



INTERNAL AUDIT DIVISION

REPORT 2015/083

Audit of the United Nations Environment Programme Caribbean Environment Programme

Overall results relating to efficient and effective support to the Caribbean Environment Programme were initially assessed as partially satisfactory. Implementation of four important recommendations remains in progress.

FINAL OVERALL RATING: PARTIALLY
SATISFACTORY

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CONTENTS

	<i>Page</i>
I. BACKGROUND	1
II. OBJECTIVE AND SCOPE	2
III. AUDIT RESULTS	2-6
A. Performance monitoring indicators and mechanisms	3-4
B. Regulatory framework	4-6
IV. ACKNOWLEDGEMENT	7
ANNEX I Status of audit recommendations	
APPENDIX I Management response	

AUDIT REPORT

Audit of the United Nations Environment Programme Caribbean Environment Programme

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations Environment Programme (UNEP) Caribbean Environment Programme (CEP).
2. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the United Nations internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations and rules.
3. UNEP Governing Council decision 19/1 defined the role of UNEP as being the “leading global environmental authority that sets the global environmental agenda, that promotes the coherent implementation of the environmental dimension of sustainable development within the United Nations System and that serves as an authoritative advocate for the global environment”.
4. UNEP, within its Regional Seas Programme, supported countries in the Wider Caribbean Region to establish the Caribbean Environment Programme in 1981. CEP was focused on conserving the coastal and marine ecosystems in 33 countries in the region. In the same year (1981), the countries adopted a Caribbean Action Plan, whose principal objectives were to minimize environmental problems and to strengthen capacity of the region for implementing sound environment management practices in order to achieve sustainable development. The Caribbean Action Plan eventually led to the development and adoption, in 1983, of the Convention for the Protection and Development of the Marine Environment of the Wider Caribbean Region (Cartagena Convention). The Cartagena Convention provided the only regional legal framework for cooperative regional and national actions towards marine protection and sustainable development in the region. UNEP was designated as the Secretariat for the Convention.
5. CEP was implemented through three sub-programmes: (i) Assessment and Management of Environmental Pollution (AMEP); (ii) Specially Protected Areas and Wildlife (SPAW); and (iii) Communication, Education, Training and Awareness (CETA).
6. UNEP established a Caribbean Regional Coordinating Unit (CAR/RCU) in Kingston, Jamaica, in 1986 to serve as the Secretariat to CEP, including the Cartagena Convention, to facilitate coordination and implementation of the Programme. The objectives of the Secretariat were to: provide assistance to all countries of the region; strengthen national and sub-regional institutions; co-ordinate international assistance; promote regional cooperation and stimulate technical co-operation among countries. As at 31 December 2014, the organization structure of UNEP CAR/RCU had 18 staff positions which included four professionals, eleven general staff and one consultant. Two other positions were kept vacant in accordance with the decision of the Parties.
7. The Caribbean Trust Fund (CTF) was established in 1983 to cover common costs, such as coordination and meetings, as well as project costs. CTF had a budget of \$5.3 million, income of \$3.9 million, and expenditure of \$4.4 million for the three-year period from 2012 to 2014. During the same period, UNEP spent \$5 million from the trust fund for the Support of the Action Plan for CEP. In addition, the Global Environment Facility supported CEP projects with a total budget of \$8.6 million during the same period.

8. Comments provided by UNEP are incorporated in italics.

II. OBJECTIVE AND SCOPE

9. The audit was conducted to assess the adequacy and effectiveness of UNEP governance, risk management and control processes in providing reasonable assurance regarding **efficient and effective support to CEP**.

10. The audit was included in the OIOS 2015 internal audit work plan for UNEP in view of the risk that inefficient or ineffective support could undermine the implementation of the CEP mandate.

11. The key controls tested for the audit were: (a) performance monitoring indicators and mechanisms; and (b) regulatory framework. For the purpose of this audit, OIOS defined these key controls as follows:

(a) **Performance monitoring indicators and mechanisms** - controls that provide reasonable assurance that appropriate metrics are: (i) established to enable monitoring and reporting of performance; and (ii) used to manage operations effectively; and

(b) **Regulatory framework** - controls that provide reasonable assurance that policies and procedures: (i) exist to guide the operations of the programme; (ii) are implemented consistently; and (iii) ensure the reliability and integrity of financial and operational information.

12. The key controls were assessed for the control objectives shown in Table 1.

13. OIOS conducted this audit from April to May 2015. The audit covered the period from 1 January 2012 to 31 December 2014 and was conducted at UNEP offices in Nairobi, Kenya, and the CEP office in Kingston, Jamaica.

14. OIOS conducted an activity-level risk assessment to identify and assess specific risk exposures, and to confirm the relevance of the selected key controls in mitigating associated risks. Through interviews, analytical reviews and tests of controls, OIOS assessed the existence and adequacy of internal controls and conducted necessary tests to determine their effectiveness.

III. AUDIT RESULTS

15. The UNEP governance, risk management and control processes examined were initially assessed as **partially satisfactory**¹ in providing reasonable assurance regarding **efficient and effective support to CEP**. OIOS made four recommendations to address issues identified in the audit. UNEP was supporting the implementation of CEP in the Wider Caribbean Region, in accordance with its mandate. However, there was a need to: (a) update the strategy for CEP to assure that programme activities were aligned with strategic goals; (b) review the performance indicators for CEP work plans to ensure that they facilitate objective performance measurement, reporting and evaluation; (c) develop and implement a resource mobilization strategy to raise adequate resources for CEP; and (d) monitor the expenditure incurred from the Caribbean Trust Fund to maintain the fund's financial stability.

¹ A rating of “**partially satisfactory**” means that important (but not critical or pervasive) deficiencies exist in governance, risk management or control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

16. The initial overall rating was based on the assessment of key controls presented in Table 1 below. The final overall rating is **partially satisfactory** as implementation of four important recommendations remains in progress.

Table 1: Assessment of key controls

Business objective	Key controls	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Efficient and effective support to CEP	(a) Performance monitoring indicators and mechanisms	Partially satisfactory	Partially satisfactory	Satisfactory	Partially satisfactory
	(b) Regulatory framework	Partially satisfactory	Satisfactory	Partially satisfactory	Partially satisfactory
FINAL OVERALL RATING: PARTIALLY SATISFACTORY					

A. Performance monitoring indicators and mechanisms

Strategy for implementing CEP needed to be updated

17. In its Fourth Intergovernmental Meeting on the Action Plan and First Meeting of the Contracting Parties (Guadeloupe, 26-28 October 1987), one of the major decisions was to formulate a comprehensive long-term strategy for the future development of CEP based on a re-evaluation of the region's environmental problems and priorities and in-depth evaluation of the Programme.

18. In response to the Fourth Intergovernmental Meeting decision in 1987 on the need for a strategy, UNEP completed a "Strategy for the Development of the Caribbean Environment Programme", which was adopted in 1990. However, although UNEP indicated that emerging issues were taken into consideration in the biannual work plans, the strategy had not been updated.

19. UNEP stated that it had developed a global framework called "Global Regional Seas Strategic Directions", which covered all Regional Seas programmes. However, within this framework, individual Regional Seas Programmes did not develop strategies that were specific to their regions.

20. OIOS is of the view that within the direction provided by the global framework, an updated, results-oriented strategy for CEP could enhance the implementation of CEP activities by providing the appropriate focus to programme objectives and goals, and ensuring that programme activities are aligned to the strategic goals. It would also assist UNEP in providing assurance to stakeholders that CEP was appropriately addressing priority issues in the region.

(1) UNEP should, in collaboration with the Parties, update the strategy for the Caribbean Environment Programme to assure that programme activities are aligned with strategic goals and with the UNEP Regional Seas strategy.

UNEP accepted recommendation 1 and stated that a request from the Parties is required to update the strategy for CEP, and the request will be sought. If the Parties give UNEP the mandate to

update the strategy, a draft will be submitted to the Parties during their November 2016 COP session. If the Parties require changes to the draft during the COP, the document will be finalized by mid-2017. Recommendation 1 remains open pending receipt of the updated strategy for CEP.

Performance targets in CEP work plans needed to be refined

21. Specific and measurable performance indicators/success criteria enable objective measurement, reporting, and evaluation of programme performance.

22. On a biannual basis, UNEP, in consultation with members of the Caribbean Action Plan and Parties to the Cartagena Convention and its related Protocols, prepared work plans and budgets for CEP. These work plans and budgets identified priorities for the Wider Caribbean Region, objectives to be pursued, projects and activities to be undertaken, estimated costs, and expected accomplishments/outputs/outcomes for the ensuing periods. The work plans were reviewed at the end of the biennium and status of implementation of activities and delivery of outputs, shortcomings and lessons-learned were presented to governments for information and feedback.

23. Seventy-five per cent of performance indicators contained in the work plans for the 2013-2014 biennium were specific and measurable. In the CETA sub-programme, performance indicators for activities relating to programme coordination and promotion and awareness of CEP were not defined. UNEP explained that indicators were not specific or defined for those projects for which funding was not secured. UNEP also stated that specific indicators were developed and monitored at the project level. However, these were not always consolidated at the programme level.

24. Specific and measurable performance indicators/success criteria for all activities in the work plan would facilitate objective measurement, reporting, and evaluation of the performance of CEP, and enhance accountability. This would also enable UNEP to demonstrate the impact/results of its interventions, both in the short and long run, which was important for maintaining Parties' and donors' support for programme activities in the region.

(2) UNEP should review the performance indicators for the Caribbean Environment Programme's work plans to ensure that they are adequate and specific to facilitate objective performance measurement, reporting and evaluation.

UNEP accepted recommendation 2 and stated that a request from the Parties is required (since the implementation of this recommendation is linked to the strategy in Recommendation 1 above), and the request will be sought. If the Parties give UNEP the mandate to review the performance indicators for the 2017-2018 work plan, the reviewed performance indicators will be submitted to the Parties during their November 2015 COP session. Recommendation 2 remains open pending receipt of evidence to show that the performance indicators for CEP work plans have been reviewed to ensure adequacy and specificity.

B. Regulatory framework

Resource mobilization strategy needed to be developed

25. A resource mobilization strategy provides a structured methodology for identifying programme needs and means of raising resources to meet the identified needs. Such a strategy should set targets, timelines, responsibilities and accountability for mobilizing resources and a mechanism to monitor and report on resource mobilization efforts.

26. The job responsibilities of the Coordinator for CEP included obtaining financial support from donors for implementing projects and activities in the Wider Caribbean Region. The Coordinator also had responsibility for facilitating the development and implementation of fundraising strategies.

27. CEP did not have a formal resource mobilization strategy to raise resources for the implementation of its activities. The Secretariat raised resources for programme activities mainly through voluntary contributions and other donations from stakeholders. UNEP explained that even though the office did not have a formal fundraising strategy, it took note of Parties decisions and mobilized resources accordingly. While a significant amount of resources were raised in this manner, they were not adequate to meet programme requirements.

28. In the report of the Executive Director on the implementation of the 2013-2014 work plan and budget of CEP, UNEP identified lack of financial and human resources at the Secretariat and Regional Activity Centres as one of the key challenges to implementation of programme activities. Also, the Parties requested the Secretariat to continue to seek additional funds to meet the full requirements of the approved work plan and urged governments to support the Secretariat in this regard. Therefore, it was important for UNEP to develop a resource mobilization strategy to raise adequate resources for implementation of activities and to meet programme goals.

(3) UNEP should, in collaboration with Parties, develop and implement a resource mobilization strategy for the Caribbean Environment Programme in order to raise adequate resources for its activities.

UNEP accepted recommendation 3 and stated that a request from the Parties is required to develop and implement a resource mobilization strategy, and the request will be sought. If the Parties give UNEP the mandate to develop and implement the strategy, a draft will be submitted to the Parties during their November 2016 COP session. If the Parties require changes to the draft during the COP, the document will be finalized by mid-2017. Recommendation 3 remains open pending receipt of a resource mobilization strategy for CEP activities.

There was need to monitor expenditures

29. To avoid potential exposure to liability arising from shortfall in funding, expenditure incurred from trust funds should be monitored to ensure that they do not exceed the income.

30. During the period 2012-2014, the expenditures incurred against the Caribbean Trust Fund (CTF) exceeded the income. According to financial statements for CTF that were available at the time of the audit, expenditures exceeded income by \$514,172.

31. Several factors contributed to the excess expenditures. On average, Parties contributed about \$1.3 million per annum to the CTF based on a voluntary scale of contributions. However, expenditures for the same period averaged over \$1.4 million per year, mainly relating to staff and other personnel costs (58 per cent) and operating expenses (14 per cent). Furthermore, there were additional expenses for hosting intergovernmental and COP meetings. These shortfalls were financed from the cumulative surplus from prior years. The cash pool balances for CTF were positive and stood at \$1,585,189 as at 31 December 2014.

32. CEP stated that it incurred expenditures in accordance with budgets approved by the Parties. This took into account the fact that less income was available; hence the shortfall would be met by the cumulative surplus from prior years. The Secretariat also mentioned that it had frozen the position of

Deputy Coordinator (P-5) and kept the CETA Programme Officer position (P-2) vacant as cost-saving measures. The Programme Officer was previously partly supported by funds from UNEP Headquarters and also by a donor government.

33. The cumulative surplus from prior years that was used to finance the deficits was diminishing. In order to sustain the financial position of the fund, it was necessary for UNEP to closely monitor expenditures and ensure that they remain within the income.

(4) UNEP should ensure that the Caribbean Environment Programme Secretariat closely monitors the expenditures of the Caribbean Trust Fund to maintain the fund's financial stability.

UNEP accepted recommendation 4 and stated that while several countries still have outstanding arrears, the Programme has established a healthy cash pool balance of around \$1.5 million. Furthermore, the Parties agreed in 2014 to the establishment of a working capital reserve of 15% of the annual budget. The working capital reserve is expected to be established by the next COP session. Recommendation 4 remains open pending receipt of documentation showing the measures taken to monitor expenditures of the CTF.

Measures were being taken to address significant levels of unpaid pledges

34. Governments were expected to make contributions to CTF based on a voluntary scale of contributions in order for the trust fund to meet coordination and project costs for the programme.

35. There were significant levels of unpaid contributions for CTF. At the end of each year, voluntary contributions yet to be received for CTF cumulatively stood at \$1.6 million in 2012 (shortfall of 31 per cent), \$1.7 million in 2013 (shortfall of 34 per cent) and \$2 million in 2014 (shortfall of 31 per cent). These amounts were significant given that the annual income of the trust fund averaged \$1.3 million.

36. In order to address the issue of unpaid contributions, Parties to the Cartagena Convention and its related Protocols accepted a proposal by UNEP that countries that had unpaid contributions for more than two years would not be financially supported to participate in meetings and projects. Since appropriate measures were being taken to address the issue, no recommendation was made.

Partnership agreements were generally managed according to the UNEP policy on partnerships

37. CEP generally established and managed partnerships in accordance with the UNEP partnership policy and procedures dated 21 October 2011. The partnerships were established to support the implementation of programme activities contained in the work plans. OIOS reviewed 21 out of 58 partnership agreements for the period 1 January 2012 to 31 December 2014 and noted that UNEP paid instalments to partners in accordance with the agreements which included delivery of expected outputs and submission of progress and financial reports. Final payments were made upon full delivery of expected project outputs, and unspent balances were returned to UNEP. Therefore, OIOS concluded that CEP managed its partnership agreements satisfactorily during the period reviewed.

IV. ACKNOWLEDGEMENT

38. OIOS wishes to express its appreciation to the Management and staff of UNEP for the assistance and cooperation extended to the auditors during this assignment.

(Signed) David Kanja
Assistant Secretary-General for Internal Oversight Services

STATUS OF AUDIT RECOMMENDATIONS

Audit of the United Nations Environment Programme Caribbean Environment Programme

Recom. no.	Recommendation	Critical ² / Important ³	C/ O ⁴	Actions needed to close recommendation	Implementation date ⁵
1	UNEP should, in collaboration with the Parties, update the strategy for the Caribbean Environment Programme to assure that programme activities are aligned with strategic goals and with the UNEP Regional Seas strategy.	Important	O	Receipt of the updated strategy for CEP.	30 June 2017
2	UNEP should review the performance indicators for the Caribbean Environment Programme's work plans to ensure that they are adequate and specific to facilitate objective performance measurement, reporting and evaluation.	Important	O	Receipt of evidence to show that the performance indicators for CEP work plans have been reviewed to ensure adequacy and specificity.	31 December 2016
3	UNEP should, in collaboration with the Parties, develop and implement a resource mobilization strategy for the Caribbean Environment Programme in order to raise adequate resources for its activities.	Important	O	Receipt of a resource mobilization strategy for CEP activities.	30 June 2017
4	UNEP should ensure that the Caribbean Environment Programme Secretariat closely monitors the expenditures of the Caribbean Trust Fund to maintain the fund's financial stability.	Important	O	Receipt of documentation showing the measures taken to monitor expenditures of the Caribbean Trust Fund.	31 December 2016

² Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

³ Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

⁴ C = closed, O = open

⁵ Date provided by UNEP in response to recommendations.

APPENDIX I

Management Response

Management Response

Audit of the United Nations Environment Programme Caribbean Environment Programme

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
1	UNEP should, in collaboration with the Parties, update the strategy for the Caribbean Environment Programme to assure that programme activities are aligned with strategic goals and with the UNEP Regional Seas strategy.	Important	Yes, subject to request of the Parties	Coordinator CAR RCU	30/06/2017	A request from the Parties is required to update the strategy for the Caribbean Environment Programme, and the request will be sought via email. If the Parties give UNEP the mandate to update the strategy, a draft will be submitted by UNEP to the Parties during their November 2016 COP session. If the Parties require changes to the draft during the COP, the document will be finalized by mid-2017. (If the Parties do not give UNEP the mandate to update the strategy, UNEP shall deem the recommendation implemented and shall request its closure.)
2	UNEP should review the performance indicators for the Caribbean Environment Programme's work plans to ensure that they are adequate and specific to facilitate objective performance measurement, reporting and evaluation.	Important	Yes, subject to request of the Parties	Coordinator CAR RCU	31/12/2016	A request from the Parties is required (since the implementation of this recommendation is linked to the strategy in Recommendation 1 above), and the request will be sought via email. If the Parties give UNEP the mandate to review the performance indicators for the 2017-2018 work plan, the reviewed performance indicators will be submitted by UNEP to the Parties during their November 2015 COP

¹ Critical recommendations address significant and/or pervasive deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance cannot be provided regarding the achievement of control and/or business objectives under review.

² Important recommendations address important deficiencies or weaknesses in governance, risk management or internal control processes, such that reasonable assurance may be at risk regarding the achievement of control and/or business objectives under review.

Management Response

Audit of the United Nations Environment Programme Caribbean Environment Programme

Rec. no.	Recommendation	Critical ¹ / Important ²	Accepted? (Yes/No)	Title of responsible individual	Implementation date	Client comments
						session.
3	UNEP should, in collaboration with the Parties, develop and implement a resource mobilization strategy for the Caribbean Environment Programme in order to raise adequate resources for its activities.	Important	Yes, subject to request of the Parties	Coordinator CAR RCU	30/06/2017	A request from the Parties is required to develop and implement a resource mobilization strategy, and the request will be sought via email. If the Parties give UNEP the mandate to develop and implement the strategy, a draft will be submitted by UNEP to the Parties during their November 2016 COP session. If the Parties require changes to the draft during the COP, the document will be finalized by mid-2017. (If the Parties do not give UNEP the mandate to update the strategy, UNEP shall deem the recommendation implemented and shall request its closure.)
4	UNEP should ensure that the Caribbean Environment Programme Secretariat closely monitors the expenditures of the Caribbean Trust Fund to maintain the fund's financial stability.	Important	Yes	FMO CAR RCU and Chief OSU, DEPI	31/12/2016	While several countries still have outstanding arrears, the Programme has established a healthy cash pool balance of around USD 1.5 million. Furthermore, the Parties agreed in 2014 to the establishment of a working capital reserve of 15% of the annual budget, as recommended by the UN. The working capital reserve is expected to be established by the next COP session.