UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP BELIZE

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

Report No. 972

Issue Date: 24 October 2012

Report on the audit of UNDP Belize
Grants from the Global Fund to Fight Aids, Tuberculosis and Malaria
Executive Summary

From 20 to 24 February 2012, the Office of Audit and Investigations (OAI) conducted an audit of one grant from the Global Fund to Fight Aids, Tuberculosis and Malaria (Global Fund) [Project IDs: 76868 and 76870 (HIV)] and managed by the UNDP Country Office in Belize (the Office) as the Principal Recipient (PR). The audit covered all Global Fund-related activities of the Office during the period from 1 January 2010 to 31 December 2011. During the period reviewed, the Office recorded Global Fund-related expenditures totalling $637,000. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plans and performs the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management, and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for our conclusions.

Audit rating

OAI assessed the Office's management of Global Fund grants as **partially satisfactory**, which means "Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity." This rating was mainly due to significant delays in the procurement of health products and other goods and services. Ratings per audit area and sub-areas are summarized below:

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Governance and strategic management				▓
1.1 Organizational structure	Satisfactory			
1.2 Staffing	Satisfactory			
1.3 Cooperation and coordination with Country Coordination Mechanism and other stakeholders	Satisfactory			
1.4 Capacity building and exit strategy	Not Applicable			
2. Programme management				▓
2.1 Project approval and implementation	Satisfactory			
2.2 Conditions precedent and special conditions of the grant agreements	Satisfactory			
2.3 Monitoring and evaluation	Satisfactory			
2.4 Grant closure	Not Applicable			
3. Sub-recipient management				▓
3.1 Selection, assessment, and contracting	Satisfactory			
3.2 Funding	Satisfactory			
3.3 Reporting	Satisfactory			
3.4 Oversight and monitoring	Partially Satisfactory			
3.5 Audit	Not Applicable			
4. Procurement and supply management		▓		

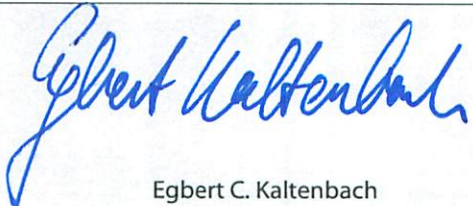|					
4.1	Procurement of health products	Unsatisfactory			
4.2	Quality assurance of health products	Satisfactory			
4.3	Procurement of other goods and services	Unsatisfactory			
4.4	Supply management (inventory, warehousing, and distribution)	Partially Satisfactory			
4.5	Asset management	Satisfactory			
4.6	Individual Contractors	Satisfactory			
5.	**Financial management**				
5.1	Revenue and accounts receivables	Satisfactory			
5.2	Expenditure	Partially Satisfactory			
5.3	Reporting to the Global Fund	Satisfactory			

Key issues and recommendations

The audit raised six issues. There are five recommendations, of which two (40 percent) were ranked high (critical) priority, meaning "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."

Procurement of health products (Issue 3)	Significant delays in procurement of health products. Upon request from the Ministry of Health (MoH), the Office procured two CD4 count machines (machines used to help determine the stage of a person's infection with HIV), which took seven months to finish. The delays were attributed to a number of factors: (a) a lack of sourcing of regional vendors by the Global Procurement Unit; (b) misunderstandings by UNDP El Salvador of the 'single level' review approach for procurement processes that are required to be submitted to an independent review committee – the Office is a sub-office under the responsibility of UNDP El Salvador and was required to submit all procurement processes that required an independent review to UNDP El Salvador; (c) discrepancies in the language (Spanish/English) used by the independent review committees in written exchanges with the Office. OAI recommends that the Office, in conjunction with UNDP El Salvador, improves its Global Fund procurement processes by: (a) ensuring the 'single level' review approach is applied for independent review processes, and (b) ensuring that communication in the Office's procurement processes is conducted in English.
Procurement of other goods and services (Issue 4)	Significant delays in procurement of other goods and services. It took the Office one year and four months to finalize a request from the MoH for a direct contract for services to develop an operational model and solution design for the national data repository infrastructure. Most of the delays regarding this procurement process could be attributed to the same causes as detailed in the procurement of health products (refer to Issue 3).

Management's comments

The Resident Representative accepted all the recommendations and is in the process of implementing them.

Egbert C. Kaltenbach
Director
Office of Audit and Investigations