

# **SECURITY STRENGTHENING PROJECT**

**JAMAICA  
(JA-L1074)**

## **INSTITUTIONAL CAPACITY ASSESSMENT**

**OF  
THE MINISTRY OF NATIONAL SECURITY,  
JAMAICA**

# **REPORT**

**AUGUST 2017**

Prepared by: Dwayne Lindsay

## Table of Contents

ACRONYMS .....	3
1.0 EXECUTIVE SUMMARY .....	5
2.0 INTRODUCTION .....	6
2.1 Objective .....	6
2.2 Scope of the Report .....	7
3.0 THE PROGRAMME .....	8
3.1 Objectives .....	8
3.2 Cost .....	9
4.0 THE MINISTRY OF NATIONAL SECURITY (MNS) .....	9
4.1 MNS Mandate .....	9
4.2 Vision Statement .....	9
4.3 Mission Statement .....	10
4.4 Departments and Agencies .....	10
5.0 INSTITUTIONAL CAPACITY ASSESSMENT SYSTEM (ICAS) .....	11
5.1 Objective and Scope .....	11
5.2 Components of ICAS .....	11
5.2.1 Programming and Organization Capacity (CPO) .....	12
5.2.2 Execution Capacity (CE) .....	12
5.2.3 Control Capacity (CC) .....	14
5.3 Assessment and Interpretation of Results of ICAS .....	14
6.0 RESULTS OF THE ICAS .....	15
6.1 Summary of Results .....	15
6.2 Results and Recommendations of Individual Components .....	19
6.2.1 Programming Activities System (SPA) .....	19
6.2.2 Administrative Organization System (SOA) .....	20
6.2.3 Personnel Management System (SAP) .....	22
6.2.4 Goods and Services Administration System (SABS) .....	22
6.2.5 Financial Management System (SAF) .....	26
6.2.6 Internal Controls System (SCI) .....	28
6.2.7 External Control System (SCE) .....	30
7.0 CONCLUSION .....	31
7.1 Results of the Institutional Evaluation .....	31

7.2	The Consolidated ICAS Result .....	31
7.3	Programming, Administrative and Personnel Management Systems .....	31
7.4	Goods and Services Management .....	32
7.5	Financial Management .....	32
7.6	Internal Controls.....	32
7.7	External Controls.....	32
8.0	RECOMMENDATIONS.....	33
ANNEX:	RISK MATRIX AND ICAS QUESTIONNAIRES .....	39

## ACRONYMS

AOP	Annual Operational Plan
CC	Control Capacity
CCTV	Closed Circuit Television
CE	Execution Capacity
DCS	Department of Correctional Services
ERA	Enterprise Risk Assessment
FAA Act	Financial Administration and Audit Act
FLA	Firearm Licensing Authority
FMIS	Financial Management Information System
GOJ	Government of Jamaica
ICAS	Institutional Capacity Assessment System
ICT	Information and Communication Technologies
IDB	Inter-American Development Bank
JCF	Jamaica Constabulary Force
JDF	Jamaica Defence Force
MOF	Ministry of Finance, Jamaica
MNS	Ministry of National Security, Jamaica
PCU	Project Coordination Unit
PEA	Project Executing Agency
PEU	Project Executing Unit

PICA	Passport Immigration & Citizenship Agency
POD	Programme Operating Document
SABS	Goods and Services Management System
SAF	Financial Management System
SCE	External Control System
SCI	Internal Control System
SSP	Security Strengthening Programme
USD	United States Dollar

## 1.0 EXECUTIVE SUMMARY

An assessment of the MNS's capability to undertake the SSP was done with the use of the IDB's (the Bank) ICAS. The consolidated result of the components was 86.91% which suggests that the MNS is in the Satisfactory Development stage of readiness to undertake the SSP. The associated risk was a Low Risk Level. Despite being at a low risk level, there are still areas of capacity strengthening that should be addressed by the MNS.

These capacity strengthening opportunities took the form of recommendations. The detailed and summarized recommendations are in Sections 6, 8 and 9 below respectively. Approximately 9% (or 19 'No' responses) of the responses indicated institutional capacity weaknesses within the MNS and its ability to undertake the SSP. However, there are 11 key recommendations which, if implemented in a timely manner, will address these weaknesses.

### **Below are the 11 recommendations that the SSP should implement:**

1. Develop a Programme Operational Document.
2. Consider insuring the Programme's assets.
3. Identify and/or procure physical space to store assets and house personnel.
4. Recruit competent financial management personnel.
5. Procure IDB approved accounting software to maintain the SSP's general ledger.
6. Develop a "procedures manual" for financial and accounting purposes.
7. Co-source internal audit services.
8. Implement measures to ensure that personnel declare knowledge of the code of conduct, as well as declare any conflict of interest status
9. Procure external audit services from a list of IDB's approved auditors.

10. Recruit procurement personnel.

11. Implement an electronic fixed asset register

The management of SSP should also ensure that there are no breakdowns in the capabilities that were previously assessed as being strong during the period of the Programme, while taking steps to also address the capabilities that were assessed as being not applicable.

## **2.0 INTRODUCTION**

### **2.1 Objective**

The primary objective of this report is to present the results of the institutional capacity assessment of the Ministry of National Security, Jamaica (MNS). The assessment was conducted within the framework and methodology of the Bank's Institutional Capacity Assessment System (ICAS).

This report will consider the participation of the MNS as Project Executing Agency (PEA) of the investment loan, "Security Strengthening Programme" (JA-L1074).

2.1.1 The specific objectives of the report include (but are not limited to):

- (a) A description of the results of the institutional assessment of the MNS regarding its capacity, with respect to procurement processes and procedures, financial management, internal and external controls.
- (b) To recommend measures or steps to be taken by the Bank and the MNS to strengthen the MNS's capacity to manage the

fiscal space that will be provided by the loan.

- (c) Evaluate the MNS's capacity for managing the SSP, with special focus on the technical requirements of the Bank regarding Procurement, Financial Management systems, and other operational procedures.
- (d) Recommend an organizational structure for the Project Executing Unit

## **2.2 Scope of the Report**

- 2.2.1 This report is the final product of the institutional assessment which was carried out during the period of June 28 – August 8, 2017. Several interviews were conducted involving the MNS's staff. Information was also obtained via emails.
- 2.2.2 The report presents an objective view of the responses received from the MNS's staff during interviews. The report also reflects an objective analysis of all additional information provided by the MNS as well as information received from credible public spaces. Therefore, the results and conclusions herein objectively reflect the institutional capacity of the MNS based on their inputs regarding participation in the SSP and compliance with the guidelines for the application of the Bank's ICAS methodology.



## **3.0 THE PROGRAMME**

### **3.1 Objectives**

The main objectives of the SSP is to strengthen the MNS security by reducing the high economic cost of crime. The economic cost of crime includes:

- Social cost; which is the foregone economic activity from victims as well as the criminals;
- Private cost; which is the cost of security incurred by companies;
- Public cost; which is cost incurred by the GOJ to fight crime.

The SSP has two components as delineated below:

#### **Component 1 - Violent Crime Prevention**

The objective of this component is to reduce homicides and rapes through better crime prevention. This will be done by connecting all police stations with basic information technology equipment. Global Positioning Systems (GPS) devices will be placed in the Jamaica Constabulary Force (JCF) vehicles while Closed Circuit Television (CCTV) Cameras will be placed in isolated and or high incidence areas.

#### **Component 2 - Improving Investigative Capabilities for Homicides and Rapes**

The objective of this component is to improve the rate of investigations sent to prosecution. This will be done by training first responders on crime scene investigation protocols and information collection., case management systems for the JCF and the Department of Correctional Services (DCS), digitization and integration of database for data analytics from JCF, DCS, the Firearm Licensing Authority (FLA) and the Passport, Immigration, and Citizenship Agency (PICA) as well as capacity building around data analytics in and outside the GOJ to better use the tools provided by the project.

### **3.2 Cost**

The estimated total cost of the Program is US\$20 million to be completed within five years and will be allocated equally between the two components.

## **4.0 THE MINISTRY OF NATIONAL SECURITY (MNS)**

### **4.1 MNS Mandate**

One of the Government's priorities is the reduction of crime as a national imperative. It states that the most urgent priority is to make the nation safe and secure. Further, that the expected economic growth and job creation can only be achieved if there is a drastic reduction in crime, and there is peace and order in the society.

The Policy priorities therefore seek to:

1. Strengthen the capability of the Police Force
2. Improve the management and accountability of the JCF
3. Transform political garrisons
4. Detect illegal weapons and ammunitions
5. Build community support for law enforcement
6. Transform prisons into rehabilitation centres and;
7. Create and implement anti-gang legislation

### **4.2 Vision Statement**

‘The Ministry of National Security will be the Model of National Security Excellence in the Caribbean Region, characterized by a highly trained and motivated staff, sophisticated and flexible policy development capacity, effective and efficient deployment of resources, the employment of modern technology and best practices in crime fighting, crime prevention and protecting the nation from external threats’.

#### **4.3 Mission Statement**

‘To contribute towards creating a safe and secure Jamaica by the effective enforcement of law, order and maintenance of secure borders.

The Ministry of National Security (MNS) was established as a single Ministry in 2001 following the separation of the Ministry of National Security and Justice to form two separate Ministries. The current MNS mandate is to:

- Facilitate the maintenance of law and order;
- Protect Jamaica against internal and external threats;
- Ensure the safety of Jamaica’s borders and;
- Punish and rehabilitate offenders

#### **4.4 Departments and Agencies**

The MNS currently has 11 Departments and Agencies, six of which are as follows:

- Jamaica Constabulary Force
- Jamaica Defence Force

- Passport Immigration and Citizenship Agency
- The Firearm Licensing Authority
- Institute of Forensic Science and Legal Medicine
- Department of Correctional Services

## **5.0 INSTITUTIONAL CAPACITY ASSESSMENT SYSTEM (ICAS)**

### **5.1 Objective and Scope**

The objective of this report is to apply the Bank's ICAS methodology to assess the MNS's ability to manage the SSP to be funded by US\$ 20 million from the Bank.

It is an assessment of internal management, administration and control capacity and procedures. The ICAS consists of questionnaires that were administered through face to face, telephone or email interviews between the assessor and the relevant officials within the MNS. The assessment is concluded based on the information provided regarding the respective areas of the ICAS.

The ICAS questionnaires include an indicator scoring mechanism which provides the assessor with indicated levels of development of the entity and the risk associated with charging that entity with the project execution responsibilities.

### **5.2 Components of ICAS**

ICAS comprises a total of seven components grouped in three areas described below. This assessment focused on all three areas.

### **5.2.1 Programming and Organization Capacity (CPO)**

Represents the institutional capacity to undertake the planning and programming processes, along with the corresponding allocation of the resources to implement the activities necessary for the attainment of institutional objectives. It includes two systems as delineated below:

- (a) Activities Programming System (SPA). Provides an assessment of the planning capacity of the MNS along with its ability to translate it into strategic and operational plans, as well as in concrete goals and activities to be executed by the organization towards the attainment of institutional objectives in the short, medium and long-term. Includes the institutional capacity to effectively link such plans with the programming process towards the allocation of human, technical, financial and other resources, as well as the capacity and effectiveness of the institution in monitoring the implementation of its strategic plans towards the accomplishment of its institutional objectives and mandate.
- (b) Administrative Organization System (SOA). Provides an assessment of the characteristics of the governance, organizational and decision making structure, including the distribution of resources to meet the needs of the institution to undertake its programming, execution, administration and control activities, and towards the accomplishment of the institutional objectives.

### **5.2.2 Execution Capacity (CE)**

This indicates the MNS's capacity to implement the planned activities and achieve the desired results as represented by the strategic plans and objectives of the project and the MNS. The assessment includes three indicators; Human Resources, Procurement and Financial Management as detailed below.

- (a) Personnel Management System (SAP). Provides an assessment of the existence of norms and procedures related to the search, selection, hiring, induction, development, and evaluation of the human resources of the institution, as well as the incentives, remuneration and retirement structures, among others
- (b) Goods and Services Management System (SABS). This assessment refers to the procurement processes and procedures, and provides an indicator of the MNS's ability to meet the procurement requirements of the Bank given current resources. The questionnaire assesses the areas of Purchase Orders, Authorizations, Procurement, Contracting, Receipt of goods and services, Inventory checks and balances, and Internal controls.
- (c) Financial Management System (SAF). This questionnaire provides an indicator of the MNS's capacity to meet the Bank's requirements with respect to the processes and procedures in place within the executing agency to administer the financial resources of the project, and the MNS adequately, considering the existing human and technological resources of the institution for the administration of budgeting, accounting, treasury and asset management. It also assesses the effectiveness of their operation as well as the overall level of integration of systems and recording mechanisms.

### 5.2.3 Control Capacity (CC)

This report will also provide an indication of the MNS's ability to show transparency regarding the management of its resources by providing clear and reliable information on these matters as well as its capacity to provide timely audited accounting reports following the closure of its fiscal periods. It includes two systems:

- (a) Internal Control System (SCI). This is an indicator of the MNS's readiness to ensure compliance with internal processes and procedures which have as their aim effectiveness and transparency. In addition, this questionnaire will provide an assessment of whether the MNS has the capacity to generate timely and reliable information on its administration, compliance with internal processes and procedures, regulations and legislation related to the management of its resources.
- (b) External Control System (SCE). This system assesses the MNS's processes and procedures with regard to the procurement of external audits to examine the operations and activities of the MNS in each fiscal period, as well as to determine the reliability of the accounting and operating records and financial statements of the SSP.

### 5.3 Assessment and Interpretation of Results of ICAS

The ICAS groups each of the areas in two categories of evaluation which are Development and Risk Level. The results are presented on a percentage scale.

**TABLE 5.3**  
**INSTITUTIONAL CAPACITY ASSESSMENT SYSTEM (ICAS)**

## SCALE OF QUALIFICATIONS/SCORES

Qualification	Development	Risk Level
0 – 40	Non-Existing (ND)	High (RA)
41 – 60	Incipient (ID)	Substantial (RS)
61 – 80	Medium (MD)	Medium (RM)
81 – 100	Satisfactory (SD)	Low (RB)

## 6.0 RESULTS OF THE ICAS

### 6.1 Summary of Results

The application of ICAS to MNS resulted in a weighted average factor of 86.91% which indicates a Satisfactory Development (SD) which is then associated with a Low Level of Risk (RB).

The three categories of capacity assessment contribute to the consolidated result as follows:

(a) “Programming and Organization Capacity” (CPO)

The SSP scored 90.70% with respect to its programming and organizational capacity of the project. This score is equivalent to a “Satisfactory Development” (SD) development level and a “Low Risk” (RB) level. The ICAS’ methodology assigns a weight distribution of 50% each for SPA and SOA.

Only a few risk areas were identified and consequently realistic recommendations were made to strengthen the PEA’s programming and organizational capacity.



(b) “Execution Capacity” (CE)

The SSP scored 84.65% with respect to its executorial capacity of the project. This score is equivalent to a “Satisfactory Development” (SD) development level and a “Low Risk” (RS) risk level. The ICAS’ methodology assigns a weight distribution of 30% each for SAP and SABS, while it assigned 40% to SAF.

Few risk areas were identified and consequently several realistic recommendations were made to strengthen the PEA’s executorial capacity.

(c) “Control Capacity” (CC)

The SSP scored 87.15% with respect to its internal and external control capacities to undertake the project. This score is equivalent to a Satisfactory Development (SD) level and a Low Risk (RB) risk level. The ICAS’ methodology assigns a weight distribution of 80% and 20% to SCI and SCE respectively.

Table 6.1

## OFFICE OF THE PRIME MINISTER, JAMAICA

SUMMARY OF RESULTS						
Executing agency:		Ministry of National Security, Jamaica				
Period:		Evaluation as of August 7, 2017				
Capacity	System	Quantification			Development (ND, ID, MD, SD)	Risk level (RA, RS, RM, RB)
		Qualification	IR %	Weighted %		
CPO	SPA	86.67	50	43.33	SD	RA
	SO A	94.74	50	47.37	SD	RA
TOTAL			100	90.70	SD	RB
CE	SAP	93.33	30	28.00	ND	RA
	SABS	87.50	30	26.25	SD	RB
	SAF	76.00	40	30.40	MD	RM
TOTAL			100	84.65	SD	RB
CC	SCI	86.21	80	68.97	SD	RB
	SCE	90.91	20	18.18	SD	RB
TOTAL			100	87.15	SD	RB
Consolidation of results		Quantification			Development (ND, ID, MD, SD)	Risk level (RA, RS, RM, RB)
Capacities		Qualification	IR %	Weighted %		
		%		%		
CPO		90.70	25	22.68	SD	RB
CE		84.65	45	38.09	SD	RB
CC		87.15	30	26.14	SD	RB
TOTAL			100	86.91	SD	RB

In summary, the consolidated results of ICAS indicate that the MNS has the institutional capacity to successfully co-ordinate the execution of the SSP. However, a few risk areas must be addressed immediately and on an ongoing basis.

Chart 6.1.2 and 6.1.3 is used to put the 86.91% result into perspective whereby it can be seen that 19 (or 9%) of the total responses indicated weaknesses in the MNS's capacity to undertake the SSP.

A key observation is the fact that 31% of the responses were not applicable (NA) which is due to the early phase of the Programme. The recommendations made are also geared at converting most of the NA responses to YES responses thereby strengthening the MNS's capacity to undertake the SSP.

Chart 6.1.2

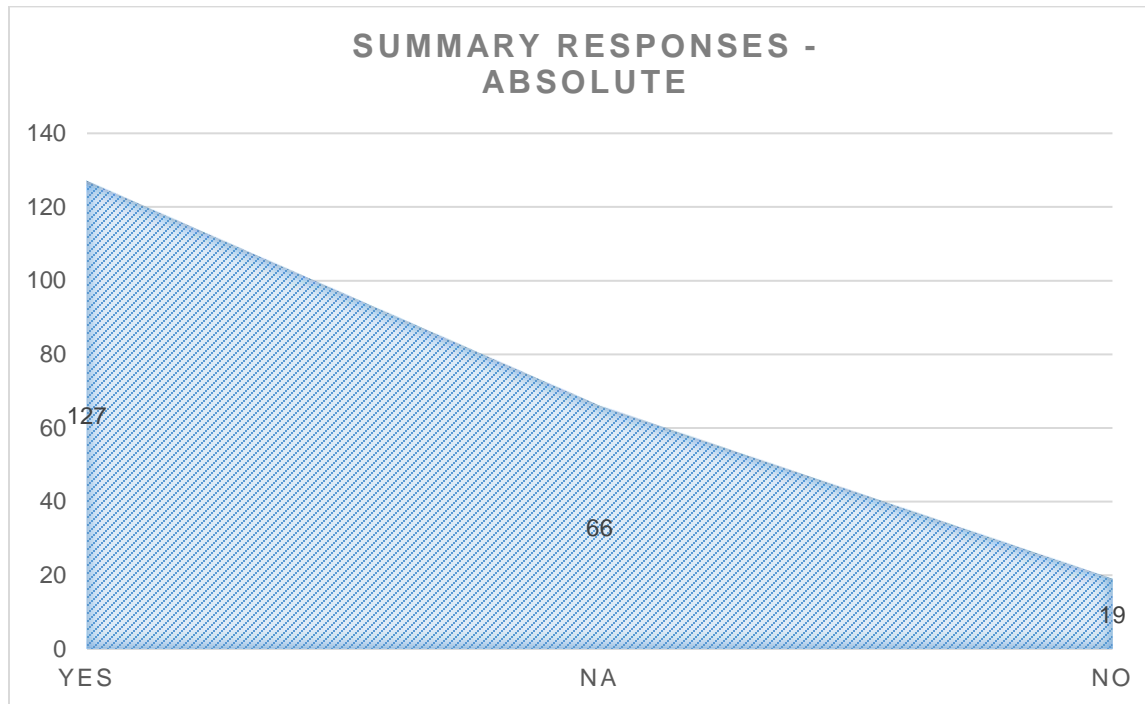
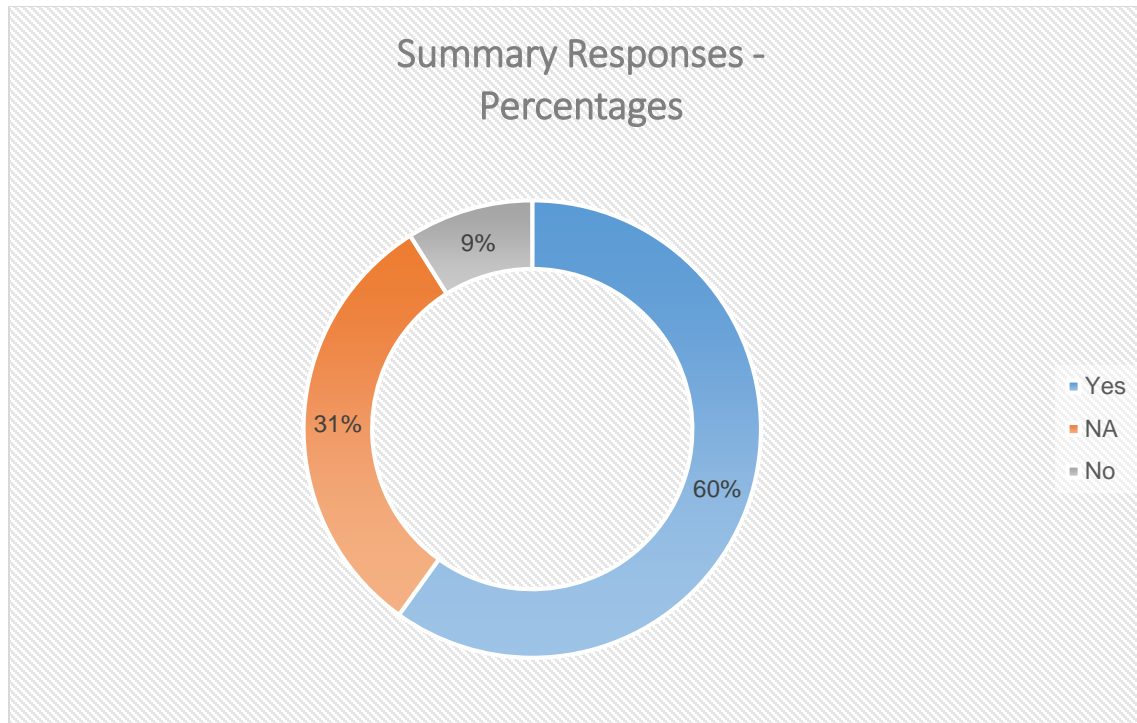


Chart 6.1.3



## 6.2 Results and Recommendations of Individual Components

### 6.2.1 Programming Activities System (SPA)

The quantification score of the SPA is 86.67% which is equivalent to a Satisfactory Development (SD) and a Low Risk (RB) level.

The MNS has a very good structured SPA especially with regard to its three-year rolling strategic plan which is then detailed

into an annual operational plan by each division within the MNS. The operational plans are then monitored on a quarterly basis to determine any unnecessary and unwarranted delays in achieving the set objectives of each division within the MNS.

Despite the MNS's excellent SPA, there is one key area that must be addressed (as described below).

### **Inadequate Risk Management Capabilities**

#### **Risk**

There are reports that identify delays or non-execution of programmes. However, there is inadequate formal risk management capabilities within the MNS to address these delays or non-execution of programmes. Given the prevalence of crime and violence across the island most programmes geared towards reducing crime and violence would be deemed time sensitive and necessary. Consequently, any delay or non-execution of programmes would have a negative impact on the MNS's crime fighting strategies.

#### **Recommendation**

The MNS as well as the PEU should implement a formal system whereby the delay or non-execution of programmes are not only being identified but being addressed effectively. This system should seek to determine the cause of the delay or non-execution of programmes. The short, medium and long-term impact on the MNS's overall crime fighting strategies should then be assessed. Having determined the impact on the MNS's crime fighting strategies a decision should then be made as to whether or not additional resources are required to execute the Programme.

### **6.2.2 Administrative Organization System (SOA)**

The quantification score of the SOA is 94.74% which is equivalent to a Satisfactory Development (SD) and a Low Risk (RB) level.

The MNS's SOA is excellent except for two areas that need to be addressed which are discussed below.

### **Organizational Structure**

#### **Risk**

While the MNS has a well formulated organizational structure; the SSP does not have an organizational structure for the PEU. An organizational structure is vital to the success of the SSP and must be properly formulated and implemented to contribute the success of the Programme.

#### **Recommendation**

The MNS should immediately develop an organizational structure for the PEU taking into consideration the following factors:

- Nature of both components of the project and the type of expertise that will be required to execute the Programme;
- Nature of both components of the project and the type of other resources to acquire;
- Allocation of the Programme's funds.

### **Employees Functions and Responsibilities**

#### **Risk**

While there are job descriptions that detail employees' functions and responsibilities, there is no system in place to ensure that employees of the MNS sign and indicate their understanding of their functions and responsibilities. This could result in major misunderstanding by the employees which would consequently result in the non-execution of their functions.

## **Recommendation**

The MNS should implement a mechanism whereby employees sign their job description to indicate that they understand their functions and responsibilities.

### **6.2.3 Personnel Management System (SAP)**

The quantification score of the SAP is 93.33% which is equivalent to a Satisfactory Development (SD) and a Low Risk (RB) level. Except for the lack of key man insurance which is not a practice of the GOJ, there are no other weaknesses identified in respect of the MNS's SAP.

### **6.2.4 Goods and Services Administration System (SABS)**

The quantification score of the SABS is 87.50% which is equivalent to a Satisfactory Development (SD) and a Low Risk (RB) level.

The MNS procurement system is one that is used across all government entities with its main tool being the GOJ Procurement Handbook. In addition to the GOJ Procurement Handbook the MNS adheres to the respective MOF Circulars that provides update on the GOJ Procurement Processes from time to time. The MNS's goods and services administration system is fairly robust and is conducive to effectively undertake the SSP however; due to the early phase of the SSP the following are risks noted which must be addressed in short order to allow for an effective and efficient goods and services administration system:

## **Programme Operating Document (POD)**

### **Risk**

The SSP does have a POM that would outline the procurement procedures among other operational details. The SSP cannot effectively and efficiently be executed without the POD. A lack of a POD could result in ineffective and inefficient procurement that would consequently result in mis-procurement and other challenges for the Programme.

### **Recommendation**

Although the Programme has not yet officially started it is highly recommended that the Programme's Management develop a POD either through outsourcing or co-sourcing. The Bank should also play a vital role in the development of the POD and should be in a position to provide oversight over this process.

### **Physical Space**

#### **Risk**

Given the nature of the SSP, it is highly anticipated that there will be need for physical space to house inventory of materials, machinery and equipment as well as personnel. The MNS does not currently have the physical space to house either inventory materials, machine and equipment or personnel. Lack of physical space will result in a chaotic working environment and could result in materials, machine and equipment being damaged or stolen. Personnel could also become unproductive in an environment that is lacking in space.

### **Recommendation**

The SSP should immediately commence the identification and or the procurement of physical space to ensure that materials, machine and equipment can be stored securely and in an appropriate environment. Space should also be identified and/or procured for use as offices for the Programme's personnel.



## **Procurement Personnel**

### **Risk**

The Programme has not yet instituted a procurement unit nor personnel to procure the required goods, services and works to execute the Programme.

### **Recommendation**

The SSP should procure the services of a team comprising a procurement specialist and supporting procurement staff, preferably with IDB procurement experience and or exposure. In the initial phase of the project the Project's management should consider either utilizing the procurement resource within the MNS or form a procurement working group (PWG) until a full cadre of procurement personnel is recruited. The PWG members can be from the MNS (main office), JCF, PICA and DCS.

## **Other Weaknesses**

### **Risks**

The risks below were identified during the assessment and can be considered as inherent across the MNS:

- based on the limited human capacity within the MNS, verifications of physical inventory may have not always been performed by employees who are independent of the handling and recording of goods. Consequently, only annual inventory verifications are conducted
- there is no inventory control system to determine and indicate minimum or maximum quantities of inventory items
- except for major assets such as some motor vehicles, there are no insurance plans to protect goods and other assets in general.

## **Recommendations**

The SSP should determine if there would be any need to outsource the physical verification of inventory to an internal unit within the public sector based on the volume and value of goods that will be held at any given time.

The SSP should also assess whether it is cost effective to insure assets owned by the Programme. If the decision is taken not to insure the assets, there should be a formal risk management framework in place to manage the risk of loss, theft or damage of assets owned by the Programme.

## **Preventative Maintenance Programme**

### **Risk**

Despite the MNS having a less than formal preventative maintenance for the fleet of vehicles, there is no formal preventative maintenance for the MNS's assets. A lack of preventative maintenance could prove costly and ineffective for the PEU since assets can become obsolete at a much faster rate if predominantly corrective maintenance is used to address the wear and tear of assets. It was further noted that in a report published by the Auditor General's Department in December 2012 for Fleet Management, there were several weaknesses in respect of the management of the JCF fleet vehicles. Additionally, the AGD 2015-16 Annual Report sited internal control weaknesses with respect to inventory management.

### **Recommendation**

Some of the assets to be purchased under the Programme include high value computers and ICT equipment. Given the nature of these assets it is imperative that the PEU implement a preventative maintenance Programme to (protect?) the useful life of the assets as well as information contained on these assets. The information captured and stored on these assets would invariably be invaluable in the MNS case management system.

### **6.2.5 Financial Management System (SAF)**

The quantification score of the SAF is 76% which is equivalent to a Medium Development (MD) and a Medium Risk (RM) level.

The MNS has a Financial Management team that is comprised of qualified personnel and is headed by the Principal Financial Officer (PFO) who is a chartered accountant. The primary source of literature and procedures with respect to the financial management is the Financial Administration & Audit Act (FAA Act); the Financial Administration & Audit Instructions and the Staff Orders.

Despite the existence of the FAA Act, FAA Instructions and Staff Orders, several high-risk areas must be addressed in a timely manner to ensure a successful SSP.

The following are high risk areas that must be appropriately addressed:

#### **Lack of a Financial Management Procedures Manual**

##### **Risk**

There are no authorized procedures manual in effect for financial management for the PEU. The absence of an authorized procedures manual to guide the financial management process could threaten the successful execution of the SSP. The procedures manual will guide the respective functions with the financial and accounting unit of the project such as accounts payables, payroll processing, bank reconciliations, among other areas.

The procedures manual will also ensure that there is adequate segregation of duties within the finance and accounts unit of the SSP.

##### **Recommendation**

Despite the PEU of the SSP being at the outset, the management of the SSP should immediately commence the development of a procedures manual so that it would become available within a reasonable time after the Programme is in full operational mode. This should take into consideration the Programme's fiscal space, segregation of duties, cash management, bank reconciliation, accounts payable, threshold signing rights, authorized signatures on bank accounts; among other areas.

### **Automated Accounting System**

#### **Risk**

The MNS currently uses Biz-Pay for payroll processing and Financial Management Information System (FMIS) supported by e-Gov to maintain its general ledger for financial and accounting purposes. However, FMIS is not be able to meet some of the key functionalities of the SSP. Some of the key functionalities that FMIS is not be able to undertake are:

- dual currency recording and reporting
- classification of expenditures based on nature and
- facilitating the Bank's recommended chart of accounts.

#### **Recommendation**

A suitable accounting software should be procured that will facilitate dual currency recording and reporting, classification of expenditures based on their nature and for the purposes of facilitating the Bank's recommended chart of accounts. The accounting software can be an "off the shelf" but with adjustments to meet the need of SSP. The availability of continuous technical support for the software must be a key consideration in procuring this software.

### **Financial Management Personnel**

## **Risk**

There are currently no financial management personnel assigned to or employed by the SSP.

## **Recommendation**

The SSP should aim to recruit at least four personnel within the financial management unit. The personnel should be:

- **Financial and Accounts Specialist** - who should have at least 5 year's accounting experience at a supervisor level and should be a chartered accountant. A chartered accountant by way of completion of Association of Chartered Certified Accountant (ACCA), Certified Public Accountant (CPA) or the Masters of Science Degree in Accounting from the University of the West Indies.
- **Accounting and Fixed Assets Officer** – who should have at least 3 years accounting experience at a senior level and should possess at least a bachelor's degree in accounting.
- **Budget and Reconciliation Officer** – who should have at least 3 years accounting experience at a senior level and should possess at least a bachelor's degree in accounting.
- **Accounts Payables and Payroll Officer** – who should have at least 3 years accounting and payroll processing experience and should possess at least a bachelor's degree in accounting.

### **6.2.6 Internal Controls System (SCI)**

The quantification score of the SCI is 86.21% which is equivalent to a Satisfactory Development (SD) and a Low Risk (RB) level.

The MNS has a cadre of 21 internal auditors which includes one (1) chief internal auditor and 20 supporting auditors inclusive of audit supervisors, seniors and junior auditors. The internal audit capacity is often times limited to undertake the voluminous number of audits to be undertaken given the number of auditable areas within the MNS, its Departments and its Agencies. There are however risk areas that should be appropriately addressed. These risk areas and recommendations are detailed below.

### **Internal Audit Staff Personnel**

#### **Risk**

The MNS's limited internal audit capacity will not allow it to undertake all the internal audit responsibilities of the SSP. The SSP will require internal audit capacity especially for the following areas:

- Internal controls with respect to fixed assets management given the amount of financial resources that will be expended on ICT equipment
- Internal controls with respect to consultancy payments
- Internal controls with respect to information systems

Without any internal audit resource being directed to the above-mentioned areas, the successful execution of the SSP could face significant challenges.

#### **Recommendation**

An effective SCI is critical to the success of the SSP. It is therefore of great importance for the SSP to have the appropriate human resources to undertake the tasks of establishing the internal control environment and procedures of the Programme. Given the nature of the Programme whereby huge amounts will be spent on fixed assets, consultancy payments and information system,

there should be a formally dedicated internal audit capacity to attend to these areas.

It is therefore recommended that the SSP co-source the internal audit function by further stretching the MNS internal resources as well as purchase between 160-200 internal hours per annum from a third party.

### **Code of Conduct and Conflict of Interest**

#### **Risk**

The code of conduct is not signed by personnel at the commencement of employment to confirm their knowledge and understanding of the code of conduct. It was also noted that not all staff members declared any conflict of interest or lack of conflict of interest at the commencement of employment or on an annual basis.

#### **Recommendation**

A system should be implemented that will mandate and ensure that all personnel employed or contracted to the SSP sign the code of conduct and declare their conflict of interest position upon the commencement of their services as appropriate.

## **6.2.7 External Control System (SCE)**

The quantification score of the SCE is 90.91% which is equivalent to a Satisfactory Development (SD) and a Low Risk (RB) level.

#### **Risk**

While agencies and departments of the MNS use the services of external auditors, the MNS as an autonomous body does not. Instead, the Auditor's General Department is the only external audit resource to the MNS.

### **Recommendation**

The SSP Programme should procure the services of independent external auditors that is approved by the Bank.

## **7.0 CONCLUSION**

### **7.1 Results of the Institutional Evaluation**

The results of this institutional evaluation of the MNS was conducted with the use of the ICAS methodology. The results provided by the ICAS indicated that the MNS has the necessary institutional capacity to participate in the implementation of the investment loan Security Strengthening Programme (SSP) at an overall Satisfactory Development Level and a Low Risk Level.

While the MNS which is the PEA was assessed as being at a Satisfactory Development Level and Low Risk Level, the executional capacity of the PEA should now be implemented at the PEU level.

### **7.2 The Consolidated ICAS Result**

The consolidated ICAS result indicates that the MNS has in place the necessary planning, administrative, personnel, procurement management, financial management, and internal and external control capabilities which would contribute to an effective execution of the SSP provided that the PEA can implement a PEU with similar or even better executing capacity.

### **7.3 Programming, Administrative and Personnel Management Systems**

The MNS has a fairly strong corporate services division with the ability to undertake the MNS's planning and administrative activities. The Corporate Services Division is also well poised to manage the MNS's personnel functions.



#### **7.4 Goods and Services Management**

The MNS has a robust procurement unit which will provide some amount of support to the SSP especially during the initial stage of the Programme. All personnel in the MNS's procurement unit have completed or pursuing the International Procurement Certification, which is a highly rated and recognized certification across the world.

#### **7.5 Financial Management**

While the MNS possesses a relatively strong financial management system with respect to budgeting and accounting systems, there is no capacity in the MNS financial management unit to provide any substantial support to the SSP.

#### **7.6 Internal Controls**

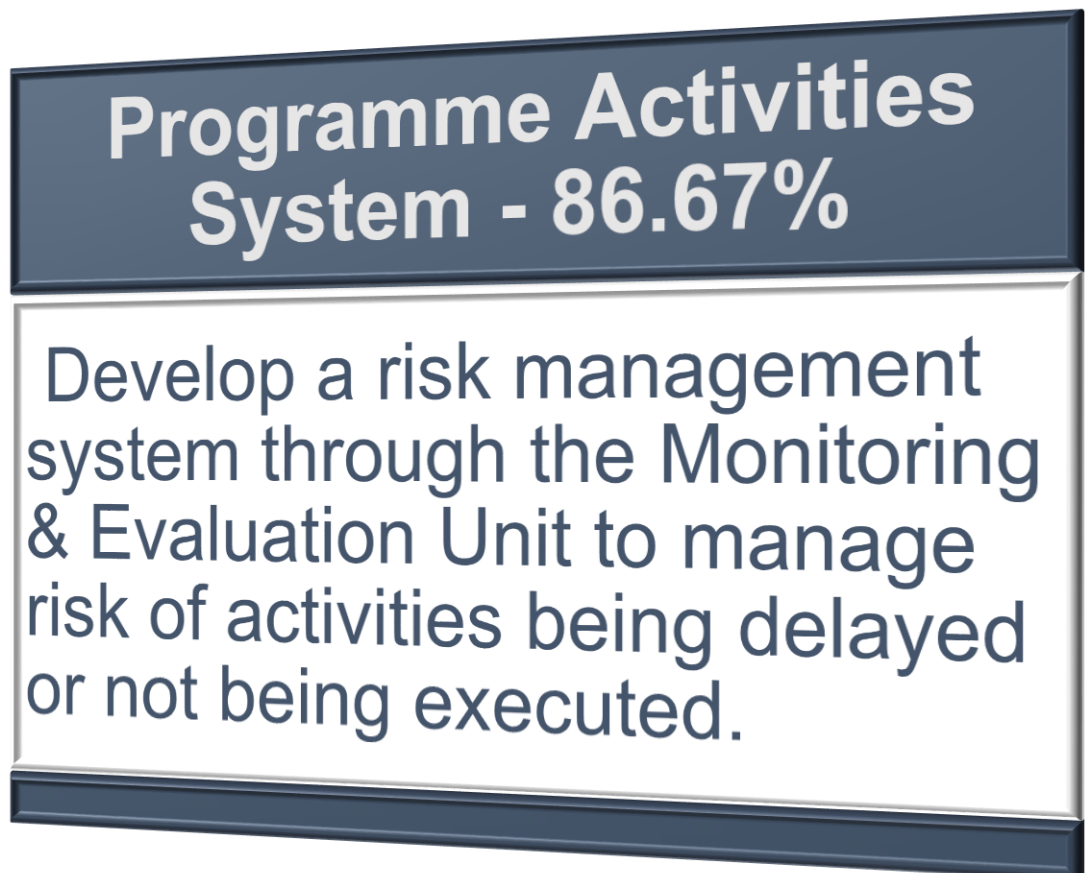
The MNS has a relatively good internal control mechanism as evidenced by the ICAS. Consideration was also given to publicly available information such as the Auditor General's (Supreme Audit Institution of the MNS) annual report over the last 5 years and a few internal control weaknesses were reported.

#### **7.7 External Controls**

There is no appointment of external auditors within the MNS. The SSP should address this issue based on the recommendations provided in Section 6.2.7 above.

## 8.0 RECOMMENDATIONS

The below tables provide a quick glance or summarized version of the recommendations previously detailed in Section 6 above of the respective components. Also, included in the tables are the quantification score for each of the components.



**Programme Activities  
System - 86.67%**

Develop a risk management system through the Monitoring & Evaluation Unit to manage risk of activities being delayed or not being executed.

## 2. Administrative Organization System - 94.74%

Develop an Organizational Structure and Chart for the PEU

Implement a mechanism whereby employees sign their job description to indicate that they understand their functions and responsibilities.

### 3. Goods and Services Management - 87.50%

Develop Programme Operating Document (POD)	Identify and or procure physical space to store materials, machine and equipment as well as to house the project personnel	Insure or develop framework to manage risk of stolen, damaged or goods lost by any other means	Utilize internal audit capacity within the public sector to independently physically verify assets owned by the Programme	Develop an inventory system that will be able to identify and indicate when there a minimum or maximum level of inventory has been reached
--	--	--	---	--

# 4. Financial Management System - 76%

Recruit a financial management specialist	<p>Recruit the required supporting staff in the financial management unit to undertake the following main functions:</p> <ul style="list-style-type: none"> <li>- accounts payables</li> <li>- bank reconciliation</li> <li>- payroll processing</li> <li>- general accountant to manage the general ledger postings</li> <li>- filing of accounting and financial records</li> </ul>	<p>Procure accounting software with:</p> <ul style="list-style-type: none"> <li>- dual currency capabilities</li> <li>- ability to accomodate the Bank's recommended chart of accounts</li> <li>- ability to classify expenditures based on nature</li> </ul>	<p>Immediately commence the development of a procedures manual to guide the fiduciary functions of the Programme</p>
---	---	---	--

## 5.Internal Control System - 86.21%

Utilize the MNS internal unit and complement it with the purchase of between 160-200 hours annually.

Personnel employed or contracted to the SSP must be made to sign the code of conduct and declare their conflict of interest position upon the commencement of their services as appropriate.

## **6.External Control System - 90.91%**

Procure the services of an independent external auditor from the Bank's approved list of independent auditors.

# ANNEX: RISK MATRIX AND ICAS QUESTIONNAIRES

INSTITUTIONAL CAPACITY ASSESSMENT						
SUMMARY OF RESULTS						
Executing agency:		Ministry of National Security, Jamaica				
Period:		Evaluation as of August 7, 2017				
Capacity	System	Quantification			Development (ND, ID, MD, SD)	Risk level (RA, RS, RM, RB)
		Qualification	IR %	Weighted %		
CPO	SPA	86.67	50	43.33	SD	RA
	SOA	94.74	50	47.37	SD	RA
TOTAL			100	90.70	SD	RB
CE	SAP	93.33	30	28.00	ND	RA
	SABS	87.50	30	26.25	SD	RB
	SAF	76.00	40	30.40	MD	RM
TOTAL			100	84.65	SD	RB
CC	SCI	86.21	80	68.97	SD	RB
	SCE	90.91	20	18.18	SD	RB
TOTAL			100	87.15	SD	RB
Consolidation of results  Capacities		Quantification			Development (ND, ID, MD, SD)	Risk level (RA, RS, RM, RB)
		Qualification %	IR %	Weighted %		
CPO		90.70	25	22.68	SD	RB
CE		84.65	45	38.09	SD	RB
CC		87.15	30	26.14	SD	RB
TOTAL			100	86.91	SD	RB





Programming activities system		Yes	NO	NA	Answer justification
1	Are the Planning and Programming responsibilities and functions adequately defined and assigned among the Entity's personnel?	1			The MNS has a 3 year strategic plan and budget that is integrated with key priorities. An Operational plan on an annual basis and at a Unit level as well as individual work plan for each personnel and this plan is linked to the overall strategic plan.
2	Are there defined programming procedures in place, such as: manuals, formats, models and methodologies, for the preparation of the Plans and Programs, as well as a procedure for their approval and modification?	1			Budget call from Ministry of Finance (MOF) is used to drive the budgeting process. Strategic plan and procurement plan has to be aligned to the budget. GOJ Strategic plan template is also used to develop the 3 year strategic plan.
3	Have monitoring and follow-up procedures or mechanisms been designed, so that proper compliance with Plans and Programs can be determined (Including compliance with indicators; identification of between programmed and executed activities and the preparation of execution reports)?	1			
4	Has an Annual Program of Operations (APO) or equivalent document been prepared and is it consistent with the general Planning?	1			Strategic/business plan is the document that is used as the annual program of operation.
The planification document (POA) establishes:					
5	What are the general and specific objectives (components) and goals (indicators)?	1			Create policy and legislative framework that is supported of the citizen security and safety. Develop legislative agenda to update and draft new legislation. Provide capacity building support to department & agencies.
6	The activities or tasks necessary to reach these objectives and goals?	1			
7	A diagram or flowchart representing the necessary order and interdependence of the activities to reach the objectives?		1		
8	Estimated time to carry out each activity or task?	1			
9	The Responsible parties for executing or coordinating the activities or tasks?	1			
10	The indicators of results and means for verification that allow measuring the achievement of the established goals?	1			
11	The risks (assumed) to the success of planning and the necessary actions to prevent or mitigate them?	1			
Execution :					
12	Are reports being issued on the progress of the APO, according to what had been planned on previous policies?	1			Quarterly and annual reports whereby planned activities in the Operational Plan are assessed against actual activities on a quarterly basis and is reported to the Cabinet Office.
13	When the reports identify non-fulfilment or considerable risks for effectiveness, were actions taken to address these risks and to improve the probability of execution?		1		There is not enough capacity within the MNS to manage the risk of the programme. Consequently a risk manager should be recruited. Recommendation will be made to have the programme consider the Monitoring & Evaluation team to undertake the risk management responsibilities.
14	In practice, does the execution represent the actions previously mentioned?	1			
15	If APOs have been modified, is there sufficient and adequate evidence to justify those modifications?	1			
16	Have the changes to the APO been approved by the Bank?			1	The programme's POD hasn't yet being created hence, neither has the loan yet been disbursed hence there would be no need for approval by the Bank at this time.
TOTAL		13	2	1	
QUANTIFICATION:		Yes (YES+NO)	* 100		86.67
DEVELOPMENT:		There is no Incipient ID (41-60) Median MD (61-80) Satisfactory SD (81-100)			SD
RISK:		High RA (0-40) Substantial RS (41-60) Medium RM (61-80) Low RB (81-100)			RB

Administrative Organization System		Yes	NO	NA	Answer justification
<b>Organization Manual</b>					
1	Is there an Organizational Manual (OM) or equivalent instrument?	1			Being a central government organization, there are several instruments in the form of guidelines that are issued by the Office of the Services Commission, Ministry of Finance and Planning from time to time. Examples include the Performance Management and Appraisal System form, Staff Orders for the public service 2004, Public Service Regulations 1961, Public Bodies Management & Accountability Act, FAA Act, GOJ Procurement Handbook and Motor Vehicle Policy.
2	Are there procedures for periodical update and validation of the OM?	1			Ministry of Finance conducts periodic reviews.
3	Does the OM include the functions, responsibilities and authority for the performance of each position?	1			
4	Did the OM include the decentralization and delegation of authority and functions to the lower levels?	1			
5	Were the manual's functions assigned in such a way to maintain independence of those in charge of authorizing, executing, recording transactions and to watch over goods and valuables?	1			
6	Were the OM or organizational diagram and functions made known to all related personnel?	1			
7	If so, did each employee sign a form that he/she has read and understands his/her functions and responsibilities?		1		
8	Are the OM and organizational diagram properly authorized by the Board of Directors or competent authority related to the Executing Agency (EA)?			1	Ministries don't use Boards except for the agencies within the Ministry of National Security that has board of directors as well as advisory boards.
<b>The organizational diagram indicates:</b>					
9	The areas of activity and their functional relationship (General Management, Finance, Personnel, Procurement, Production of goods and services, etc.)	1			There is a detailed organizational chart that outline the respective reporting and functional relationships.
10	The levels of authority and supervision?	1			
11	The levels of advisory functions (without level of responsibility)	1			The Passport and Immigration and Citizen Agency (PICA) and agency within the Ministry of National Security has an advisory board that advises the CEO of PICA.
12	The lines of communication?	1			
<b>Positions profiles:</b>					
13	Were the profiles of the positions needed for the execution of the anticipated functions (also including Consultants) designed and approved? (Academic background and experience)	1			
14	Have the profiles indicated in 13 been associated with payment levels that are equivalent to the market value?	1			
15	Is the organizational climate a reflection of what has been planned in the OM? (Take into account the statements of weaknesses and strengths made by those responsible of this sub-system and the impressions gathered in the different interviews)	1			
16	Does the delegation of functions allow each level to make decisions and fulfill the functions assigned to them?	1			

<b>Execution</b>				
17	Has there been a definition and formalization of the administrative (autonomy), organizational, and legal aspects of the executing agency, and the co-executing agencies?		1	
18	Does the EA have the legal and financial mechanisms for its autonomous or independent development?	1		
19	Were the OM and organizational diagram of the EA and its components designed according to the needs established in the planning process and in the APO?	1		
20	Are the functions and responsibilities identified in the project report fulfilled for the project's execution?		1	
21	In practice, are all the Organizational Units working with the planned personnel?	1		
<b>Operations Regulations Manual (OR), Audit Regulations Manual (CR):</b>				
22	If applicable, has an Operations Regulations Manual (OR) or Audit Regulations Manual (CR) been prepared with previous approval of the Bank?		1	Being a central government organization, this is already the remit of the Auditor General. However, each Ministry does an Audit Plan annually.
23	Were the OR/CR formalized and made known among the participants in the execution of the operation, documenting these actions?		1	
24	Did the OR/CR establish that all financial or administrative operations have the necessary back up documentation?		1	
25	Does this documentation allow to identify the nature, purpose and results of each operation?		1	
26	Does the designed OR/CR describe the procedures for authorization, movement, registration and timely control procedures of all technical, financial and administrative operations related to the project?	1		The Government of Jamaica Central Government guidelines apply.
<b>following sections:</b>				
27	Purpose and definitions?		1	These are not applicable to MNS and the SSP.
28	Objectives and Description of the Program?		1	These are not applicable to MNS and the SSP.
29	Eligibility criteria for the co-executors and the investments (technical, economic and financial)?		1	These are not applicable to MNS and the SSP.
30	Assignment of Program resources?		1	These are not applicable to MNS and the SSP.
31	Resource transfer, disbursements, revolving fund, and accountability mechanisms?		1	These are not applicable to MNS and the SSP.
32	Tracking (reports)?		1	These are not applicable to MNS and the SSP.

In case of a global program of credit, the CR includes the following				
33	Purpose and definitions?		1	These are not applicable to MNS and the SSP.
34	Program Objectives and Description?		1	These are not applicable to MNS and the SSP.
35	Eligibility and participation criteria for the IFIs?		1	These are not applicable to MNS and the SSP.
36	Eligibility criteria for the sub-borrowers and sub-loans?		1	These are not applicable to MNS and the SSP.
37	Terms and conditions of the sub-loans?		1	These are not applicable to MNS and the SSP.
38	Formalization of the sub loans?		1	These are not applicable to MNS and the SSP.
39	Use of repayments and follow up (reports)		1	These are not applicable to MNS and the SSP.
executors, is planned by the UCP:				
40	A flow chart with responsibilities and functions of the PCU and of co-executors?		1	A single PEU is being contemplated.
41	A flow chart with responsibilities and functions of the managing entity, when the participation of a private or specialized agency is anticipated?		1	A single PEU is being contemplated.
42	Monitoring systems and report to track the use of resources by the co-executors?		1	A single PEU is being contemplated.
Total		18	1	23
QUANTIFICATION:		Yes (YES+NO)	* 100	94.74
DEVELOPMENT:		There is no ND (0-40)		SD
		Incipient ID (41-60)		
		Median MD (61-80)		
		Satisfactory SD (81-100)		
RISK:		High RA (0-40)		RB
		Substantial RS (41-60)		
		Medium RM (61-80)		
		Low RB (81-100)		

Personnel management system		Yes	NO	NA	Answer justification
1	Have the responsibilities to manage personnel issues been formally assigned?	1			These responsibilities are documented in the Job Description for every position. Also, annual appraisals are done to appraise each staff.
2	Does the person (or persons) in charge of personnel management functions have the skills and experience required in Human Resources?	1			
3	Does the Entity have authorized policies and procedures formally included in a Manual or equivalent document, about personnel management?	1			The following are used by the MNS: Staff order, HR Procedures Manual, Procurement Handbook among others
<b>The current policies and procedures, include such things as:</b>					
4	Existing policies and procedures include the following: Search and Selection	1			HRD manual used by the MNS
5	Orientation and training?	1			HRD manual used by the MNS
6	Professional development?	1			HRD manual used by the MNS
7	Performance evaluation?	1			HRD manual used by the MNS
8	Classification of positions and salary levels?	1			HRD manual used by the MNS
9	Social security?	1			HRD manual used by the MNS
10	Taxes and other labor obligations?	1			HRD manual used by the MNS
<b>Other requirements</b>					
11	Are there procedures for the control of staff attendance?	1			Manual and electronic access card used to track attendance.
12	Is there a duly approved vacation program for all personnel?	1			Applied for and approved based on capacity requirements
13	Is there a plan to replace key personnel in case of temporary absence?	1			Officers are brought in to act whenever a key personnel is absent.
14	Are there policies about the procurement of insurance policies for the key positions in charge of the administration of liquid assets and goods?		1		It's not the practice of central government to insure all its assets
15	Have the insured amounts been determined?			1	
16	In general, is there stability in the composition of the Entity's personnel?	1			There is a high level of personnel stability at the MNS with a staff turnover ratio over the last year being only 7%.

Execution					
17	The current policies and procedures are consistent with the Bank's requirements in terms of recruiting of personnel, including consultants, as indicated in the project's documents and in the loan contracts or cooperation agreement			1	The Ministry will comply with the IDB guidelines for the procurement of consultants
18	Is the personnel actually hired for the execution of the project consistent with the personnel requirements included in the project document?			1	Not yet at this stage
19	Did the project's personnel selection and recruiting process follow what had been recommended in the project report and loan contract?			1	Not yet at this stage
20	Do the recruited employees/consultants fulfill the profiles anticipated in the terms of reference or requirements of the positions previously approved by the Bank?			1	Not yet at this stage
21	The contracting of employees / consultants by the OE had the prior objection of the Bank?			1	Not yet at this stage
22	Are the salary levels approved by the EA's classification of positions compatible with the budgeted amount included for this type of expenditures on the program's budget?			1	Not yet at this stage
TOTAL		14	1	7	
QUANTIFICATION:		Yes (YES+NO)	* 100		93.33
DEVELOPMENT:		There is no ND (0-40) Incipient ID (41-60) Median MD (61-80) Satisfactory D (81-100)			SD
RISK:		High RA (0-40) Substantial RS (41-60) Medium RM (61-80) Low RB (81-100)			RB

Goods and services management system		YES	NO	NA	Answer justification
1	Is there a formal assignment of functions and responsibilities (in one organizational unit or equivalent) for procurement processes relating to works, goods and consulting services, and that is proportional to the project that is being financed?	1			Job description and organizational chart of the MNS is used.
2	Is there a formal assignment of functions and responsibilities (in one organizational unit or equivalent) for processes relating to the receipt, inventory, and maintenance of works, goods and consulting services, according to the nature and size of the future IDB financed project?	1			
3	Does the Unit have the human resources and knowledge needed to efficiently execute and manage the program?	1			Additional support is needed since added fiscal space will be provided and the need to procure more goods, services and works. There will also be need to train and retrain staff in the procurement department.
4	The Unit has clearly established the procedures, responsibilities and personnel assignment to the following tasks: • Procurement planning • Advertising and bid announcements • Prequalification of contractors, suppliers and consultants • Preparation of Requests for Proposals and contract models • Reception and Opening of proposals • Analysis and Evaluation of Proposals • Awarding of contracts • Contract Administration.	1			No any one person is assigned to any of the procedures. All staff is involved and work plan is available.
5	Was the procurement personnel trained on the procurement of goods, consulting services and works (either the Bank's procurement policies and procedures or the local legislation)?	1			Ministry of Finance provides training to the MNS procurement staff. Additionally, procurement personnel obtains external training from reputable organizations.
6	Is there any formal evidence related to the training of the Co-executor's personnel on policies and procurement procedures?			1	There is no Co-executor to the loan hence this is not applicable
7	Have the types of contracting and procurement and the authorization levels by amount and complexity level been planned and regulated?	1			There is are established procurement authorization guidelines as establish in the GOJ Procurement Handbook. The Handbook is utilized by the MNS.
8	Does the procurement administration system ensure that each transaction has the necessary and sufficient documentation to support it? (Invoices, Contracts, estimates, etc., as applicable)	1			
9	Does the documentation mentioned in the previous question, allow the identification of the nature, purpose and results of each transaction and in particular, to establish compliance with the IDB procurement procedures (already agreed upon or to be agreed upon with the Bank.	1			Yes in keeping with GOJ Guidelines but not necessarily IDB guidelines. However, the adjustments can and will be made where necessary.
10	Do the procurement procedures define a separation of incompatible functions that allow to clearly differentiate personnel's attributions in each one of the different phases of the process? (Contracting Regulation or equivalent)	1			
11	Do the procedures consider that the requests for procurement for goods and services are properly based on a justified need by the responsible person or area?	1			
12	Is it expected that the requests would only be approved only when there are budget resources previously earmarked and available?	1			
13	Is there a system of prenumbered forms (electronic form preferred) in support of the procurement activities and procedures?	1			There is a commitment requisition system
14	Does the system provide for the number of copies to issue, the destination of each one and the signatures required?	1			Each purchase order (PO) has 3 copies. One for the vendor, one for the finance department to support payment and the other one remains in the book. Electronic POs are also used.
15	When applicable, is there a system of permanent recording of inventories to control their variations per units of similar characteristics?	1			Monthly electronic inventory report maintained.



16	Does the inventory control system include minimum and maximum quantities?		1		There is no official system to trigger any reordering by the MNS, Neither does the system indicate whether a maximum limit has been reached for respective inventory items.
17	Have appropriate physical spaces been assigned, according to the type of inventories, for their appropriate storage and control?	1			Inks - Air Conditioned area, Shelved rooms, cleaning agents stored elsewhere etc.
18	The system of procurement administration allows to identify the commitments and all other transactions from the beginning of the process, and establishes a link among the creation of the obligation, the receipt of the goods, works, and consulting services, and the corresponding payments, thus providing a reasonable assurance on the information system reliability and integrity?	1			
19	Are there adequate procedures for the maintenance, security and appropriate handling of stored goods and parts?	1			Creation of the electronic monitoring system, access control limited to the office services manager and one other member of staff. Key and well as electronic access to storage areas
20	Are there periodic verifications of the physical existence of inventories?		1		Only annual physical verification done by the internal audit unit.
21	Has it been established that these verifications should be reconciled against the accounting records?	1			Reconciled against the Inventory Management System
22	Are these verifications performed by employees who are independent from the handling and recording of goods?	1			The Internal Audit Unit conducts these verifications.
23	Does Internal Audit (Internal Control) participate in the planning and observation of the verification?	1			
24	Is there an insurance plan to protect the goods in general?		1		None in place
25	Are there specific instructions regarding obsolete, damaged, lost or for sale goods in terms of their disposition (both physical and in the accounting records)?	1			Periodic Board of Survey conducted through the Ministry of Finance and Planning
26	Are these instructions in agreement with the current legal regulations?	1			
27	Are there permanent records of fixed assets showing the purchases, retirements, transfers and improvements?	1			The MNS's electronic Inventory Management System is used.
28	Is there a policy to formally assign responsibility to each administrative area and their employees regarding the utilization of fixed assets under their purview and their exclusive utilization for the intended purposes?	1			Assets are assigned and recorded based on location within the MNS. Additionally, for control purposes assets are also allocated to each staff member responsible for their use and proper care and safeguard.
29	Is there a general maintenance plan for the acquired works and goods?	1			Maintenance responsibilities are assigned based on the respective asset types and is in accordance with GOJ policies.
30	Do they issue reports on the compliance with the preventive maintenance program?		1		There is no formal preventative maintenance programme. However, there are adhoc maintenance of the MNS assets.
31	Are procured goods and contracted and received services been compared against the Purchase orders previously issued?	1			Whenever goods are received there is a normally a declaration by the MNS receiver to indicate that the goods were received in good condition before payment is made. Declaration is also made for services received to state that the service was received satisfactorily.
32	Is there a coding system to identify the fixed assets?	1			Assets are usually coded based on their location and given a unique identifier.
33	Is there a filing system for the documentation that supports the procurement of goods and consulting services as well as the contracted works, which allows to directly index and identify the transactions that have been performed, and also to make possible their audit as required by the Bank?	1			
34	Is the EA appropriately complying, in a sequential manner, with the Bank's procurement policies and procedures (short lists, preparation of terms of reference, no-objections, evaluations, etc.)?			1	Not applicable at this point. MNS indicated that they will implement when needed.
35	In the event of projects of decentralized execution with the participation of multiple co-executors, have procedures been established to regulate the filing system of support documentation of the procurement of goods and services as well as contracting of consultants, which allows the indexing and identification of the transactions incurred with project resources?			1	
36	Have procurements performed by the EA been included in the project's procurement plan?			1	Not applicable at this point. MNS indicated that they will implement when needed.
37	If project's resources had been utilized to finance eligible expenditures incurred before the operation was approved by the Bank, have these expenditures been reviewed regarding their eligibility, according to the Bank's procedures? (Such expenditures should be the result of procurement procedures for works, goods and consulting services that were conducted under requirements similar to those set forth in the Bank's loan contract.)			1	Not applicable at this point. We will endeavour to comply with that particular requirement.
	<b>TOTAL</b>	<b>28</b>	<b>4</b>	<b>5</b>	

QUANTIFICATION:	YES	* 100	87.50
	(YES+NO)		
DEVELOPMENT:	There is no ND (0-40)		SD
	Incipient ID (41-60)		
	Median MD (61-80)		
	Satisfactory D (81-100)		
RISK:	High RA (0-40)		RB
	Substantial RS (41-60)		
	Medium RM (61-80)		
	Low RB (81-100)		

Financial Management System		YES	NO	NA	Answer justification
1	A formal assignment of matters related to Financial Management (Budget, Treasury, Accounting) has been granted to an organizational unit or equivalent, with the hierarchical level and sufficient authority?	1			The Finance Department is headed by the Principal Financial Officer (PFO). The organizational chart is also a source how the Unit is structured.
2	Does the person (or persons) in charge of such functions have the required financial management skills and experience?	1			Yes. Basic required qualification for the job is in place. The PFO is a Chartered Accountant while other members of staff in the unit are duly qualified based on strict requirements of the Office of the Services Commission within the Ministry of Finance.
3	Is the personnel familiar with the Bank's procedures on the preparation of disbursement requests?		1		The PEU will have to recruit its own personnel with the requisite experience in the Bank's procedures.
4	Do you have an Authorized Procedures Manual that is in effect for financial management?	1			While the MNS is guided by the FAA Act, FAA Instructions, Staff orders and other internally generated procedures, there is no such manual for the PEU. This should be developed by the PEU.
5	Is there an automated system of accounting and financial records integrated with the Entity's general accounting, that allows the identification of the project's transactions by source of funding and investment categories, in agreement with the Chart of Accounts approved by the Bank, and independent from the rest of the Entity activities?		1		The MNS currently uses FMIS which is GOJ wide accounting software and BizPay for payroll processing. However, the FMIS is not dual currency and is mainly configured to generate government accounting reports. The PEU should procure an accounting package that is capable of maintaining the general ledger and be able to handle dual currency transactions. This accounting package must be approved by the Bank.
6	Does this system allow timely and reliable access to financial information for the preparation of Financial Statements and other reports?		1		The FinMan is able to generate financial statements and other reports as desired by the MNS. However, these reports are not in accordance to the Bank's desired requirements.
File					
The records of the project are taken in a way that:					
7	In case of projects of decentralized execution, is there an integrated accounting system that allows the identification of resources and transactions made by each participant co-executor, separated by categories and sub-categories of investment, in accordance with the chart of accounts approved by the Bank?			1	
8	Do they show the cost of the investment in each category and sub-category in agreement with the Chart of Accounts approved by the Bank, as well as the progress of works?			1	
9	Has the Project Executing Unit (PEU), or the Coordinating Unit (CU), whichever applies, prepared an accounting manual applicable to the project?		1		This is not yet done.
10	In relation with global credit programs, do the records also specify the credits granted, repayments made and their use?			1	
11	Is there a filing system of the support documentation of financial transactions, which allows direct indexing and identification of the operations?	1			There is a manual paper based filing system. General payment documentation are kept for 7 years, while salary related documentation are kept for 60 years. The PEU should aim for an electronic filing system as best as possible.
12	In the case of projects of decentralized execution, do the co-executors have a filing system of the support documentation of financial transactions, which allows the direct indexing and identification of the operations financed with project resources, including disbursement requests presented to the PCU?			1	



<b>Programming and budget:</b>					
13	Are there clear and properly approved procedures to formulate, execute and control the budget?	1			Yes. There is an annual budget process and the budget must be submitted to the MOF in a timely manner. Charts of accounts allocation of expenditure must be adhered to based on the MOF's guidelines. The Budget is then approved by the Parliament and is deemed as law.
14	Have short, medium and long term mechanisms and procedures of financial management been designed?	1			Short & medium term goals in place which takes the form of the Operational & Strategic Plans respectively.
15	Is there an automated and integrated budget system?	1			The MNS uses a Budget Preparation & Management System (BPMS) that is automated and interfaced with the respective Units within the MNS as well as with the MNS.
16	Are there mechanisms of control, evaluation and follow up of the budgetary execution?	1			The BPMS is used to control the budgeting and spending process. Monthly and quarterly reports are generated to compare actual expenditure to budgeted expenditure.
17	For programs of decentralized execution, has a mechanism been designed for the consolidation and budgetary control of the financial transactions under the responsibility of the co-executors? (decentralized units)			1	
<b>Treasury</b>					
<b>It has been anticipated that:</b>					
18	Is there an operational regulation manual for the management of both the Bank's financing and the counterpart resources including: functions, delegations of authority, restrictions, etc.?			1	
19	Have bank accounts with the Central Bank or Commercial Banks been opened under the project's name and for the exclusive handling of the Bank's funding or contribution to be used for the project?			1	
20	Have bank accounts with Commercial Banks been opened under the project's name and for the exclusive handling of local counterpart resources to be used for the project?			1	
21	When dealing with projects of decentralized execution, have bank accounts with Commercial Banks been opened by the co-executors under the project's name and for the exclusive handling of the financing and the counterpart resources?			1	
22	Are there cash flow programs integrating the needs of all the Units?	1			
23	Are there periodic preparation of records, reports and reconciliations showing the balances and movement of the bank accounts and liabilities?			1	
24	Are the bank reconciliations prepared by personnel independent from the ones with access to the recording and handling of funds?			1	
25	Are the bank reconciliations up-to-date for each end-of-month closing?			1	
26	Bank reconciliations do not reveal old transactions without adjustments or when timely actions have been established for their removal, when they exist.			1	
27	Have periodic reconciliations been made to the Revolving Fund among the available bank balances, the executor's and the Bank's records, and are the reconciliation transactions properly explained or have the pertinent adjustments been implemented?			1	
28	Are there mechanisms for the preparation and presentation of semi-annual reports of the Revolving Fund, within the 60 days following the closing of each semester?			1	
29	In case of projects of decentralized execution, is there sufficient explanation of the cash flow among the Bank (or other co-financing organisms), the PCU and the co-executors (graphic outlines)?			1	
30	For programs of decentralized execution, is there sufficient explanation of the regulating the accountability mechanism and financial reporting, the transfer of funds and the type of support documentation related to disbursement requests?			1	
31	In the event of projects of decentralized execution, with multiple co-executioners, are there procedures for the ex-post review of disbursement requests support documents, according to the Bank?			1	

If it is a credit program, the OE has planned and implemented					
32	Ensure that the sub-loans granted are eligible according to the conditions established in the CR?			1	
33	Are there records, control and use of the repayments?			1	
34	Is there control and follow up on the application of interest rates with the conditions established in the CR?			1	
Records and documents					
It has been planned mechanisms that are operative, for:					
35	Are all financial transactions, including commitments properly recorded at the moment of their occurrence?	1			Commitment system is electronic and is updated on a real time basis.
36	Is an official receipt issued , for each financial transaction, (revenues and expenses) via a prenumbered form with the necessary information for its identification, classification and accounting entry?	1			
37	Have the deposits been made totally and entirely in the authorized bank accounts?			1	
38	Are such deposits made daily or, at the latest, in the next business day after receipt?			1	
39	Is each payment accompanied by support documentation such as: authorized purchase order, original proof of receipt of goods and services, original invoice and receipt of payment?	1			Every procurement and payment transactions must be supported by the following: purchase requisitions; purchase orders, requisite number of quotes, availability of funds, invoice, receipt and payment voucher.
40	Have the responsibilities to commit resources, review and authorize payments been defined?	1			
41	Except for petty cash, or in cases required by Law , are all payments made by a non transferable check made out to the beneficiary or by electronic transfer?	1			
42	Is the original support documentation of all transactions filed only when it has been signed, according to the expected regulations?	1			
Accounting and processed information in computing systems					
It has been planned an accounting system that:					
43	Makes it possible the preparation of the project's financial statements and other financial reports required by the Bank?			1	
44	Are there defined deadlines for the preparation and timely presentation of the Financial Statements and other financial reports required by the Bank?			1	
45	Are there defined policies and procedures to develop/modify, test and implement the accounting systems, including computer programs and files of related data?			1	
46	Is there a procedure for the periodic back-up (data and system back-up) that assures the recovery of financial and accounting information?	1			Daily automatic back is done by the MOF and eGov.
47	Are there methods (passwords, authorization levels, validation, etc.) to prevent unauthorized access to the database and to the accounting and financial information systems?	1			Passwords as well as limit of authority are used as control measures to prevent unauthorized access to database.
48	Is there an approved contingency plan and periodic review policy to assure the timely and continuous processing of financial and accounting information?		1		
49	Are the programs and applications properly documented?	1			
50	Is there a formal restriction to access the computer center?	1			Username and passwords are used to restrict access to computers. Usernames are also unique to each computer.

<b>Other requirements</b>				
51	Are the persons responsible for the financial information familiar with the Documents AF-100 Bank's Policy on the Audit of Projects and Entities, and AF-300 Guidelines for the Preparation of Financial Statements?		1	
52	Have the Financial Statements and other financial information required by the Bank's standards and procedures, been submitted to the Bank periodically and within the dates established in the contract?		1	
<b>TOTAL</b>		19	6	27
<b>QUANTIFICATION:</b>		YES (YES+NO)	* 100	<a href="#">76.00</a>
<b>DEVELOPMENT:</b>		There is no ND (0-40)		<a href="#">MD</a>
		Incipient ID (41-60)		
		Median MD (61-80)		
		Satisfactory D (81-100)		
<b>RISK:</b>		High RA (0-40)		<a href="#">RM</a>
		Substantial RS (41-60)		
		Medium RM (61-80)		
		Low RB (81-100)		

Internal Control Systems		YES	NO	NA	Answer justification
<b>Environmental Control</b>					
1	Has a code of conduct (ethics) or equivalent guidelines been designed?		1		A code of conduct is available within the MNS but it is not well circulated.
2	Is there personnel orientation on the code of conduct?	1			The Chief Internal Auditor presents on the code of ethics for new recruits.
3	Do the employees state that they know and understand the code of conduct upon start of employment and at least once a year?		1		The code of conduct is not signed by the employees.
4	Do the employees state the existence or nonexistence of conflicts of interest at the beginning of their employment and at least once a year?		1		Employees don't declare their conflict of interest status.
5	Has it been assigned at an appropriate level the responsibility to evaluate and solve situations of supposed breach of the code of conduct, frauds, other non compliance and recommendations to improve the control?		1		
6	Is the Entity's management style based on the fulfillment of standards geared towards efficiency, effectiveness and operational transparency? (Verify if there is a formal institutional code of values and if the personnel is aware of it and of the existence of an organizational culture: performance evaluation, definition of vision, mission, POA, indicators and standards).	1			Code of values used to drive this process. Performance Evaluation, Vision & Mission Statements.
7	Are there reports, or documents equivalent, by which it can be observed whether management promotes and practices self-evaluation in such a way that shows the existence of a control environment which has also been improved?	1			Self evaluation is done upon the evaluation by each staff.
8	Has an Internal Audit function, or the equivalent, been developed (without responsibility for other existing functions)?	1			22 persons in the Internal Audit Unit of which 21 are auditors.
9	Does the Management considers and timely corrects the inconsistencies in the control activities reported by IA	1			In most cases. Over 75% of the inconsistencies are corrected on a timely basis
<b>Risk value:</b>					
10	Is there a clear identification of the relationship between the Entity's planning and programming of activities?	1			The IA generally monitors the MNS risk management activities while the corporate planning director manages the risk management process.
11	Does personnel responsible for the achievement of objectives and goals participate in their design or did they receive an appropriate orientation about them?	1			Individuals officers set goals
12	Is there a structured and advertised methodology for the Risk Analysis 'RA'?	1			Survey of risk areas every 2 years. A risk based audit plan is done annually based on the identified risk areas in the MNS. The higher risk areas are then audited annually
13	Are there reports to illustrate that the AR methodology works in practice and contributes to the timely risk management?	1			Audit reports are prepared. Risk assessment report is also prepared separately.
<b>Activities or control procedures:</b>					
14	In general, are the control activities interrelated or are they a result of the risk evaluation?	1			Interrelated and well as risk evaluation
15	Have procedures been formalized to establish that the processed data is complete and based on real authorized transactions, in such a way as to be used to prepare reliable and timely reports?	1			
16	In each important process, have the activities that contribute to the objectives of the ICS been identified?	1			Business processes
17	Is there formal evidence that the personnel responsible for the processes has the knowledge and understanding of the control activities?	1			Included in the risk analysis. Management experience is highly considered





<b>Information and communication:</b>					
18	Is the information system supported by a technological platform that facilitates the processing and consultation of data in a comprehensive and timely manner?	1			FinMan & Biz Pay for payroll, Traffic ticketing system, Maintenance Software for motor vehicles
19	Have procedures been formally defined to protect the equipment and computer applications from correlated risks?	1			eGov lends support to the internal IT unit in the MNS
20	Are there appropriate mechanisms in place that facilitate communication inside of the Organization (communication of policies, standards, procedures, appointments and retirement of personnel, explanations, report of unusual matters, consideration of staff suggestions, etc.)?	1			Ministry Circulars, communication done via emails and via the MNS Intranet
21	Are there mechanisms that facilitate the communication outside the Organization (channels of communication with suppliers, multilateral, governmental and financial entities, etc.)?	1			Designated personnel used to communicate via email, telephone, meetings etc
<b>Monitoring:</b>					
22	Have functions and procedures for the supervision of the key processes been defined?	1			
23	Is there formal evidence that the supervision is actually performed (identify evidence of documents and reports that show the participation of the supervisory levels in reviewing the quality of the processes)	1			Personnel are required to prepare reports to indicate evidence of supervision
24	Have mechanisms been put in place for the personnel to self-evaluate how the controls corresponding to their areas of responsibility have been working?	1			Included in job description which is used as apart of the annual performance evaluation
25	Has it been clearly established the responsibility and actions related to the receipt, evaluation and transaction of the employee's initiatives, in relation to the Internal Control System (ICS)?	1			
26	If the creation and operation of an Internal Audit Unit has been formalized, is it working in agreement with the International Standards on Audit (ISAs)? (Verify the existence of an IA Manual, Unit size, expertise on ISAs, scope of audits).	1			The IAU was evaluated in 2015 and was found to be in compliance. Audit client survey independently done. 80% of staff are members of the Institute of Internal Auditors.
27	Has responsibility been assigned and procedures put in place to receive, evaluate and process the recommendations and conclusions of Internal Audit on the ICS?	1			
28	Are the levels of responsibility and authority satisfied with the services received from the IA?	1			
29	Is there an up-to-date Internal Audit report or equivalent document, which shows that the detailed requirements have been completed for each one of the five components of internal control, described in the five sections of this questionnaire?	1			
<b>TOTAL</b>		<b>25</b>	<b>4</b>	<b>0</b>	
<b>QUANTIFICATION:</b>		YES (YES+NO)	* 100	<a href="#">86.21</a>	
<b>DEVELOPMENT:</b>		There is no ND (0-40)		<a href="#">SD</a>	
		Incipient ID (41-60)			
		Median MD (61-80)			
		Satisfactory D (81-100)		<a href="#">RB</a>	
<b>RISK:</b>		High RA (0-40)			
		Substantial RS (41-60)			
		Medium RM (61-80)			
		Low RB (81-100)			

External Control System		YES	NO	NA	Answer justification
1	If the Entity is subject to an external audit, has it been performed annually?	1			The Auditor General's Department undertake annual audits.
2	Are there formal procedures for the administration of the external audit services (responsibilities for the preparation and supply of information, follow up on deadlines, receipt of results, clarifications and communication with External Auditors, etc.)	1			
3	Is there a formal contract, or equivalent, for the execution of the external Audit?	1			Formal arrangement and is mandated by statute to audit the MINS from time to time
4	Do the statements regarding the nature and scope of the audit services clearly reflect the benefits expected from this service?	1			
5	Are the estimated fees based on reasonable calculations per hour/person or days/person, based on the scope and nature of the work? (verify if there is formal supporting evidence of these calculations)			1	
6	Have the fees been paid according to what have been stated in the contract?			1	
7	In case of payment delays, have they been justified based on the independent audit firm non-compliance.			1	
8	Does the firm of external auditors only offer this type of service to the entity?	1			AGD perform different types of audit services
9	Have the reports from the contracted audit, or from a SAI's audit, been delivered in the expected time as stated in the contract or as described in the required legal standards?	1			Included in the AGD's Annual report
10	If the audit reports include opinions that are not "unqualified" and findings and/or reportable conditions on the internal control have been reported, has the Entity taken formal actions to address those problems in a timely fashion?	1			
11	If there were limitations to the audit scope, were they due to the Entity's lack of knowledge of the necessary support to comply with the audit's objectives?		1		
12	Is there evidence of the effective correction of the matters reported on the audit report?	1			
13	Is the nature of the corrections geared towards solving the causes of the problems, so that they are not repeated in following years?	1			
14	If issues arising from audit reports are still pending, could this be attributed to the management's lack of will to implement solutions, or to a lack of knowledge of an external audit's benefits?	1			
TOTAL		10	1	3	

QUANTIFICATION:	YES	* 100	90.91
	(YES+NO)		
DEVELOPMENT:	There is no ND (0-40)	SD	
	Incipient ID (41-60)		
	Median MD (61-80)		
	Satisfactory D (81-100)		
RISK:	High RA (0-40)	RB	
	Substantial RS (41-60)		
	Medium RM (61-80)		
	Low RB (81-100)		