UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP COUNTRY OFFICE

IN

BARBADOS

Report No. 2314

Issue Date: 8 November 2021

Table of Contents

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 30 August to 14 September 2021. 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 and communication technology (ICT)

OAI designed the following performance audit questions:

1. Was the governance structure adequately designed and implemented to support the Office in achieving project results?

2. Was the Office able to provide effective and efficient operational support to implement its portfolio of projects? Specifically:
    a. Were recruitment activities conducted timely and did the recruitment meet Office/project requirements?
    b. Were procurement activities conducted effectively and in accordance with applicable policies?
    c. Were financial transactions processed timely?

The audit covered the activities of the Office from 1 January 2020 to 30 June 2021. The Office recorded programme and management expenses of approximately $51.5 million. The last audit of the Office was conducted by OAI in 2017.

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.
(d) A physical verification of assets was not performed.
(e) Safe contents and petty cash were not verified.
(f) The information and communication technology area was not reviewed on-site.

Overall audit rating

OAI assessed the Office's performance as **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 in project management, human resource management, and the use of account codes.

Key recommendations: Total = **3**, high priority = **0**

The audit did not result in any high (critical) priority recommendations. There are three medium (important) priority recommendations, which means "Action is required to ensure UNDP is not exposed to risks. Failure

to take action could result in negative consequences for UNDP." The recommendations include actions to address weaknesses in project management, human resource management, and the use of account codes.

The three recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Reliability and integrity of financial and operational information	2	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	1	Medium
	3	Medium

Management comments and action plan

The Resident Representative accepted all three 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
Osttveiten
2021.11.08
15:30:28 -05'00'

Helge S. Osttveiten
Director
Office of Audit and Investigations

I.   About the Office

The Office is located in Bridgetown, Barbados. UNDP's presence in Barbados is a multi-country Office that covers the Eastern Caribbean, including Anguilla, Antigua and Barbuda, the British Virgin Islands, the Commonwealth of Dominica, Grenada, Montserrat, Saint Kitts and Nevis, Saint Lucia and Saint Vincent and the Grenadines. The Programme covered the period 2017–2021[1] with the following development priorities:

a)   Governance and capacity development for evidence-based planning for social protection.
b)   Climate change, clean energy, and disaster risk management.
c)   Sustainable ecosystems and natural resources.
d)   Citizen security.

During the period from January 2020 to June 2021, the Office spent $49.7 million on development activities, an increase by 177 percent compared to the previous period.

The largest development projects in terms of expenses during the period covered by the audit were:

Title	Expenditure Jan.-Dec. 2020 $million	Expenditure Jan.-Jun. 2021 $million
Dominica Development and Reconstruction Facility	$15.82	$17.07
B-Envelope after Irma hurricane. Housing Support	$1.05	$3.21
Enabling Gender-Responsive Disaster Recovery	$2.22	$0.60
Caribbean Citizen Security Strengthening	$1.65	$0.81
The COVID-19 programme	$1.23	$0.08
Total	**$21.97**	**$21.77**

The largest sources of funding of the Office's development activities for the period covered by the audit were:

Donor	Funding for the period $million
Dominica	$37.43
Global Environment Facility	$8.07
United States of America	$2.67
Total	**$48.17**

II.   Audit results

Satisfactory performance was noted in the following areas:

(a)   <u>Governance.</u> Adequate internal controls were in place to ensure segregation of duties. Staff were aware of the Office's priorities and challenges.

---

[1] The United Nations agreed with the governments of Caribbean countries to move individual United Nations development assistance frameworks (UNDAF) to a single regional one known as Multi-country Sustainable Development Framework for the Caribbean (MSDF) for the period 2017 to 2021.

(b) Operations – Procurement. A review of the procurement function, including samples of procurement transactions and management of individual contractors indicated that adequate controls were in place.

(c) Operations – Administrative services. The audit disclosed that controls were adequate and functioning within asset and travel management. No reportable audit issues were observed.

Further, 'satisfactory performance with some improvement needed' was observed in relation to the performance audit questions, as follows:

1. Governance structure:

   Was the governance structure adequately designed and implemented to support the Multi-Country Office in achieving project results?

   An appropriate structure was in place to implement the multi-country programme. The structure included project teams grouped by programme area, which facilitated effective operational and programmatic support during project implementation. The structure included the deployment of project personnel in six of the countries that comprise the multi-country operation. Interviews with stakeholders confirmed this was an effective mechanism to implement the programme.

2. *Was the Office able to provide effective and efficient operational support to implement its portfolio of projects? Specifically:*

(a) Human resources

   Were recruitment activities conducted timely and did the recruitment meet Office/project requirements?

   The review of human resources covered the management of 10 service contractors, and recruitment of 5 staff members and 2 interns.

   The results of the review disclosed one instance of non-compliance with the recruitment policy and weaknesses in the management of recruitment files (refer to issue 3).

   Lack of capacity within the human resources function was identified by a joint mission of the UNDP Office of Human Resources, Ethics Office, the Office of the Ombudsman, and the Regional Bureau for Latin America and the Caribbean (July 2021). The mission was in response to the 2020 Global Staff Survey results; the resulting nine recommendations are in progress.

(b) Procurement

   Were procurement activities conducted effectively and in accordance with applicable policies?

   The audit team concluded that procurement was completed effectively and in accordance with applicable policies.

   For the period reviewed, the Office utilized the corporate procurement planning platform (PROMPT) for annual procurement planning. A sample of procurement activities (including provision of supplies for the COVID-19 response) were reviewed, and it was confirmed they were completed in accordance with applicable policies in a timely and effective manner.

The sample included 26 procurement processes totalling $7.8 million submitted through the Contracts, Assets and Procurement Committee, 15 purchase orders totalling $7.4 million and 19 individual contracts.

(c) Financial management

Were financial transactions processed timely?

The financial transactions reviewed were processed timely. For all 45 payment vouchers reviewed totalling $29.3 million, the payments were completed within the terms and conditions agreed. All payments were approved within one day and all payments were recorded accurately. Nevertheless, two payment vouchers and three reimbursements from UN agencies from the audit sample were found to be using incorrect account codes (refer to issue 2).

OAI made three 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) Address weaknesses in human resources management (Recommendation 3).
(b) Strengthen project management (Recommendation 1).
(c) Address the incorrect use of account codes (Recommendation 2).

The detailed assessment is presented below, per audit area:

A. Development activities

1. Project administration

Issue 1   Weaknesses in project management

A development project is a time-bound instrument to deliver outputs that contribute to outcome-level development changes reflected in the programme. The implementing partner is responsible for the achievement of project results and its capacity is assessed before project implementation to identify possible gaps. In consultation with relevant stakeholders, major risks including those identified through Social and Environmental Screening for the project should be identified and recorded in Atlas (enterprise resource planning system of UNDP), including mitigating actions and owners.

The audit team reviewed 7 projects out of a portfolio of 24 ongoing projects; the sample included 4 directly implemented projects (DIM), 2 nationally implemented projects (NIM) and 1 memorandum for the provision of services. The following weaknesses were identified:

(a) GEF Project

A project ($1.4 million budget with expenditure of $445,000) funded by the Global Environment Facility (GEF) experienced implementation delays. In addition, the project received an adverse audit opinion due to unsupported expenditures in the 2020 Harmonized Approach to Cash Transfers (HACT)/NIM audit. The implementing partner could not provide adequate supporting documentation for 11 transactions, with a value of $121,171, or 25 percent of total project expenditure tested ($489,908) as part of the HACT/NIM audit exercise. These transactions were not supported by third party documentation such as invoices,

receipts, or contracts. While the Office provided support to the project beyond what was stipulated in the project document, capacity gaps of the implementing partner remained.

Capacity gaps of implementing partners and insufficient financial monitoring may jeopardize the achievement of project results.

(b) Engagement facility

An engagement facility is used as a rapid and flexible response mechanism. A separate engagement facility should be established for each set of distinct project results.

The audit team observed the same engagement facility project, project ID 00126888 – COVID-19 response, was being used to implement contribution agreements with unrelated results (budget amount for this project was $3.1 million for 2020 and 2021). In addition, Social and Environmental Screening was not completed.

Incorrect use of the engagement facility may create challenges in monitoring of achievement of project results.

(c) Risk logs

The audit disclosed that 5 out of 7 project risk logs were not regularly updated in the enterprise resource planning system (Atlas) and excluded mitigating measures and management actions. However, the project progress reports included updated risks that were discussed by the project board.

In the event corporate tools are not used to record risks, the Office may be unaware of systemic risks that may need to be escalated.

Priority	Medium (Important)

Recommendation 1:
 	
The Office should strengthen project management by:
 	
  (a) ensuring that any capacity gaps of implementing partners are addressed, including strengthening financial management and monitoring;
  (b) using a separate engagement facility for each set of distinct project results and completing the Social and Environmental Screening Procedure as required; and
  (c) updating project risks log in Atlas.	

Management action plan:
 	
The Office will:
 	
  (a) Ensure that all staff complete the training on the various aspects of the Harmonized Approach to Cash Transfers policy. Training sessions on the areas of financial management and monitoring for implementing partners will be carried out at least once a year.
  (b) Use a separate engagement facility for each distinct set of project results and complete Social and Environmental Screening Procedures as required.
  (c) Update risk logs as part of the quarterly review process for inclusion within the multi-country operation monitoring tool.	

Estimated completion date: December 2022

B. Operations/Finance

1. Payments

Issue 2   Weaknesses in the use of account codes

Offices must ensure that financial transactions are accounted for using the appropriate account codes in accordance with the International Public Sector Accounting Standards (IPSAS) standards.

The audit team identified three transactions that were not recorded in accordance with UNDP's policies and with IPSAS, as follows:

- One payment of $1,943,968 for the acquisition of computer hardware was incorrectly recorded as communication equipment.
- One payment of $47,777 was made for the acquisition of a vehicle and was incorrectly recorded as an insurance premium.
- Reimbursement of $14,625 from another UN agency for the use of a vehicle was recorded as a reduction of expenses instead of income.

Inaccuracies in the recording of transactions increase the risk of misstatements within financial reports such as Combined Delivery Reports that are released to project counterparts quarterly.

Priority Medium (Important)	
Recommendation 2: To address the incorrect use of account codes, the Office should: (a) review and adjust the accounting entries that may be incorrectly coded in 2021; (b) re-examine the processes for recording financial transactions and address weaknesses identified; and (c) provide refresher training to project staff and approving managers in the correct use of account codes.	
Management action plan: The Office will: (a) Review the process followed for recording of financial transactions and address the account coding errors highlighted by the audit. (b) Perform a quarterly review of Combined Delivery Reports before submission to senior management. **Estimated completion date:** December 2022	

<table>
<tr><td>**C. Operations/Human resources**</td></tr>
</table>

<table>
<tr><td>**1. Recruitment**</td></tr>
</table>

Issue 3   Weaknesses in human resources management

Human resource management needs to be supported by administrative and procedural practices that are aligned with corporate policies and support client-centered HR services. The audit disclosed the following:

(i)   Weaknesses in absence management and monitoring practices

The Absence Management Module in Atlas is the tool used to track and monitor absences or leave entitlements depending on the type of contract. Absence Record Cards should be certified by staff at year end. A valid supporting document is required for extended sick leave, and it must be attached to the individual's monthly leave report for audit purposes.

A review of leave records found:

- Inaccurate recording of requests for extended certified sick leave of a staff member in Atlas. While Office management was made aware of such requests by the staff member, the information was not entered and approved in the Atlas Absence Management Module.
- For 2020, 15 staff had not certified their Absence Record Cards at year end.

(ii)   Non-compliance with the Recruitment and Selection Framework Policy

In accordance with staff rules, posts in the General Service (GS) and National Officer (NO) categories are subject to local recruitment. National Officers must be nationals of the country where the Office is located.

The audit disclosed that a local position (National Officer B level, fixed-term appointment) was awarded to an individual who was not a national of the country. The staff member had been incorrectly entered in the e-recruitment system by the hiring unit as a national of Barbados, while a different nationality was included in the P-11. The recruitment process for this position had been submitted and approved by a Compliance Review Panel. Management has noted the issue and was advised by OHR to not extend the current appointment.

(iii)   Weaknesses in record keeping of personnel files (incomplete recruitment records)

UNDP's Recruitment and Selection Framework is based on six guiding principles: competition, objectivity, transparency, diversity, non-discrimination, and accountability. Hiring managers are accountable and responsible for their selection proposals and for the manner in which the recruitment and selection processes are conducted. For accountability purposes, all recruitment processes should be documented and filed.

During the audit, it was observed that recruitment records were not readily available for review and were not consolidated in a single file. The information relating to one of two intern recruitments carried out by the Office sampled was not provided.

Furthermore, a joint mission of the UNDP Office of Human Resources, the Ethics Office, the Office of the Ombudsman, and the Regional Bureau for Latin America and the Caribbean took place in July 2021. The mission was in response to the 2020 Global Staff Survey. The report included nine recommendations to

strengthen the HR function, which are all in progress. The issues identified were due to lack of capacity within the Human Resources Unit.

Overall, weaknesses in human resources management may negatively impact the quality of processes, programme delivery and staff morale.

Priority	Medium (Important)
Recommendation 3: The Office should address the weaknesses in human resource management by: (a) strengthening the approval and monitoring processes of leave requests and reconciling and adjusting attendance records in the system, as required; (b) ensuring that all recruitment processes are carried out in accordance with UNDP Recruitment and Selection Framework; and, (c) ensuring personnel files are accurate, complete, and appropriately filed, for accountability purposes.	
Management action plan: To address the issues raised by OAI, the Office will undertake the following corrective actions: (a) Organize training and advisory sessions with relevant policy leads on the various aspects / areas of human resources management. (b) Revise the Standard Operating Procedure for recruitment processes in accordance with the UNDP Recruitment and Selection Framework, including the rollout of recruitment services provided by the Global Shared Services Unit as part of the clustering of services initiative. (c) Quarterly verification by the Operations Manager on the status of human resources records, including but not limited to personnel files and attendance records as noted by OAI. **Estimated completion date:** December 2022	

Definitions of audit terms - ratings and priorities

A.   AUDIT RATINGS

- **Fully 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.

- **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.