair in 2018 to enhance in-country visibility and to increase the size of its procurement database. Further, it engaged the government entity to participate in the procurement training certification at no cost to the Office.

Programme/knowledge management: The Office created a video for the onboarding of newly recruited persons. It also set up a bulletin with infographics called “POPP Corner” so that counterparts were aware on UNDP policies and procedures.

Key recommendations: Total = 3, high priority = 1

The three recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization’s strategic objectives	1,2	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	3	Medium

For high (critical) priority recommendation, 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:

Office's financial sustainability at risk (Issue 2)

The audit team noted that the Office's financial sustainability was at risk. For example:

- There were arrears totalling \$5.1 million in Government Contributions to Local Office Costs for the period from 2001 to 2018, despite the efforts made by the Office to collect them from the Government.
- The Office's delivery depended mainly on three regional/global projects that recorded over 60 percent of total deliveries in 2017 and 2018. One of these projects was completed in 2018 and activities of the other two projects would be finishing in 2019, which would have an impact to the Office's future resources.
- An annual delivery between \$10 and \$11 million per year was needed to cover the Office operational costs. The 2019 Integrated Work Plan approved by the Regional Bureau for Latin America and the Caribbean had target financial delivery of \$5.0 million only.
- The costs recovery calculated for 2018 amounted to \$0.8 million, which was \$0.3 million less than the Office operational cost of \$1.1 million. Further, the projected revenue for 2019 was \$0.4 million. This would result in \$1 million deficit considering the estimated total operation costs of the Office for 2019 was \$1.4 million.

Recommendation: The Office should improve its financial sustainability by: (a) continuing its efforts to collect the Government Contributions to Local Office Costs and seeking the assistance of the Regional Bureau for Latin America and the Caribbean to escalate the matter to the Permanent Mission of Jamaica to the United Nations; (b) reducing its operational costs; and (c) enhancing the project pipeline, improving resource mobilization, and seeking other sources of funding.

Implementation status of previous OAI audit recommendations: Report No. 1430, 24 April 2015.

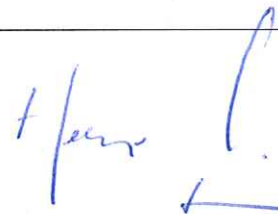
Total recommendations: 11

Implemented: 11

Management comments and action plan

The Resident Representative accepted all 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.



Helge S. Osttveiten
Director
Office of Audit and Investigations

I. About the Office

The Office, located in Kingston, Jamaica (the Country), covered Jamaica, the Bahamas, Bermuda and the British Overseas Territories of Cayman Islands, and the Turks and Caicos Islands. At the time of the audit fieldwork, the Office had 13 staff members, 14 service contract holders and 1 United Nations Volunteer. The Country Programme Document under implementation was aligned to the United Nations Multi-Country Sustainable Development Framework 2017-2021 and the UNDP Strategic Plan 2018-2021. The Framework was formulated jointly in 2015 by the United Nations system and 18 governments of the English and Dutch-speaking Caribbean sub-region. National consultations in 15 countries were organized to ensure that the development challenges identified in the common multi-country assessment were consistent with national development needs.

II. Good practices

OAI identified good practices, as follows:

Operations/procurement. The Office enhanced visibility of its procurement functions by undertaking a procurement fair in 2018, which also increased the size of its database of suppliers and vendors in the Country. Further, it engaged with the government entity to participate in the procurement training certification at no cost to the Office.

Programme/knowledge management. The Office developed an onboarding video for newly recruited personnel on the office structure, and created a bulletin with infographics called "POPP Corner" to keep counterparts informed on UNDP policies and procedures.

III. Audit results

Satisfactory performance was noted in the following areas:

- (a) Governance/corporate direction. No reportable issues were identified. The audit disclosed that key controls were in place.
- (b) Governance/corporate oversight and assurance. No reportable issues were identified. The audit disclosed that key controls were in place.
- (c) Operations/financial resources management. No reportable issues were identified. The audit disclosed that key controls were in place.
- (d) Operations/ICT and general administrative management. The systems managed by the Office, including hardware, software and systems security were operating effectively. Controls over general administration activities, including management of common services, vehicles, and travels were found to be adequate. Periodic verification of assets was conducted consistently.
- (e) Operations/procurement. The Office had made significant efforts to implement the corporate procurement tools and continued to enhance the procurement business function. No reportable issues were identified.
- (f) United Nations leadership and coordination. The United Nations Country Team shared the common goal of improving coordination within the United Nations system in the Country.

OAI made one recommendation ranked high (critical) and two recommendations ranked medium (important) priority.

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

High priority recommendation:

- (a) Improve its financial sustainability (Recommendation 2).

Medium priority recommendations:

- (a) Improve operational capacity in the Office (Recommendation 1).
- (b) Strengthen its programme and project monitoring (Recommendation 3).

The detailed assessment is presented below, per audit area:

A. Governance

1. Leadership

Issue 1 Gaps in operational capacity in the Office

The 'UNDP Operational Guide of the Internal Control Framework' stipulates that the head of office is responsible for establishing, maintaining and documenting adequate internal controls procedures.

The audit noted that the size of the operations and programme units did not develop at the same rate. The support for programme implementation increased over the past three years and it was expected to continue. However, there was insufficient human resources to provide operational support, which caused a significant burden on personnel. The Office had, over the past three years, adopted some measures to address the insufficient number of personnel in the finance, human resources and procurement units.

The audit team found the following gaps in the Office's operational capacity:

- The Office did not have a post of human resources practitioner at the time of audit. The Operations Analyst was designated as 'focal point' for the human resources management function but undertook the full scope of human resources responsibilities for the Office, projects and UN agencies. Further, some administrative support to the human resources function was provided by a service contract holder, who also had other operational responsibilities.
- Key Office personnel, primarily in the operations unit, had high annual leave balances as of 31 December 2018. This was due mainly to the absence of personnel to backstop key functions. Furthermore, staff indicated that there was a need to continue working while on leave.
- The lack of operations personnel resulted in conflicting roles in Atlas (enterprise resource planning system of UNDP) and inadequate segregation of duties. The audit team found incompatible roles assigned to six staff members. For example, two staff members had been assigned with both project manager and manager level 2 roles in Atlas.

The gaps in operational capacity may negatively impact staff productivity and programme delivery. In addition, the inadequate segregation of duties may lead to errors or unauthorized transactions.

Priority	Medium (Important)
Recommendation 1: The Office should improve operational capacity in the Office by: <ul style="list-style-type: none"> (a) seeking support from the Regional Bureau for Latin America and the Caribbean for the provision of additional resources to fill in positions that are needed to ensure a more balanced operational structure and an adequate segregation of duties; (b) planning leave requirements throughout the year to ensure adequate opportunities for staff to take leave to avoid accumulating high leave balances; and (c) revisiting the various roles of personnel with conflicting roles and re-distributing some of their functions within the Office as to keep risks derived from conflicting roles at an acceptable level while minimizing the exposure for the Office. 	
Management action plan: <ul style="list-style-type: none"> (a) The Office has already reviewed Atlas to see how the roles can be segregated. This has been proven to be challenging given the limited structure. The manager levels 1 and 2, and senior manager level roles are needed for project management given the multiplicity of their functions. (b) The Office has requested additional resources for positions from the Regional Bureau for Latin America and the Caribbean during Integrated Work Plan discussions, lamenting the lean structure and the fact that there is no redundancy in the office. The Office will continue to do so. However, the Regional Bureau has the last word as far as this is concerned. (c) The Office has established a quarterly leave and mission schedule on SharePoint. Each staff member is required to fill out and which is being discussed at direct report meetings, programme meetings and operations meetings. Staff are regularly reminded that they need to take leave. Staff are also allowed to work from home with justification and to take uncertified leave. The Office will continue to encourage staff to take leave. 	
Estimated completion date: September 2019	

2. Corporate External Relations and Partnership

Issue 2 Office's financial sustainability at risk

As per 'UNDP Programmed and Operations Policies and Procedures', the Office's financial sustainability is contingent on several factors, such as: (a) collection of Government Contributions to Local Office Costs of Country Offices; (b) effective donor partnerships; (c) strong pipeline funding management, to leverage and maximize partnerships and opportunities for development financing; and (d) timely cost recoveries.

The audit team noted the following:

- a) There were arrears totalling \$5.1 million in Government Contributions to Local Office Costs for the period from 2001 to 2018, despite the efforts made by the Office to collect them from the Government.

- b) Donors' presence was limited in the Country that further limited the capacity of the Office to mobilize resources. This was due mainly to the status of the Country (i.e., middle-income country). In addition, the Office's delivery depended mainly on three regional/global projects that recorded over 60 percent of total deliveries in 2017 and 2018. One of these projects was completed in 2018 and activities of the other two projects would be finishing in 2019, which would have an impact to the Office's future resources. To address the reduction of project resources, the Office continued building a pipeline mainly in the environment portfolio that as per records in Atlas reflected \$4 million in 2019 and 2020 and a total of \$11 million for the 2019-2022 period; these pipeline figures did not consider potential resources from government cost sharing that as explained below are being pursued by the Office and potentialities are available.
- c) The Office operational costs were approximately \$1.3 million in 2017 and \$1.1 million in 2018. For 2019, the estimated total costs would be \$1.4 million. An annual delivery between \$10 and \$11 million per year was needed to cover the Office operational costs. However, the 2019 Integrated Work Plan approved by the Regional Bureau for Latin America and the Caribbean had target financial delivery of \$5 million only.
- d) The costs recovery calculated for 2018 amounted to \$0.8 million, which was \$0.3 million less than the Office operational cost of \$1.1 million. Further, the projected revenue for 2019 was \$0.4 million, which would result in \$1 million deficit considering the estimated total operation costs of the Office was \$1.4 million. Based on the review of sources of funding, costs recoveries would not be sufficient to ensure sustainability of the Office operations.
- e) The low percentage of the General Management Support rate, less than 5 percent on average, was not sufficient to cover costs. The Office tried to systematically recover costs as per the Direct Project Costing policy. However, restrictions from funding sources and insufficient awareness by donors and host government counterparts made it difficult to implement the Direct Project Costing policy.

The Office was actively pursuing cost-sharing arrangements with the Government. It engaged the services of a consultant to discuss the opportunities and explain the business model to the government counterparts as well as Office staff members. Government counterparts responded positively to this initiative.

OAI also noted that the Government perceived the Office, as well as most UN agencies, as donors hindering the establishment of government cost-sharing agreements.

Lack of sufficient financial resources and insufficient cost recovery may compromise the financial sustainability of the Office and may negatively impact the achievement of UNDP's overall mandate in the Country.

Priority	High (Critical)
Recommendation 2:	
The Office should improve its financial sustainability by:	
<ul style="list-style-type: none"> (a) continuing its efforts to collect the Government Contributions to Local Office Costs and seeking the assistance of the Regional Bureau for Latin America and the Caribbean to escalate the matter to the Permanent Mission of Jamaica to the United Nations; (b) reducing its operational costs; and (c) enhancing the project pipeline, improving resource mobilization, and seeking other sources of funding. 	

Management action plan:

- (a) The discussions with the Jamaica Permanent Mission to the United Nations will be followed up by the Regional Bureau for Latin America and the Caribbean.
- (b) The Office has significantly increased delivery over the past two years (almost 100 percent) and will strive to continue on that path. The Office is systematically reducing its operational costs and will continue to do so. In terms of the Office costs, it is important to note that the amount approved in the Integrated Work Plan included the cost of a Deputy Resident Representative post which according to the Regional Bureau, will no longer exist. The general operating expense also includes a one-time capital cost of \$0.2 million for moving the office to the UN House. As such, a total of approximately \$0.5 million is not part of the Office costs for 2019.
- (c) The Office is actively trying to mobilize resources from the Government through government cost-sharing agreement. The pipeline should be enhanced accordingly.

Estimated completion date: June 2020

B. Programme

Issue 3 Gaps in programme and project monitoring

As per 'UNDP Programme and Operations Policies and Procedures', 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. Monitoring relates to pre-identified results in the development plan that are achieved throughout project implementation, where baselines, indicators, targets, risks and measurements of results are clearly defined and regularly monitored. Monitoring frameworks at the project level ensure that projects are implemented within the agreed timeframe and are timely closed to capture the lessons learned.

The following gaps in project monitoring were identified during the review of five ongoing and four closed projects:

- The project quality assessments for all five ongoing projects included urgent actions for two assessment results. However, the required actions had not been completed by the Office. Further, the Corporate Planning System was not used as a monitoring tool and quality assessment results were not used for monitoring projects. Furthermore, the assessments and ratings of five ongoing projects had missing supporting documentation. Lastly, only one of the five projects the Social and Environmental Screening Procedure results uploaded to the Corporate Planning system.
- The Office conducted the closure quality assessments for only three of the four closed projects. Further, supporting documentation such as the final lessons learned report was missing. Similarly, lessons learned for three ongoing projects were not consistently captured and documented, preventing the Office from making necessary adjustments or corrective actions.

- Although quarterly progress reports were prepared for the five ongoing projects, not all of them had information on risk assessments. Also, the Project Board meetings were not held quarterly as required in the project documents.
- Atlas information for two of the five ongoing projects, such as risks, and targets were not regularly updated. The Office's Integrated Work Plan risk register was also incomplete because not all programme and project risks were captured and documented.

In addition, the audit team found that, despite monitoring efforts by the Office programme unit, two ongoing projects recorded delays in implementing activities.

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.

Priority	Medium (Important)
Recommendation 3: The Office should strengthen its programme and project monitoring by: <ul style="list-style-type: none"> (a) ensuring that project quality assessments are conducted timely and documented; (b) ensuring that project progress is monitored using the Corporate Planning System quality assessment module and delays are addressed timely; (c) ensuring that risk registers include all programme and project risks and lessons learned are timely captured and used to improve programme and project quality. 	
Management action plan: The Office took note of the audit recommendations and will ensure timely project quality assessments with evidence and effective monitoring of project progress using the corporate planning tool. The Office will ensure that risks and lessons learned are adequately captured and followed up.	
Estimated completion date: December 2019	

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.