UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP COUNTRY OFFICE

IN

TRINIDAD AND TOBAGO

Report No. 985

Issue Date: 17 December 2012

LIST OF ACRONYMS

CPD	Country Programme Document
HACT	Harmonized Approach to Cash Transfers
ICT	Information and Communication Technology
POPP	UNDP Programme and Operations Policies and Procedures
RCO	Resident Coordinator Office
UNCT	United Nations Country Team
UNDAF	United Nations Development Assistance Framework

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Report on the audit of UNDP Trinidad and Tobago
Executive Summary

From 7 to 18 May 2012, the Office of Audit and Investigations (OAI) of the United Nations Development Programme (UNDP) conducted an audit of UNDP Country Office in Trinidad and Tobago (the Office). The audit covered the activities of the Office during the period from 1 January 2011 to 31 March 2012. During the period reviewed, the Office recorded programme and management expenditures totalling $3.4 million. The last audit of the Office was conducted by OAI in 2007.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plans and performs the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management, and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for our conclusions.

Audit rating

OAI assessed the Office as **satisfactory**, which means that "Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity." Ratings per audit area and sub-areas are summarized below.

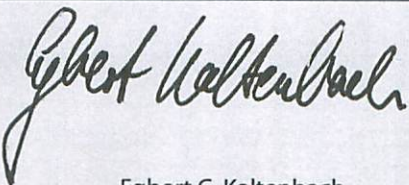| Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Governance and strategic management				■
1.1 Organizational structure and delegations of authority	Satisfactory			
1.2 Financial sustainability	Satisfactory			
2. United Nations system coordination				■
2.1 Development activities	Satisfactory			
2.2 Resident Coordinator Office	Satisfactory			
2.3 Role of UNDP – "One UN"	Not Applicable			
2.4 Harmonized Approach to Cash Transfers	Partially Satisfactory			
3. Programme activities				■
3.1 Programme management	Satisfactory			
3.2 Partnerships and resource mobilization	Satisfactory			
3.3 Project management	Satisfactory			
4. Operations			■	
4.1 Human resources	Satisfactory			
4.2 Finance	Satisfactory			
4.3 Procurement	Partially Satisfactory			
4.4 Information and communication technology	Partially Satisfactory			
4.5 Asset management & general administration	Satisfactory			
4.6 Safety and Security	Satisfactory			

Key issues and recommendations

The audit raised four issues. There were four recommendations, all were ranked medium (important) priority, which means "Action is required to ensure that UNDP is not exposed to significant risks. Failure to take action

could result in negative consequences for UNDP." These recommendations include actions to address (a) non-usage of the standard Request for Service form when processing service requests from other United Nations agencies, (b) incorrect use of purchase orders, (c) deficiencies in Information and Communication Technology security, and (d) premises having appropriate structural requirements for an earthquake-prone area.

Management's comments

The Resident Representative a.i. accepted all recommendations and is in the process of implementing them.

Egbert C. Kaltenbach
Director
Office of Audit and Investigations

I.   Introduction

From 7 to 18 May 2012, OAI conducted an audit of UNDP Trinidad and Tobago. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plans and performs the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management, and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for our conclusions.

Audit scope and objectives

OAI's audits assess the adequacy and effectiveness of the governance, risk management, and control processes in order to provide reasonable assurance to the Administrator regarding the reliability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets, and compliance with legislative mandates, regulations and rules, policies and procedures. They also aim to assist the management of the Office and other relevant business units in continuously improving governance, risk management and control processes.

Specifically, this audit reviewed the following areas of the Office -- governance and strategic management, United Nations system coordination, programme activities, and operations. The audit covered relevant activities during the period from 1 January 2011 to 31 March 2012. During the period reviewed, the Office recorded programme and management expenditures totalling $3.4 million. The last audit of the Office was conducted by OAI in 2007.

II.   About the Office

The Office, located in Port of Spain, Trinidad and Tobago (the Country), also covered programme activities in Aruba, Curaçao and St. Maarten. The Office had 14 staff members, consisting of 2 international staff, 3 national officers and 9 general service staff. In addition, there were 4 service contract holders and 2 United Nations Volunteers.

The United Nations Resident Coordinator and UNDP Resident Representative had responsibility not only for the Office, but also for the UNDP Country Office in Suriname, as well as programme activities in Aruba, Curaçao and St. Maarten.

The Office project portfolio, at the time of the audit mission, included projects in democratic governance, poverty reduction, crisis prevention and recovery and environment. The Office delivery in 2011 amounted to $1.0 million. As of 31 March 2012, the Office had spent $172,000 from an estimated programme budget of $1.1 million for 2012.

Since 2008, the UNDP presence in the Country was on a government cost-sharing basis as a programme in a 'high human development' country with the capacity to fund its own development programme. The Country was one of only two countries in the Latin America and Caribbean region that operated under this modality. According to the Human Development Report 2011 the Country had a Human Development Index of 0.741, marking a slight improvement from 0.739 in 2010.

III.   Detailed assessment

1. Governance and strategic management	Satisfactory

1.1 Organizational structure and delegations of authority	Satisfactory

In assessing this area, OAI reviewed the Office's balanced scorecard, organizational structure, internal reporting lines, and delegations of authority.

The Resident Representative and the Deputy Resident Representative were reassigned within the same period (May – July 2012). At the time of the audit mission, the recruitment of the Resident Representative was in process while a new Deputy Resident Representative had been appointed and was scheduled to arrive in June 2012. In meetings with OAI, government counterparts expressed concern that the simultaneous reassignment of key managers could lead to a loss of institutional memory in the Office and momentum regarding on-going actions, thereby negatively affecting the performance of the Office. Since this was a one-off situation and outside the control of the Office, OAI did not raise an audit issue.

OAI noted that the Office had assessed its internal programme structure and capacity and recruited four programme staff within the last two years, of which two were within the last six months. OAI also noted that the Office had recently appointed an Operations Manager and was in the process of re-aligning the organizational structure accordingly.

No other reportable issues were identified.

1.2 Financial sustainability	Satisfactory

The financial sustainability of the Office was, despite the low delivery of the Office ($1.2 million in 2011 and $0.3 million up to 18 May 2012), not considered to be an issue since all costs of the Office were borne by the Government, being a Net Contributing Country, and there was no indication that future coverage of these costs was at risk. Furthermore, the Office had, at the end of 2011, 20 months of extra-budgetary reserve, well above the minimum threshold of 12 months set by the Office of Financial Resources Management.

No reportable issues were identified.

2. United Nations system coordination	Satisfactory

The United Nations Country Team (UNCT) in the Country consisted of ECLAC, FAO, ILO, PAHO/WHO, UNAIDS, UNDP, UNDSS, UNFPA, UNIC, and UNICEF as resident agencies. The Resident Coordinator also represented the following non-resident agencies: ITU, UNESCO, UNIFEM, and UPU.

2.1 Development activities	Satisfactory

At the time of the audit, the Office was operating under the United Nations Development Assistance Framework (UNDAF) 2008-2011. The UNDAF 2008-2011 identified two outcomes which had evolved out of the five national development priorities and which were: (a) effective public participation in governance structure at all levels, and (b) implementing by 2011 inclusive and rights-based social and economic policies that effectively empower and protect vulnerable groups.

As requested by the Government, the UNCT decided not to develop a new UNDAF for the programming cycle 2012-2015, but opted instead to execute two Joint Programmes focusing on, but not limited to, poverty and social statistics. This decision was discussed in the UNCT on various occasions, but was never formally communicated to the United Nations Development Group. At the time of the audit mission, the UNCT had not yet formalized and signed the two Joint Programmes. OAI advised the Resident Coordinator to formally communicate the decision taken to the United Nations Development Group and request a letter of extension or postponement of the UNDAF process.

No other reportable issues were identified.

2.2 Resident Coordinator Office	Satisfactory

The Resident Coordinator Office (RCO) comprised one service contract holder and one general service staff. The latter provided administrative support to the RCO as well as the Resident Representative. Initially, the cost of the service contract holder was borne by the Regional Centre in Panama, but since 2011 the position was fully funded by the Office.

The RCO was facing budget constraints, as were many other RCOs in the region, with a 2012 budget of only $40,000, which was insufficient. The Office had reached out to the other United Nations agencies for additional funding, but without success. To cover the budget shortfall the activities of the RCO were greatly reduced and when necessary expenses relating to the RCO were charged to the Office budget.

Adding to the workload of the RCO was the fact that the RCO had responsibility not only for supporting the work of the Resident Coordinator in the Country, but also for programme activities in Aruba, Curaçao and St. Maarten, for which the Resident Coordinator had responsibility, but where UNDP did not have an office.

OAI reviewed the minutes of the UNCT, the RCO work plan for 2011, and met with the service contract holder working in the RCO to discuss the work of the RCO.

No other reportable issues were identified.

2.3 Role of UNDP - "One UN"	Not Applicable

Since the Country was not a pilot for One UN or a Delivering as One self-starter, this area was not applicable.

2.4 Harmonized Approach to Cash Transfers	Partially Satisfactory

The Harmonized Approach to Cash Transfers (HACT) was not being used in the Country and its implementation was not pursued due to the fact that the Government was not supportive of implementing this modality. The Government was not convinced of the benefits of using HACT, given the limited project portfolio and amount of funds transferred from United Nations agencies to implementing partners.

The Resident Coordinator had relayed this information in the annual reports of the RCO, but had not formally requested for an extension or exemption of the implementation of HACT in the Country.

OAI did not include this issue in the audit report since it was outside the control of the Office. However, the Office would need to escalate this to the Regional Bureau for Latin America and the Caribbean for discussion at the proper level.

3. Programme activities	Satisfactory

3.1 Programme management	Satisfactory

The current Country Programme Document (CPD) 2012 – 2015 focused on four programmatic areas: poverty, security, environment, and governance, which were closely linked to the Government's priority areas for national development. This was also highlighted by the Permanent Representative of the Country to the United Nations in the September 2011 Executive Board meeting in which the CPD was approved. The Country Programme Action Plan 2012 – 2015 was still under development at the time of the audit.

OAI reviewed the pipeline of projects and found it to be adequate and aligned with the CPD. The projects identified in the pipeline contributed to all the four areas defined in the CPD.

No reportable issues were identified.

3.2 Partnerships and resource mobilization	Satisfactory

The presence of donors was very limited in the Country and the Office did not receive any donor funding other than from various government counterparts during the period under review. The Office had produced a resource mobilization strategy covering the period 2011 – 2015 highlighting the challenges of mobilizing resources in the Country and providing strategies for doing so.

The Ministry of Planning was the main partner of the Office and OAI met with its representatives, as well as with other government counterparts, implementing partners, and bilateral partners. All parties expressed their appreciation for the Office as a development partner.

In accordance with the International Public Sector Accounting Standards requirement to upload all locally approved contribution agreements to the centrally managed Document Management System, the Office uploaded three contribution agreements.

No reportable issues were identified.

3.3 Project management	Satisfactory

The Office had 33 projects that were being implemented and active in Atlas at the time of the audit. OAI reviewed 6 of them, 5 National Implementation Modality and 1 Direct Implementation Modality project. The total number of projects reviewed represented 50 percent of the total delivery for 2011 and 51 percent of the first quarter total delivery for 2012. The projects were reviewed with respect to their document structure, appraisal, approval, monitoring and evaluation, annual reporting, lessons learned log, and donor reporting.

No reportable issues were identified.

4. Operations	Partially Satisfactory

4.1 Human resources	Satisfactory

At the time of the audit, the Office had 14 staff members, consisting of 2 international staff, 3 national officers and 9 general service staff. In addition, there were 4 service contract holders and 2 United Nations Volunteers.

OAI reviewed the overall management of human resources in the Office, specifically the recruitment process for all three fixed term appointments and six service contracts, and the separations of two staff during the audit period. OAI also reviewed the benefits and entitlements of staff members, rental subsidy, salary advances, and home leave travel to ensure compliance with the relevant policies and procedures. During the audit period, two staff members received benefits in relation to home leave travel and two staff members received rental subsidy. One staff member received salary advances, which were granted and recovered in line with applicable policies and procedures.

No reportable issues were identified.

4.2 Finance	Satisfactory

OAI reviewed the Office financial management processes. During the audit period, the Office processed 2,036 payment vouchers with a value of $3.6 million. Out of these, 1,646 vouchers (81 percent) were related to non-purchase order transactions and 390 vouchers (19 percent) to purchase order related transactions, with total values of $2.6 million and $1 million, respectively.

OAI reviewed 43 non-purchase order vouchers with a value of $612,000. The large number of payments without purchase orders was mainly due to the large number of requests for services from other United Nations agencies that were processed by the Office.

In accordance with the UNDP Programme and Operations Policies and Procedures (POPP), the Office had set-up a duly authorized petty cash fund of $500 (TTD3,000). However, OAI noted that the official designation of the petty cash custodian had not been updated to reflect the increase in the amount of the petty cash fund and in the level of allowable disbursement per transaction. OAI discussed this issue with Office management who informed OAI that action would be taken to redress this issue.

Since only one medium priority issue was identified, this section was rated as "satisfactory".

Issue 1   Non-usage of the standard Request for Service form

The POPP on Country Office Service Provision indicates that UNDP will consider providing service to non-Atlas United Nations agencies upon receipt of a Request for Service form duly signed by the authorized agency official. It is further stated that it is UNDP policy to refuse service when the correct form is not fully completed. Aside from procedural guidelines, a template Request for Service form has been included in the same POPP.

OAI noted that the Office did not provide the standard UNDP Request for Service form to United Nations agencies for their use when requesting the Office's support services. Not using this form leads to more work for the Office and the possibility that not all documents necessary to process the request are submitted by the requesting agency.

Priority	Medium (Important)
Recommendation 1: The Office should ensure use of the standard Request for Service form when processing service requests from other United Nations agencies by distributing the form to these agencies, informing them about the mandatory use of this form, and the need to submit together with the form all supporting documents necessary to complete the request.	
Management Comments and Action Plan: __√__ Agreed ____Disagreed The standard form has been tailor made to suit the needs of the Office and was sent to all agencies in	

November 2012.

4.3 Procurement	Partially Satisfactory

During the review period, the Office issued 353 purchase orders valued at $1.1 million. OAI reviewed a sample of 30 purchase orders, with a total value of $278,000 representing 25 percent of the purchase order value. When applicable, OAI reviewed the entire procurement process, from the sourcing of suppliers to contract management and payment of obligations.

Only one medium priority issue was identified, but due to its relevance and impact on operations, this section was rated as "partially satisfactory".

Issue 2   Incorrect use of purchase orders

Purchase orders are required to be raised for the full amount of the contract at the time the contract is signed. Only by doing this can the contractually obligated amounts be fully encumbered, thus ensuring that funds are available when payments have to be made. Furthermore, UNDP procurement policies and procedures require that purchase orders be raised for all procurements exceeding $5,000. Finally, the use of eProcurement, which includes raising electronic requisitions, has been mandatory since January 2008.

The following deficiencies in the use of purchase orders were noted:

- The Office created purchase orders whereby the contract period and amount obligated in the purchase order did not tally with the contract period and total contract amount indicated in the corresponding signed service contracts. By not raising a purchase order for the full contractual amount, the necessary funds needed to honor the obligation were not encumbered, thus, introducing the risk that funds would not be available at the time the next installments were to be paid. Furthermore, since the amount of the partial (or split) purchase order was less than the contract, the approval level needed for the purchase order could be lower than needed to approve the contract.
- Out of the 30 purchase orders reviewed, 7 transactions or 23 percent of the sample were transactions in which creating a purchase order was not necessary. Five of these were for requests for disbursement from non-Atlas agencies that did not entail any procurement activity from the Office. The other two were for purchases for less than $500 each, well below the $5,000 threshold for creation of purchase orders. This created an unnecessary workload for the Office.
- Nine (21 percent) out of the 43 non-purchase order vouchers reviewed were for transactions for which a purchase order should have been created. Three of these transactions were related to the purchase of computers for UNCTAD amounting to $99,000. The purchase of these computers was carried out in line with UNDP procurement guidelines and therefore creation of a purchase order would have been necessary. Similarly, the Office did not create the proper Atlas purchase orders for five service contracts issued, although the recruitment or extension for these service contracts were in line with UNDP guidelines. The last non-purchase order transaction in which a purchase order should have been created was for the payment of Daily Subsistence Allowance regarding official travel. By not creating a purchase order, the necessary funds needed to honor the contractual obligation were not encumbered, thus, introducing the risk that funds would not be available at the time when payments are to be made. Finally, by not using purchase orders when required, the Office significantly weakens the controls regarding the payment of procurement actions since the control process of three-way matching will not take place in these cases.
- OAI determined that 53 percent of the total value of purchase orders issued for the period under review did not have a corresponding approved purchase requisition, which is mandatory since 2008. For the period 1 January to 31 March 2012, 19 percent of the total value of purchase orders issued after the

introduction of IPSAS, which reinforced mandatory use of requisitions, had not been created on the basis of a requisition. Raising requisitions is important for ensuring that the procurement process is timely and efficient.

Priority	Medium (Important)

Recommendation 2:
The Office should: (a) ensure that purchase orders are raised for all applicable procurement activities in compliance with the UNDP Programme and Operations Policies and Procedures and for the full amount of the contractual obligation when contracts are signed; and (b) implement e-Procurement and ensure that requisitions are used in procurement processes, as required.

Management Comments and Action Plan: __√__ Agreed ____Disagreed

Following the audit, procurement policies have been reviewed and discussed with procurement staff and the operations unit as a whole, ensuring that there is now clarity on: (a) when purchase orders should be raised for non-Atlas agencies; (b) that purchase orders should be raised for the entire amount of the contractual obligation at the time of signature; and (c) the utilization of requisitions by all staff members.

4.4 Information and communication technology	Partially Satisfactory

OAI reviewed the Office's Information and Communication Technology (ICT) structure as well as hardware and software management. Systems security, the information management plan, and the mechanisms for disaster recovery were also reviewed.

Only one medium issue was raised, but due to its relevance, this section was rated as "partially satisfactory".

Issue 3 Deficiencies in Information and Communication Technology security

According to the POPP, ICT security involves protection of UNDP information assets and those entrusted to UNDP by partner agencies, establishing and overseeing the information security management practices that provide trust and metrics assuring the donors and other stakeholders that information is protected from improper access or modification.

OAI's review of the security of the ICT of the Office showed the following deficiencies:

- The Office's Disaster Recovery Plan lacked details and was not aligned with the latest template issued by the Office of Information Systems and Technology. Not having a sufficiently detailed Disaster Recovery Plan creates the risk that the Office cannot timely and/or completely recover from a disaster, affecting the Office's ability to deliver.
- The Office updated the back-up tapes placed in its off-site storage only once a month. By doing this, the Office runs the risk of losing one month of data in case of a disaster, which is generally considered to be a long period and could severely impact the ability of the Office to resume business after a calamity.

Without appropriate ICT security knowledge and management, the confidentiality, integrity, and availability of the Office information cannot be guaranteed.

Priority	Medium (Important)

Recommendation 3:
The Office should improve its Information and Communication Technology security by: (a) updating its Disaster Recovery Plan in line with the latest template issued by the Office of Information Systems and Technology and, once updated, conducting a test of the plan; and (b) reducing the interval in which the Office stores its back-up tapes off-site to preferably once a week.

Management Comments and Action Plan: __√__ Agreed   ____Disagreed

The Disaster and Recovery Plan for Information and Communication Technology is in the process of being updated and should be completed by the end of the first quarter 2013.

As at October 2012, backup tapes are being stored once per week.

4.5 Asset management and general administration   **Satisfactory**

OAI reviewed asset management and general administration activities, including travel and transportation, hospitality, and common services.

Since only one medium priority issue was identified, this section was rated as "satisfactory".

Issue 4   Travel claims not submitted as required

According to the POPP, travel advances are subject to review against the travel claim, to be submitted no later than 15 days upon return from a mission, and any necessary adjustments are made at the time the travel claim is settled.

OAI reviewed 34 travel files and found that in 13 cases staff did not submit travel claims upon completion of mission. As a result, the Office could not verify that the travel took place as approved. It was noted that in the majority of the cases in which a travel claim was submitted the traveler was claiming further reimbursement.

Non-compliance with corporate travel policies and procedures may lead to misuse of UNDP resources.

Priority	Medium (Important)
Recommendation 4: The Office should comply with travel policies and procedures by requiring travelers to submit travel claims within 15 days upon return from travel.	

Management Comments and Action Plan: __√__ Agreed   ____Disagreed

The Office will continue to make every attempt to encourage staff to adhere to this policy. One way in which the Office will encourage this is to include a paragraph indicating the need to adhere to this policy on all travel itineraries that are sent out to travelers.

4.6 Safety and Security   **Satisfactory**

The Resident Representative, who was also the United Nations Designated Official, was well aware of responsibilities with regard to Safety and Security of UNDP personnel. The Security Management Team was functioning well.

The building occupied by the Office was not compliant with the Minimum Operating Security Standards due to the fact that the building did not meet the applicable seismic requirements, which are needed given that the Country is earthquake prone. OAI also noted that the premises did not have any signage with regard to escape routes and safe areas that could be helpful in case of an earthquake. This issue was discussed with Office management who informed OAI that action would be taken in this regard and that the Office was negotiating with the Government with regard to providing new premises (UN House). These negotiations had not led to any changes at the time of the audit.

No other reportable issues were identified.

ANNEX I. Definitions of audit terms - Ratings and Priorities

A.   AUDIT RATINGS

In providing the auditors' assessment, the Internal Audit Services of UNDP, UNFPA, UNICEF, and WFP use the following harmonized audit rating definitions. UNDP/OAI assesses the country office or audited HQ unit as a whole as well as the specific audit areas within the country office/HQ unit.

- **Satisfactory**   Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity. *(While all UNDP offices strive at continuously enhancing their controls, governance and risk management, it is expected that this top rating will only be achieved by a limited number of business units.)*

- **Partially Satisfactory**   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. *(A partially satisfactory rating describes an overall acceptable situation with a need for improvement in specific areas. It is expected that the majority of business units will fall into this rating category.)*

- **Unsatisfactory**   Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised. *(Given the environment UNDP operates in, it is unavoidable that a small number of business units with serious challenges will fall into this category.)*

B.   PRIORITIES OF AUDIT RECOMMENDATIONS

The audit recommendations are categorized according to priority, as a further guide to UNDP management in addressing the issues. The following categories are used:

- **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 and may affect the organization at the global level.

- **Medium (Important)**   Action is required to ensure that UNDP is not exposed to significant 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.