

**UNITED NATIONS DEVELOPMENT PROGRAMME**  
**Office of Audit and Investigations**



*Empowered lives.  
Resilient nations.*

**AUDIT**

**OF**

**UNDP JAMAICA**

**GRANT FROM THE GLOBAL FUND**

**Report No. 1919**  
**Issue Date: 12 July 2018**

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## Report on the Audit of UNDP Jamaica Grant from the Global Fund Executive Summary

The UNDP Office of Audit and Investigations (OAI), from 2 to 11 May 2018, conducted an audit of one grant from the Global Fund (Output Nos. 00092472 and 00097570 [HIV/TB]) managed by UNDP Jamaica (the Office) as the Principal Recipient. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

- (a) governance and strategic management (organizational structure, risk management, staffing and performance management, capacity development and transition strategy);
- (b) programme management (project approval and implementation, and monitoring and evaluation);
- (c) Sub-recipient management (selection, assessment and contracting, and financial and programmatic activities);
- (d) procurement (qualification and forecasting, procurement of health products, individual contractors, procurement of other goods and services), supply management (inventory, warehousing and distribution), and asset management; and
- (e) financial management (revenue and accounts receivable, expenditure, and reporting to the Global Fund).

The audit covered the Global Fund-related activities of the Office from 1 October 2016 to 31 March 2018. The Office recorded Global Fund-related expenses of approximately \$2.5 million during the period covered by the audit. This was the first audit of the Office's Global Fund-related activities.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

### Overall audit rating

OAI assessed the Office's management of the Global Fund grant as **partially satisfactory/some improvement needed**, which means, "The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area. This rating was mainly due to the misalignment between accountability and delegations of authority, and weaknesses in managing Sub-recipients.

### Key recommendations: Total = 2, high priority = 2

The two recommendations aim to ensure the following: (a) achievement of the organization's strategic objectives (Recommendation 1, high priority); and (b) reliability and integrity of financial and operational information (Recommendation 2, medium priority).

For high (critical) priority recommendations, prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. The high (critical) priority recommendations are presented below:

Misalignment between accountability and delegations of authority (Issue 1)

OAI noted a misalignment between the placement of accountability and the delegations of authority for the project. Specifically, the delegation of authority was not granted to the former Programme Manager who came on board at the initiation of the grant in January 2017. In January 2018, the Office's Programme Specialist was delegated the authority to approve and sign all related documents for the project on behalf of the Director, Regional Service Centre. This delegation of authority was the result of a misinterpretation by the Regional Service Centre of its role in the 'regional' nature of this project.

In February 2018, the Programme Manager resigned. The new Programme Manager was hired in March 2018 under the individual contract modality. Due to the limitation of this contractual modality, the authority to approve all payments for the project remained with the Programme Specialist. As a result, the new Programme Manager saw payments made for the project on a post facto basis.

Recommendation: The Office should, in coordination with the Regional Bureau for Latin America and the Caribbean, ensure that the delegations of authority for the project are in line with the UNDP Accountability Framework.

Weaknesses in managing Sub-recipients (Issue 2)

A value for money analysis was not undertaken prior to contracting two Sub-recipients. Further, the Office outsourced the procurement of professional services to the two Sub-recipients and allocated to them a total of \$1.8 million for the period 1 October 2016 to December 2017. This was not in accordance with the UNDP Global Fund and Health Implementation Manual because it exceeded the allowable value for outsourcing the procurement function. Furthermore, the Office did not actively participate in the capacity assessment of three Sub-sub-recipients conducted by the Sub-recipients, as required. Lastly, the Office outsourced the responsibility for selecting grantees to the two Sub-recipients. While UNDP policies did not prohibit such actions, the Office did not undertake due diligence to determine if the two Sub-recipients had adequate capacity to take on this responsibility.

Recommendation: The Office should ensure that staff are fully aware of the relevant policies and procedures in engaging Sub-recipients and Sub-sub-recipients and should seek guidance from Headquarters for decision-making on procurement activities.

### Management comments and action plan

The Resident Coordinator/Resident Representative accepted the two recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated into the report, where appropriate.



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## I. Profile of Global Fund grant managed by UNDP Jamaica

Since 2016, UNDP has been the Principal Recipient of the Global Fund grant in Jamaica (the Country).

Grant No.	Project ID	Description	Start Date	End Date	Budget	Funds Received as of 31 March, 2018	Expenditures from 1 Oct 2016 to 31 March 2018	Impl. Rate	Global Fund Rating at 31 March 2018
QRA-H-UNDP	00098622	Challenging stigma and discrimination to improve access to and quality of HIV services in the Caribbean	1 Oct 2016	30 Sept 2019	7,380,399	\$3,982,602	\$2,534,996	63.7%	Pending*

## II. Audit results

Satisfactory performance was noted in the following areas:

- Project approval and implementation. No reportable issue was identified.
- Monitoring and evaluation. No reportable issue was identified.
- Asset management. No reportable issue was identified.
- Individual contractors. OAI reviewed recruitment records of the two individual contractors engaged during the audit period and noted that they were selected competitively. All aspects of the recruitment and contracting process of the individual contractors were in order.
- Revenue and accounts receivable. All six disbursements made by the Global Fund had been properly recorded and the supporting documents were uploaded in Atlas (enterprise resource planning system of UNDP).
- Reporting to the Global Fund. OAI validated one Progress Update and Disbursement Request that was due during the audit period and noted that it was properly prepared and submitted timely. The reported financial and qualitative data were linked to verifiable sources.

OAI made two recommendations ranked high (critical).

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

### High priority recommendation:

- The Office should, in coordination with the Regional Bureau for Latin America and the Caribbean, ensure that the delegations of authority for the project are in line with the UNDP Accountability Framework. (Recommendation 1).
- The Office should ensure that staff are fully aware of the relevant policies and procedures in engaging Sub-recipients and Sub-sub-recipients and should seek guidance from Headquarters for decision-making on procurement activities (Recommendation 2).

The detailed assessment is presented below, per audit area.

## A. Governance and strategic management

### 1. Organizational structure

#### Issue 1 Misalignment between accountability and delegations of authority

The UNDP Accountability Framework underscores the importance of clear elements of stakeholder and managerial accountability. These are discharged through the precise articulation of roles, responsibilities and authorities. Based on the concept of mutual accountability, the staff member who holds accountability for outcomes delegates appropriate levels of authority to staff. In doing so, the delegator of authority remains accountable for outcomes and that delegation should flow from the staff member who holds accountability.

Upon reviewing the accountability structure for the management of the project, OAI noted a misalignment between the placement of accountability and the delegations of authority, as described below:

- In September 2016, the Regional Bureau for Latin America and the Caribbean delegated to the Resident Representative of the Office the authority to sign Grant Agreement QRA-H-UNDP with the Global Fund, and to create and manage the project in Atlas. As a signatory to the Grant Agreement, the Resident Representative was accountable for the outcomes of the project. To manage the project, a Programme Manager came on board at the initiation of the grant in January 2017 but was not granted the required sub-delegation of authority.
- The Regional Service Centre Panama misunderstood its responsibility for the macro oversight of the project. The Director, Regional Service Centre Panama mistakenly assumed its role in the regional nature of the project and issued a delegation of authority, in January 2018, to a Programme Specialist from the Office to approve and sign all related documents for the project, on behalf of the Director, Regional Service Centre. Specifically, the Programme Specialist was authorized to (i) approve requisitions, (ii) request for the hiring of personnel or consultants, (iii) prepare the annual budget and work plan, (iv) validate a procurement plan, and (v) be responsible for results-based management. This delegation of authority to the Programme Specialist included the first authority of the Internal Control Framework, which should have been the Programme Manager functions.
- In February 2018, the Programme Manager resigned. The new Programme Manager was hired in March 2018 under the individual contract modality. Due to the limitation of this contractual modality, the authority to approve all payments for the project remained with the Programme Specialist, who was not engaged in the day-to-day management of the project. As a result, the new Programme Manager saw payments made for the project on a post facto basis.

The misalignment in the project's accountability framework and delegations of authority resulted in accountability gaps and staff confusion, which may affect the achievement of the objectives of the grant.

<b>Priority</b>	High (Critical)
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#### **Recommendation 1:**

The Office should, in coordination with the Regional Bureau for Latin America and the Caribbean, ensure that the delegations of authority for the project are in line with UNDP Accountability Framework.



**Management action plan:**

The Office will discuss with the Regional Bureau for Latin America and the Caribbean options for implementation of the recommendation for the remaining period of the project.

**Estimated completion date:** August 2018

**B. Sub-recipient management**

**1. Selection, assessment and contracting**

**Issue 2**      Weaknesses in managing Sub-recipients

The UNDP Global Fund and Health Implementation Manual stipulates that a value for money analysis must be completed prior to contracting with civil society organizations that are directly engaged as Sub-recipients. The direct engagement approach can be used when a civil society organization, as a former Principal Recipient, transfers this role to a UNDP office. Nevertheless, such direct engagement is not optional and subject to a capacity assessment showing best value for money. In addition, the UNDP Global Fund and Health Implementation Manual does not allow outsourcing of the procurement function if the procurement threshold of \$100,000 (or 10 percent of total budget) is reached. Moreover, the office, as Principal Recipient, must actively participate in the capacity assessment of Sub-sub-recipients prior to their engagement.

OAI noted the following issues relating to the engagement of two Sub-recipients and three Sub-sub-recipients:

- A value for money analysis was not undertaken prior to contracting two Sub-recipients. In November 2016, the Office initiated, yet did not complete its value for money analysis for the two Sub-recipients prior to contracting them. OAI was informed by the Office that the decision not to follow through with the value for money analysis was based on the advice from the Bureau for Policy and Programme Support, which indicated that conducting the analysis was optional. In OAI's opinion, in accordance with the UNDP Global Fund and Health Implementation Manual, the value for money analysis was necessary even with direct engagement of Sub-recipients.
- For the period 1 October 2016 to December 2017, the UNDP country office outsourced the procurement of professional services to the two Sub-recipients and allocated to them a total of \$1.8 million for this purpose. This was not in accordance with the UNDP Global Fund and Health Implementation Manual because it exceeded the allowable value for outsourcing the procurement function. The Office explained that the Sub-recipients had the capacity to carry out procurement of professional services. Nevertheless, the Procurement Support Office, Bureau for Management Services, should have been consulted prior to outsourcing the procurement function.
- The Office did not actively participate in the capacity assessment of three Sub-sub-recipients conducted by the Sub-recipients, as required. When the Office later reviewed the results of the Sub-sub-recipient capacity assessments, it raised some concerns with the Sub-recipients. However, no formal response from the Sub-recipients was received, nor was a capacity development plan put in place. In November 2017, the Sub-recipients had to engage a third-party entity to provide support to one of the Sub-sub-recipients due to the lack of capacity in financial management.

- The Office outsourced the responsibility for selecting grantees to the two Sub-recipients. While UNDP policies did not prohibit such actions, the Office did not undertake due diligence to determine if the two Sub-recipients had adequate capacity to take on this responsibility. OAI noted that the Sub-recipients had difficulties in obtaining quality supporting documents from some of the grantees. This resulted in delays in clearing project advances given by the Office to Sub-recipients.

The above weaknesses occurred due to a lack of understanding of the requirements in the UNDP Global Fund and Health Implementation Manual by the staff.

Weaknesses noted in managing Sub-recipients, if not addressed, may result in unmitigated risks and may result in financial liability for the Office.

<b>Priority</b>	High (Critical)
<b>Recommendation 2:</b>	
The Office should ensure that staff are fully aware of the relevant policies and procedures in engaging Sub-recipients and Sub-sub-recipients and should seek guidance from Headquarters for decision-making on procurement activities.	
<b>Management action plan:</b>	
The Office will discuss with the Global Fund Health Implementation Support Team the lessons learned from the implementation of the programme to be reflected in the Operations Manual for use by other UNDP offices implementing Global Fund programmes.	
<b>Estimated completion date:</b> August 2018	



## Definitions of audit terms - ratings and priorities

### A. AUDIT RATINGS

- **Satisfactory** The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Some Improvement Needed** The assessed governance arrangements, risk management practices and controls were generally established and functioning but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Major Improvement Needed** The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.
- **Unsatisfactory** The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

### B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **High (Critical)** Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to risks. Failure to take action could contribute to negative consequences for UNDP.
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.