

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

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.



Antoine Khoury
Officer-in-Charge

Office of Audit and Investigations