

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP GUINEA-BISSAU

GRANTS FROM THE GLOBAL FUND

Report No. 1926
Issue Date: 25 January 2019

Report on the Audit of UNDP Guinea-Bissau Grants from the Global Fund Executive Summary

The UNDP Office of Audit and Investigations (OAI), from 5 to 16 November 2018, conducted an audit of five grants from the Global Fund (Output Nos. 93628 [HIV], 99429 [Malaria], 103029 [TB Procurement], 107168 [Malaria], and 107344 [TB/HIV Procurement & Capacity Building]) managed by UNDP Guinea-Bissau (the Office) as the Principal Recipient or Procurement Agent. 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, risk management, staffing and performance management, capacity development and transition strategy);
- (b) programme management (project approval and implementation, monitoring and evaluation, grant closure);
- (c) Sub-recipient management (selection, assessment and contracting, financial and programmatic activities);
- (d) procurement (quantification and forecasting, procurement of health products, quality assurance of health products, individual contractors, procurement of other goods and services), supply management (inventory, warehousing and distribution), and asset management; and
- (e) financial management (revenue and accounts receivable, expenses, reporting to the Global Fund, Fund Administrator Role).

The audit covered the Global Fund-related activities of the Office from 1 January 2017 to 30 June 2018. During this period, the Office recorded Global Fund-related expenses of approximately \$15.6 million. The last audit of the Office's Global Fund-related activities was conducted by OAI in 2016.

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/major improvements needed**, which means "the assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area." This rating was mainly due to weaknesses in supply chain management.

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 = 10, high priority = 1

The 10 recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	2	Medium
	3	High
Reliability and integrity of financial and operational information	6, 10	Medium
Effectiveness and efficiency of operations	1, 4	Medium
Safeguarding of assets	8	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	5, 7, 9	Medium

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:

Weaknesses in supply chain management (Issue 3)

The Office had not documented a comprehensive plan for the construction of a warehouse, including the steps, milestones, phased budgets and risk matrix. The funding of the construction had not been secured, and it depended on grant savings and the potential mobilization of additional resources. At the time of the audit, the construction of the new warehouse was delayed for more than 11 months.

The procurement of a new inventory management system was delayed because an external consultant did not provide information on what functionality was required, initiated the procurement process without involvement of the Procurement Unit, and did not disclose that he was a former Director for the vendor promoted by him.

Recommendation: The Office should improve controls over supply chain management by: (a) establishing and documenting the construction project work plan with deliverables and milestones, including a risk matrix and monitoring logs; and (b) complying with UNDP policies and procedures for vendor selection, including sourcing, evaluation of candidates, and contract management carried out by the UNDP Procurement Unit and disclosing, when necessary, any instances of conflicts of interest.

Implementation status of previous OAI audit recommendations: Report No. 1735, 16 December 2016

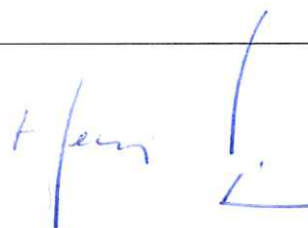
Total recommendations: 6

Implemented: 6

Management comments and action plan

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

Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.

A handwritten signature in blue ink, appearing to read 'H. Osttveiten', is enclosed within a rectangular box.

Helge S. Osttveiten
Director
Office of Audit and Investigations