



AUDIT

OF

UNDP ZAMBIA

STRENGTHENING SUPPLY CHAIN MANAGEMENT IN HEALTH SECTOR IN ZAMBIA

(Directly Implemented Project No. 101751, Output No. 104048)

Report No. 1976

Issue Date: 26 July 2018

**Report on the Audit of UNDP Zambia
Strengthening Supply Chain Management in Health Sector in Zambia
(Project No. 101751, Output No. 104048)
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), through Moore Stephens LLP (the audit firm), from 28 May to 8 June 2018, conducted an audit of Strengthening Supply Chain Management in Health Sector in Zambia (Project No. 101751, Output No. 104048) (the Project), which is directly implemented and managed by the UNDP Country Office in Zambia (the Office). This was the first audit of the Project.

The audit firm conducted a financial audit to express an opinion on whether the financial statements present fairly, in all material aspects, the Project's operations. The audit covered the Project's Combined Delivery Report, which includes expenses for the period from 1 January to 31 December 2017 and the accompanying Funds Utilization statement¹ as of 31 December 2017. The audit did not include expenses processed and approved in locations outside of the country (such as UNDP Regional Centres and UNDP Headquarters). The audit did not cover the Statement of Assets as no assets were held by the Project. In addition, the audit did not cover the Statement of Cash Position as no separate bank account was established and maintained for the Project.

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

Audit results

Based on the audit report and corresponding management letter submitted by the audit firm, the results are summarized in the table below:

Project Expenses*	
Amount (in \$ '000)	Opinion
6,074	Unmodified**

*Expenses recorded in the Combined Delivery Report were \$6,093,186. Excluded from the audit scope were expenses processed and approved by other UNDP offices outside of the country (\$19,685).

**Unmodified = unqualified or clean opinion.

Key recommendations: Total = 4, high priority = 0

The audit did not result in any high (critical) priority recommendations. There are four medium (important) priority recommendations, which means, "Action is required to ensure that UNDP is not exposed to risks. Failure to take action could result in negative consequences for UNDP." These recommendations include actions to address (i) a weakness in vendor set up, (ii) inadequate monitoring of individual contracts, (iii) prepayments incorrectly reported, and (iv) incomplete project activities.

¹ The Funds Utilization statement includes the balance, as at a given date, of five items: (a) outstanding advances received by the project; (b) undepreciated fixed assets used at the project level; (c) inventory held at the project level; (d) prepayments made by the project; and (e) outstanding commitments held at the project level.

The four recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Reliability and integrity of financial and operational information	3	Medium
Effectiveness and efficiency of operations	1, 4	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	2	Medium

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 have been incorporated into the report, where appropriate.



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