



DESK REVIEW

Of

UNDP SYRIA

**GRANTS FROM THE GLOBAL FUND TO FIGHT
AIDS, TUBERCULOSIS AND MALARIA**

Report No. 1231

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Report on the Desk Review of UNDP Syria Grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria Executive Summary

The UNDP Office of Audit and Investigations (OAI), from 2 to 17 December 2013, conducted a desk review of two grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) (Project Nos. 59095 TB, and 81886 HIV) managed by UNDP Syria (the Office) as the Principal Recipient. These grants were managed under the Global Fund's Additional Safeguard Policy.

Due to the precarious security situation in Syria, OAI was not able to conduct the required annual audit in 2012 and 2013. To provide some oversight, in consultation with the Bureau for Development Policy, a desk review was conducted with the following scope limitation: (a) sub-recipient management (absence of visits to Sub-recipients or assessment of monitoring and evaluation visits and follow-up); (b) supply management (review of inventory, warehousing management and distribution); (c) asset management; (d) vouching actual staffing against staff contracts and costs; and (e) limited checks on training costs and supporting data. To the extent possible, the desk review covered the following areas: (a) governance and strategic management, specifically the organization structure, staffing; (b) Programme management, specifically project implementation, monitoring and evaluation; (c) procurement and supply management, specifically procurement of health and non-health products; and (d) financial management, specifically expenditure testing.

The desk review covered the activities of the Office from 1 January 2011 to 31 December 2012. Under the audited period, the Office recorded Global Fund-related expenditures totalling \$1.7million. The last audit of the Office's Global Fund-related activities was conducted by OAI in 2011.

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

Overall review rating

In view of the scope limitations of the desk review, OAI is not issuing an overall audit rating. The desk review will not provide the same level of assurance as a regular audit.

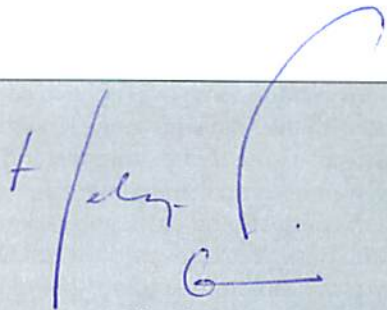
Key recommendations: Total = 4, high priority = 0

The desk review did not result in any high (critical) priority recommendations. There are four medium (important) priority recommendations, which means "Action is required to ensure that UNDP is not exposed to significant risks. Failure to take action could result in negative consequences for UNDP." These recommendations include actions to address unclear bonus processing, inadequate internal control structure within the project, Monitoring and Evaluation plan not reflective of contextual challenges, and non-competitive procurement process and insufficient documentation.

Management comments and action plan

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

Issues with less significance (not included in this report) have been discussed directly with management and actions have been initiated to address them.



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I. Profile of Global Fund grants managed by UNDP Syria

Since 2007, UNDP has been the Principal Recipient of Global Fund grants in Syria (the Country).

Grant No.	Project ID	Description	Start Date	End Date	Budget (in \$'000)	Funds Received as of 31 Dec 2012 (in \$ '000)	Implementation Rate	Expenditures as of 31 Dec 2012 (in \$ '000)	Global Fund Rating at 4 Feb 2014
SYR-607-G01-T	59095	Support the National TB Programme	Feb 2008 (phase 2)	31-May-15	9,137	2,585	66%	1,714.14	A2
SYR-011-G02-H	81886	Strengthening HIV prevention	1-Feb-12	31-Jul-14	1,709	459	7%	32.30	B1

II. Review results

Satisfactory performance was noted in the following areas:

- (a) Sub recipient management. The review of the aging of receivable resulted in one exception, which was recovered after the end of the audit fieldwork.
- (b) Finance: The review of 44 vouchers (11 percent of the total vouchers, representing about 12 percent of the total value of vouchers during the audit period) disclosed no significant weaknesses.

OAI proposes four recommendations that are ranked medium (important) priority.

Low priority recommendations were discussed directly and agreed upon with the Office and are no longer included in this report.

Medium priority recommendations, arranged according to significance:

- (a) Process performance bonus payments in accordance with UNDP rules and regulations (Recommendation 1).
- (b) Review the contractual modality of the Project Management Unit staff involved in key functions, particularly the Programme Manager, to set a proper level of accountability within the project management team for future grants (Recommendation 2).
- (c) Request the Global Fund to review the Monitoring and Evaluation plan to align it with the country context and include on the Progress Updates and Disbursement Requests document all practices used to collect and validate programmatic data not included in the Monitoring and Evaluation plan (Recommendation 3).
- (d) Improve the documentation of its procurement process to demonstrate compliance to the best value of money principles and adherence to UNDP's rules and regulations (Recommendation 4).

The detailed assessment is presented below, per audit area:

A. Governance and Strategic Management

1. Staffing

Issue 1 Unclear bonus processing

According to the UNDP Policies and Procedures, the Resident Representative has the sole discretion to approve recommendations for performance bonuses to personnel on Service Contracts based on performance assessment and the availability of resources under the project.

OAI reviewed the process leading to the payments of bonuses and noted that the approval of performance bonus for the audited period was decided within the Programme Management Unit and not by the Resident Representative. OAI further reviewed the Programme Management Unit's performance appraisals and noted that not all staff who received the bonus had satisfactory performance.

Unclear performance bonus processing may lead to unauthorized payments and inappropriate use of donor's funds.

Priority	Medium (important)
Recommendation 2:	Process the performance bonus payments in accordance with UNDP rules and regulations which require performance bonuses be authorized by the Resident Representative based on satisfactory performance.
Management action plan:	A memo in line with the Service Contract remuneration handbook was circulated to staff of the Project Management Unit, explaining the basic criteria for recommending and awarding bonus.
Estimated completion date:	Immediately

Issue 2 Inadequate internal control structure within the project

According to UNDP Policies and Procedures, the Service Contract is a modality for hiring individuals under a non-staff contract where UNDP itself serves as implementing partner of a development project. The individuals engaged under this contract are neither staff members nor officials. The services performed by an individual engaged under a Service Contract do not carry any authority either directly or by delegation to legally bind UNDP or enter into any agreements or financial obligations on behalf of UNDP with other international organizations, governments, legal entities or individuals.

At the time of the review, the Programme Management Unit's nine staff members were on Service Contracts, including the Programme Manager since 2007. The average time in this contractual modality was about 4 years. The Programme Manager roles included the following key tasks: (a) the regular review of Atlas project reports to ensure that all programming, financial and administrative matters related to the Project Management Unit are effectively managed; (b) represent the Unit on behalf of UNDP to other United Nations organizations, donor organizations, as well as national government and non-governmental institutions.

Furthermore, in line with UNDP's regulations and the internal control framework, a Service Contract holder has restricted access to Atlas, and not allowed to perform certain core Programme management responsibilities and functions, which are restricted to UNDP staff only. As a result, the accountability of the project rested outside the Project Management Unit, as the approval of Global Fund expenses done by an Office staff.

Inadequate setting of the project's internal control may hamper the Office's accountability to timely detect irregularities.

Priority	Medium (important)
Recommendation 2:	
Review the contractual modality of the Project Management Unit staff involved in key functions, particularly the Programme Manager, to set a proper level of accountability within the project management team for future grants.	
Management action plan:	
The team structure and contractual modalities will be revised, in close consultation with the Global Fund, as part of the reorganization of the Country Office in order to equip it for delivering on its new mandate.	
Estimated completion date: July 2014	

B. Programme Management

1. Monitoring and Evaluation

Issue 3 Monitoring and Evaluation plan not reflective of contextual challenges

The Global Fund policy states that Principal Recipients should submit a national Monitoring and Evaluation plan for HIV and TB grants. The plans must be designed to provide sufficient information about programmatic progress on a regular basis. The Progress Update and Disbursement Request document is designed to provide a sound basis for grant oversight, risk identification, and disbursement decision making.

According to the Monitoring and Evaluation plan, the programme implementation staff must conduct regular monitoring visits to the project sites to verify and validate the progress. This includes three supervisory visits to specific centres in the nine governorates each quarter. OAI reviewed a sample of trip reports and noted that, due to the ongoing conflict, no visits outside of Damascus had taken place since 2012.

To comply with the monitoring requirement of the grants the Project Management Unit contracted staff from the National Medical Association to collect and validate Monitoring and Evaluation data in the security perimeters not accessible to United Nations staff. The options taken to maintain some monitoring of the sites and the various challenges encountered in the routine monitoring and evaluation of the projects were not reflected in the Plan or in the Progress Update reports submitted to the Global Fund.

While OAI acknowledged the initiatives taken by the Office to find alternate ways of monitoring, it should be noted that any monitoring and evaluation practice not preliminarily agreed with the Global Fund may result in a disagreement that might impact on the reliability and validity of collected information. In addition, ad hoc practices may increase the liability of the Project Management Unit to the donor, who could reject expenses on grounds that these were not included in the approved Monitoring and Evaluation plan.

Priority	Medium (Important)
Recommendation 3:	
The Office should:	
<ul style="list-style-type: none"> (a) request the Global Fund to review the Monitoring & Evaluation Plan to align it with the country contextual realities. (b) include on the Progress Updates Disbursement Requests all practices to collect and validate programmatic data not included in the Monitoring & Evaluation Plan. 	
Management action plan:	
A modification to the Monitoring & Evaluation plan will be conducted and annexes will be added to reflect the activities, which are not described in the approved plan.	
Estimated completion date: June 2014	

C. Procurement and Supply Management

During the audit period, the Office processed 82 purchase orders totaling about \$1.6 million. About 73 percent was procured directly by the Office, 16 percent through the Global Procurement Unit and 12 percent of this amount was procured through United Nations agencies. OAI reviewed the procurement process by interviewing the Office staff assigned to the Global Fund grant and testing a sample of 24 purchase orders valued at about \$0.5 million, or 29 percent of the total value of purchase orders issued during the audit period. The following issue was noted during the review of the purchase orders.

Issue 4 Non-competitive procurement process and insufficient documentation

As per the Programme and Operations Policies and Procedures, the core governing principle of UNDP is to obtain the best value for money of the item presenting the optimum combination of life-cycle costs and benefits.

In 2012 the Project Management Unit used the service of a UN Agency (WFP Dubai) to procure pharmaceutical and non-pharmaceutical related products amounting to approximately \$100,000. The Office reported that this was done under a wider technical agreement between WFP and UNDP and historically they used WFP Dubai to procure goods because they hold inventory that are adapted to regional specificities. OAI noted in one case a transaction pertaining to the procurement of masks where the Office did not demonstrate best value for money when using the agreement. The technical agreement between the two agencies required Country Offices to consult the Procurement Support Office prior to submitting any request to WFP Dubai. However, the Office was not complying with the technical agreement. The Project Management

Unit explained they did not systematically do comparative analysis when using WFP citing that previous experiences showed that purchasing through the UNDP Global Procurement Unit was more expensive.

Through the review of purchase orders, OAI also noted that procurement transactions were not sufficiently documented, such as for the announcement of the tendering process and how suppliers were selected for quotation requests. Out of 13 purchase orders requiring a tendering process, there were four without supporting documentations. Also, in one instance, the PMU used a non-UNDP email account to send and receive tender information. This practice could induce some unauthorized communication with vendors, and fraud. The PMU explained that a non-UNDP account was used due to the size limitation of UNDP email accounts. OAI noted however that the largest size of offers sent and received on the non-UNDP email account was below the UNDP's email size limit, therefore, not justifying the use of non-UNDP email account.

In view of the foregoing weak procurement practices, the Office may not be able to demonstrate adherence to the best value of money principles and the adequate use of donor's funds.

Priority	Medium (Important)
Recommendation 4:	
The Office should:	
<ul style="list-style-type: none"> (a) document adherence to the four general principles of UNDP procurement, namely Best Value For Money, fairness, integrity, transparency and effective competition; and (b) use a UNDP email account at all time for procurement, splitting email attachments over several emails and/or providing a link on the CO's public website where suppliers can upload and send their offers and catalogues. 	
Management action plan: The procurement practice will be reviewed to adhere to UNDP's regulations concerning best value for money, fairness, integrity, transparency and effective completion.	
Estimated completion date: Immediately	

Definitions of audit terms – 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 and may affect the organization at the global level.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to significant risks. Failure to take action could result in negative consequences for UNDP.
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.