UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations

AUDIT

OF

UNDP GUINEA-BISSAU

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

Report No. 1735

Issue Date: 16 December 2016

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

The UNDP Office of Audit and Investigations (OAI), from 19 to 30 September 2016, conducted an audit of three grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) (Output Nos. 87240 [TB], 87241 and 99429 [malaria]) managed by UNDP Guinea-Bissau (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 (staffing, capacity development and exit strategy);

(b) programme management (project approval and implementation, monitoring and evaluation, grant closure);

(c) Sub-recipient management (selection, assessment and contracting);

(d) procurement and supply management (quality assurance of health products, supply management [inventory, warehousing and distribution], asset management); and

(e) financial management (expenditures).

The audit covered the Global Fund-related activities of the Office from 1 January 2015 to 30 June 2016. The Office recorded Global Fund-related expenditures of approximately $5.8 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 the lack of quality testing for pharmaceutical and health products, and an inadequate inventory management system.

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

Key recommendations: Total = **6**, high priority = **2**

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	1	Medium
Effectiveness and efficiency of operations	2	Medium
Safeguarding of assets	4	High
	6	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	3	Medium
	5	High

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. All high (critical) priority recommendations are presented below:

Lack of testing for pharmaceutical and health products (Issue 4)

The Quality Assurance Policy of the Global Fund emphasizes the responsibility of the Principal Recipients to monitor the quality of pharmaceutical and health products they procure from the time of purchase until they are used by the patients.

The Quality Assurance Plan approved by the Global Fund in April 2015 (for both TB and malaria grants) was due for an annual update no later than 31 March 2016, in line with the agreement made with the Global Fund. The audit team noted that the plan was never updated.

Under the 2015 Quality Control Testing Plan for both the TB and malaria grants, 15 pharmaceutical products were identified to be tested upon receipt, out of which 10 were to be tested along the in-country supply chain. The audit team noted that only 1 product out of the 15 was tested. Furthermore, there was no Quality Control Testing Plan in place for the Malaria New Funding Model grant that came into force in 2016.

Recommendation: The Office should test pharmaceutical products upon receipt in-country and at different points in the supply chain as per the Global Fund requirements.

Inadequate inventory management system (Issue 5)

The inventory management information system used to track and monitor pharmaceutical products throughout the supply chain was not adequate, as noted below:

- For TB medicines, monthly stock reports received by the Office covered only the central warehouse in the Country but none of the nine regional warehouses. Starting in January 2016, a similar issue was noted with the malaria medicines.

  The Office did not receive monthly stock reports from health centres, which meant that it had no ongoing visibility of the stock levels at the service delivery points.

Recommendation: The Office should Improve its inventory management system by developing and implementing mechanisms to monitor pharmaceutical products.

Implementation status of previous OAI audit recommendations: Report No. 1315, 12 December 2014.
Total recommendations: 8
Implemented: 8

Management comments and action plan

The Resident Representative accepted all of the recommendations and is in the process of implementing them. Comments and/or additional information provided have 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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