



AUDIT

OF

UNDP INDIA

Improving Efficiency of Vaccination Systems in Multiple States
(Directly Implemented Project No. 78163)

Report No. 1625
Issue Date: 6 June 2016

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**Report on the Audit of UNDP India
Improving Efficiency of Vaccination Systems in Multiple States
(Project No. 78163)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), from 4 to 13 May 2016, conducted an internal controls audit of Improving Efficiency of Vaccination Systems in Multiple States (Project No. 78163) (the Project), which is directly implemented by the UNDP Country Office in India (the Office). 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 (organization and staffing, organizational structure and delegations of authority, leadership/ethics and values, and planning);
- (b) programme activities (partnerships and resource mobilization and project management); and
- (c) operations (human resources, finance and procurement).

The audit covered the activities of the Project from 1 January 2015 to 31 March 2016. The Project recorded expenditures of approximately \$15 million during the audited period. This was the first audit of the Project. The last audit of the Office was conducted by OAI in 2015.

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

Overall audit rating

OAI assessed the management of the Project 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 was mainly due to the inadequate monitoring of certain project activities.

Key recommendations: Total = 4, high priority = 1

The four recommendations aim to ensure the following: (a) reliability and integrity of financial and operational information (Recommendations 2 [high priority] and 3); and (b) effectiveness and efficiency of operations (Recommendations 1 and 4).

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 recommendation is presented below:

Inadequate monitoring of certain project deliverables (Issue 2)	The Office had contracted a vendor to provide services for software solutions, for the deployment of human resources as well as for capacity-building of government staff working for cold chain and vaccine logistics amounting to \$7.3 million from August 2015 to December 2016. The contract required the Office to make progressive payments to the vendor against agreed milestones and deliverables, and on a monthly basis for the deployment of human resources.
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The vendor submitted evidence of achieving milestones as required by the contract and the Office verified the evidence (e.g., inception reports, capacity development plans, analysis reports and strategy reports); however, for the payment of human resources deployed in about 160 districts across the Country, the Office relied on informal feedback from the Project's personnel. The Office had not established formal mechanisms to determine the exact number of personnel deployed in specified locations or to verify the work performed by them. The Office indicated that the vendor submitted monthly time sheets containing the names of the personnel who had been deployed, but these were not verified or approved by the Project's personnel.

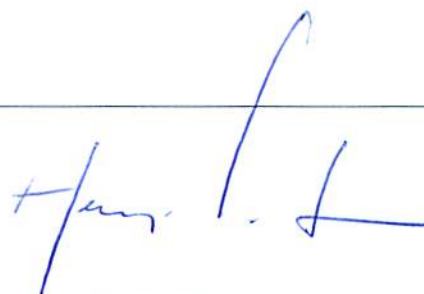
As of December 2015, a total of 226 personnel were deployed by the vendor to carry out various project activities, such as staff trainings and monitoring of vaccine management processes. In total, the contractual payment for this category of services amounted to \$3 million for the contract duration, i.e., from August 2015 to December 2016.

Recommendation: The Office should enhance controls over payments to the vendor for the deployment of human resources. This could include formal mechanisms such as developing procedures that require the vendor's personnel to submit signed time sheets/attendance sheets to the Project's personnel and conducting spot checks to determine the existence of these personnel and the quality of work performed to enable accurate payments to be made to the vendor.

Management comments and action plan

The UN Resident Coordinator and UNDP Resident Representative accepted all four recommendations and is in the process of implementing them. Comments and/or additional information provided had been incorporated in 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.



Helge S. Osttveiten
Director
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I. About the Office and the Project

The Office is located in New Delhi, India (the Country). In 2015, the total management and programmatic expenditures of the Office were \$58 million. The Government proposed a programme called 'Health System Strengthening' (with duration from 2014 to 2016) to the Global Alliance for Vaccines and Immunization (GAVI). The Government identified UNDP, UNICEF and WHO for the implementation of this programme. The UNDP component of the programme, which is the Project, is implemented directly and focuses on the following: (a) building the capacity of the national and state governments of three states in cold chain and vaccine management; and (b) research and innovation in improving the reach of quality immunization services. As many of the Project's activities had already been completed in the three states, the Office was in the process of upscaling the activities to nine other states.

II. Audit results

Satisfactory performance was noted in the following area:

- Operations. The Office provided all operational support to the Project and had established adequate controls.

OAI made one recommendation ranked high (critical) and three recommendations ranked medium (important) priority.

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

High priority recommendation:

- (a) Enhance controls over payments to the vendor for the deployment of human resources (Recommendation 2).

Medium priority recommendations, arranged according to significance:

- (a) Formally establish a Project Board or a similar body comprising relevant stakeholders that meet regularly (Recommendation 1).
- (b) Improve the quality of annual and quarterly project progress reports (Recommendation 3).
- (c) Maintain risks and issues logs to record and act on risks and issues identified (Recommendation 4).

The detailed assessment is presented below, per audit area:

A. Governance and Strategic Management

1. Leadership

Issue 1 Lack of an established Project Board

The 'UNDP Programme and Operations Policies and Procedures' state that the Project Board (also known as Project Steering Committee) is the group responsible for making management decisions for a project when guidance is required by the Project Manager, including recommendations for UNDP/implementing partner approval of project plans and revisions. In order to ensure UNDP's ultimate accountability, Project Board

decisions should be made in accordance with standards that shall ensure management for development results, best value for money, fairness, integrity, transparency, and effective international competition.

The Office's Annual Work Plans with respect to the Project for 2014 and 2015 indicated that a Project Steering Committee would be set up to oversee the Project and it planned to meet at least twice in a year or as needed. The Committee was expected to carry out tasks such as ensuring that project objectives were met within the defined time frames, monitoring project progress and project expenditure, and addressing project issues.

As of the audit date, the Office had established neither a Project Board nor a Project Steering Committee. The Office's management commented that although the Project Board was not established, an Immunization Advisory Group, chaired by a senior government official, had been formed to provide advice on improving coverage and technical suggestions on immunization, and had undertaken some functions of the Project Board. The Immunization Advisory Group, which had planned to meet every quarter, met only twice a year, based on respective consultations with the implementing partners.

The audit reviewed the meeting minutes of the Immunization Advisory Group and noted that while it performed some of the functions of a Project Board, these functions were not adequate to substitute the responsibilities of the Project Board. The Immunization Advisory Group comprising of representatives from UNICEF, WHO, UNDP, and government officials, deliberated on the overall progress of the Project and introduction of new vaccines in the Country. However, some managerial aspects had not been addressed adequately. These included approving annual work plans, ensuring project assurance activities were undertaken (including documenting and monitoring project risks and issues), and preparing annual project review reports that highlight results achieved against targets of intended project outputs (refer to Issues 3 and 4).

The Project Manager indicated that the Office's senior management had been involved in the internal oversight of the Project, through formal weekly meetings with the Project Manager, through performing field visits, interacting with key vendors, and monitoring deliverables. Further, the Office's management agreed that integrating these project assurance tasks and providing overall project oversight and strategic direction to the Project would strengthen the governance of the Project, especially given the plan to upscale activities to nine other states in the Country.

While the audit team acknowledged that some Project Board roles were indeed undertaken by the Immunization Advisory Group and by the Office's senior management, the absence of a formal Project Board may prevent the Office from effectively mitigating potential risks, which may have a negative impact on the Project's intended results.

Priority	Medium (Important)
Recommendation 1:	
The Office should formally establish a Project Board or a similar body comprising relevant stakeholders that meet regularly to undertake the key roles of a Project Board to ensure effective governance over the Project.	
Management action plan:	
The Office will integrate an existing meeting platform with relevant stakeholders in order to undertake roles similar to a Project Board.	
Estimated completion date: 31 December 2016	

B. Programme Activities

1. Project Management

Issue 2 Inadequate monitoring of certain project deliverables

The Office had contracted a vendor to provide services for software solutions, for the deployment of human resources as well as for capacity-building of government staff working for cold chain and vaccine logistics amounting to \$7.3 million from August 2015 to December 2016. The contract required the Office to make progressive payments to the vendor against agreed milestones and deliverables, and on a monthly basis for the deployment of human resources.

The vendor submitted evidence of achieving milestones as required by the contract and the Office verified the evidence (e.g., inception reports, capacity development plans, analysis reports and strategy reports) without any difficulties. However, for the deployment of human resources in about 160 districts across the Country, the vendor provided a report to the Office comprising a list of personnel and the payments requested. For these payments, the Office relied on informal feedback from the Project's personnel. The Office also referred to training reports conducted in various districts to obtain assurance that the human resources were actually deployed as indicated in the payment requests from the vendor. The Office had not established formal mechanisms to determine the exact number of personnel deployed in specified locations or to verify the work performed by them. The Office indicated that the vendor submitted monthly time sheets containing the names of the personnel who had been deployed, but these were not verified or approved by the Project's personnel.

As of December 2015, a total of 226 personnel were deployed by the vendor to carry out various project activities, such as staff trainings and monitoring of vaccine management processes. In total, the contractual payment for this category of services amounted to \$3 million for the contract duration, i.e., from August 2015 to December 2016.

The Office's management commented that it realized the need for more formal procedures to be established and to be embedded within its already existing processes, such as having vendor's personnel time sheets verified by the Project's personnel prior to making payments to vendors.

The lack of formal monitoring mechanisms in the verification process may result in the risk of overpayments being made to the vendor.

Priority	High (Critical)
Recommendation 2:	
The Office should enhance controls over payments to the vendor for the deployment of human resources. This could include formal mechanisms such as developing procedures that require the vendor's personnel to submit signed time sheets/attendance sheets to the Project's personnel and conducting spot checks to determine the existence of these personnel and the quality of work performed to enable accurate payments to be made to the vendor.	

Management action plan:

The Office will undertake efforts to enhance controls as described above.

Estimated completion date: 31 December 2016

Issue 3 Weaknesses in project progress reports

The 'UNDP Programme and Operations Policies and Procedures' provide that the regular review of project progress reports is an effective programme assurance function. Furthermore, based on agreed regular reporting and review schedules (minimum annually, but recommended quarterly), the Project Manager should submit a report to the Project Board. The project progress reports should provide an analysis of project performance over the reporting period.

The Office prepared quarterly project progress reports and annual project progress review reports, but these were not submitted to a Project Board or to the Project's main stakeholders, such as the government counterpart (refer to Issue 1). In addition, the quarterly progress reports and annual project progress reports prepared lacked key information on results achieved by the Office against set targets and outputs for the Project. The Office's management stated that it had developed a monitoring report to track the electronic Vaccine Intelligence Network (e-VIN) software implementation across the three states, which was shared with the government counterpart on a weekly basis. These reports were providing information on activities undertaken during the reporting period without referring to progress achieved towards project outputs. It was difficult to link the progress made by the Office to the Project's annual work plans, as the various progress reports did not include progress made on the two main outputs of the Project through a well-developed and implemented national monitoring and evaluation plan and research framework.

However, based on the GAVI Monitoring Framework tracking sheet that was shared with the government counterpart, the Office had exceeded the original targets for most of the indicators set when the Project was conceptualized in 2014. Subsequently, in 2016, the indicators together with the targets were revised to cover a total of 12 states, instead of only 3 states as per the initial target.

Progress reports that do not provide adequate information on progress made towards the achievement of project outcomes may not be useful in monitoring project progress. In addition, the inability to link project results achieved to annual work plans may hinder the Office from having an overview of progress made in carrying out project activities.

Priority	Medium (Important)
Recommendation 3:	
The Office should improve the quality of annual and quarterly project progress reports to enable the readers to better understand the progress made towards the achievement of project outputs.	
Management action plan:	
The Office will prepare project progress reports in line with UNDP's requirements and guidelines.	
Estimated completion date: 31 December 2016	

Issue 4 Inadequacies in maintaining risks and issues logs

The 'UNDP Programme and Operations Policies and Procedures' require risks logs, issues logs and lessons learned logs to be created in Atlas (enterprise resource planning system of UNDP) and updated regularly.

The Project Management Team did not maintain and update risks and issues faced by the Project in a log in Atlas or outside of Atlas. Significant events, such as delays in the receipt of funds from the donor and a protracted procurement transaction that impacted the Project's progress were not recorded. Similarly, issues and challenges mentioned in some back-to-office reports by the Project's personnel who conducted field visits to various districts and health centres were not recorded in the issues log for actions to be taken. The audit team acknowledged that the Office's key management team had closely monitored the Project; however, in the absence of a formal process to maintain and update risks and issues logs that have an impact on the Project, there may be difficulties in tracking and addressing the issues noted on a timely basis. More specifically, as the Project was expanding its activities, there would be a need to establish a formal process to record, monitor and act on issues and risks identified during project implementation.

Failure to maintain and update project risks and issues may prevent the Office from achieving the Project's objectives.

Priority	Medium (Important)
Recommendation 4:	
The Office should maintain risks and issues logs to record and act on risks and issues identified affecting the Project.	
Management action plan:	
The Office will establish risks and issues logs to document and monitor risks and issues affecting the Project.	
Estimated completion date: 31 December 2016	

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Satisfactory** Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.
- **Partially Satisfactory** 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.
- **Unsatisfactory** Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised.

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 that are considered moderate. 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.