



AUDIT

OF

UNDP DJIBOUTI

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

Report No. 1457

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Report on the Audit of UNDP Djibouti Grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria Executive Summary

The UNDP Office of Audit and Investigations (OAI), from 12 to 23 April 2015, conducted an audit of two grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) (Output Nos. 87111 [HIV] and 88216 [TB]) managed by UNDP Djibouti (the Office) as the Principal Recipient. These grants were managed under the Global Fund's Additional Safeguard Policy.¹ 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, capacity development and exit strategy);
- (b) programme management (project approval and implementation, monitoring and evaluation);
- (c) Sub-recipient management (selection, assessment and contracting, oversight and monitoring);
- (d) procurement and supply management (qualification and forecasting, procurement of health products, quality assurance of health products, procurement of other goods and services, and supply management [inventory, warehousing and distribution]); and
- (e) financial management (revenue and accounts receivable, expenditures).

The audit covered the Global Fund-related activities of the Office from 1 January 2014 to 28 February 2015. The Office recorded Global Fund-related expenditures totalling \$2.4 million. The last audit of the Office's Global Fund-related activities was conducted by OAI in 2014.

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 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 weaknesses in governance and strategic management, programme management, Sub-recipient management, and procurement and supply management.

Good practice

The Programme Management Unit and the Office developed a good working relationship with the County Coordinating Mechanism and the Sub-recipients. The Programme Management Unit provided support to the

¹ The Additional Safeguard Policy is a range of tools established by the Global Fund as a result of its risk management processes.

Country Coordinating Mechanism during the drafting of the concept notes of the upcoming grants and the Office provided logistical support on an as needed basis. The audit team met with the president of the Country Coordinating Mechanism who confirmed the good relationship with the Office and recognized the valuable support of the Programme Management Unit and the Office in the implementation of the Global Fund grants.

Key recommendations: Total = 11, high priority = 1

The 11 recommendations aim to ensure the following: (a) achievement of the organization's strategic objectives (Recommendations 1, 2 and 9); (b) reliability and integrity of financial and operational information (Recommendations 5, 7 and 11); (c) effectiveness and efficiency of operations (Recommendations 3, 8 and 10); and (d) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendations 4 and 6).

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 quality controls over pharmaceutical products (Issue 8)

Conditions included in the approved Quality Assurance Plan were not addressed in a timely manner. Medicines that were risk prioritized and to be tested upon arrival in the Country and thereafter at least annually, as per the sampling plan provided to the Global Fund, had never been tested. Three of these medicines had been in the supply chain since the beginning of 2014.

Recommendation 9: Test the quality of pharmaceutical products upon receipt in-country and at different points in the supply chain as per the Global Fund approved Quality Assurance Plan.

Implementation status of previous OAI audit recommendations: Report No. 1278, 11 April 2014

Total recommendations: 5
Implementation rate: 100%²

Management comments and action plan

The Resident Representative and for the corporate issue (Recommendations 2 and 3), the Director of the Bureau for Policy and Programme Support, accepted all of the recommendations and are in the process of implementing them. Comments and/or additional information provided have been incorporated into the report, where appropriate.

² This differs from the implementation rate in the Comprehensive Audit and Recommendation Database System (CARDS), which includes extra points depending on how quickly the recommendations have been implemented.

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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