



**AUDIT**

**OF**

**UNDP ZIMBABWE**

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

**Report No. 1089**  
**Issue Date: 5 March 2013**

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**Report on the audit of UNDP Zimbabwe  
Grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria  
Executive Summary**

From 22 October to 5 November 2012, the Office of Audit and Investigations (OAI) conducted an audit of nine grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) [Project IDs: 71583 (TB), 72216 (Malaria), 72172 (HIV), 72970 (HIV), 72971 (TB), 72972 (Malaria), 72973 (Health System Strengthening), 80242 (Malaria) and 82260 (Malaria)] and managed by the UNDP Country Office in Zimbabwe (the Office) as the Principal Recipient. These grants were managed under the Global Fund’s Additional Safeguard Policy.<sup>1</sup> The audit covered all Global Fund-related activities of the Office during the period from 1 January 2011 to 31 August 2012. During the period reviewed, the Office recorded Global Fund-related expenditures totalling \$88.7 million. The last audit of the Office’s Global Fund-related activities was conducted by OAI in 2011.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plans and performs the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for the conclusions and audit results.

**Audit rating**

OAI assessed the Office’s management of Global Fund grants as **satisfactory**, which means “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.” Ratings per audit area and sub-areas are summarized below:

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
<b>1. Governance and strategic management</b>				
1.1 Organizational structure	Satisfactory			
1.2 Staffing	Satisfactory			
1.3 Cooperation and coordination with Country Coordinating Mechanism and other stakeholders	Satisfactory			
1.4 Capacity building and exit strategy	Satisfactory			
<b>2. Programme management</b>				
2.1 Project approval and implementation	Partially Satisfactory			
2.2 Conditions precedent and special conditions of the grant agreements	Satisfactory			
2.3 Monitoring and evaluation	Satisfactory			
2.4 Grant closure	Satisfactory			
<b>3. Sub-recipient management</b>				

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

3.1	Selection, assessment and contracting	Satisfactory		
3.2	Funding	Satisfactory		
3.3	Reporting	Satisfactory		
3.4	Oversight and monitoring	Partially Satisfactory		
3.5	Audit	Satisfactory		
<b>4.</b>	<b>Procurement and supply management</b>			
4.1	Procurement of health products	Satisfactory		
4.2	Quality assurance of health products	Satisfactory		
4.3	Procurement of other goods and services	Satisfactory		
4.4	Supply management (inventory, warehousing and distribution)	Partially Satisfactory		
4.5	Asset management	Satisfactory		
4.6	Individual contractors	Satisfactory		
<b>5.</b>	<b>Financial management</b>			
5.1	Revenue and accounts receivable	Satisfactory		
5.2	Expenditures	Satisfactory		
5.3	Reporting to the Global Fund	Satisfactory		

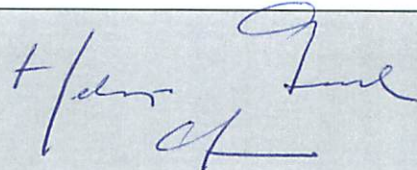
### Key issues and recommendations

There were four recommendations, all ranked medium (important) priority, meaning “Action is required to ensure that UNDP is not exposed to significant risks. Failure to take action could result in negative consequences for UNDP.” These recommendations include actions to address: (a) lack of contingency planning, (b) delays in the disbursement of funds from the Global Fund, (c) weaknesses in the support provided to Sub-recipients and (d) weaknesses in the storage of products.

Among the four issues raised, one was noted to be caused by factors beyond the control of UNDP (Issue 1).

### Management comments and action plan

The Resident Representative accepted all the recommendations and is in the process of implementing them.



Helge S. Osttveiten  
Director  
Office of Audit and Investigations

## I. Introduction

From 22 October to 5 November 2012, OAI conducted an audit of nine grants from the Global Fund [Project IDs: 71583 (TB), 72216 (Malaria), 72172 (HIV), 72970 (HIV), 72971 (TB), 72972 (Malaria), 72973 (Health System Strengthening), 80242 (Malaria) and 82260 (Malaria)] and managed by UNDP Zimbabwe as the Principal Recipient. These grants were managed under the Global Fund's Additional Safeguard Policy. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plans and performs the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for the conclusions and audit results.

### Audit scope and objectives

OAI Global Fund audits assess the effectiveness of risk management, and the adequacy and effectiveness of controls and the governance processes, in order to provide reasonable assurance to the Administrator regarding the reliability and integrity of financial and operational information, including: the accuracy of financial reports submitted to the Global Fund; effectiveness and efficiency of operations; safeguarding of assets; and compliance with legislative mandates, regulations and rules, and policies and procedures, including grant agreements signed with the Global Fund. They also aim to assist the management of the Office and other relevant business units in continuously improving governance, risk management and control processes.

Specifically, this audit reviewed the following areas related to the Office's management of Global Fund grants: governance and strategic management, programme management, Sub-recipient management, procurement and supply management and financial management. The audit covered all relevant activities during the period from 1 January 2011 to 31 August 2012. During the period reviewed, the Office recorded Global Fund-related expenditures totalling \$88.7 million. The last audit of the Office's Global Fund-related activities was conducted by OAI in 2011.

The implementation status of previous Global Fund audit recommendations (Report No. 811, 9 August 2011) was also validated. All 10 recommendations were noted to be fully implemented.

## II. Profile of Global Fund grants managed by UNDP Zimbabwe

Since 2009, UNDP has been the Principal Recipient of Global Fund grants in Zimbabwe (the Country).

Grant No.	Project ID	Description	Start Date	End Date	Lifetime Budget (in \$'000)	Funds Received* (in \$000)	Implementation Rate in %	Expenditures* (in \$000)	Global Fund Rating*
ZIM-509-G08-T	71583	National Program to reduce TB morbidity and mortality in Zimbabwe	1 Aug 2009	31 Aug 2010	8,151	7,132	88	-16	N/A
ZIM-509-G09-M	72216	Program to make ACT available for the treatment of malaria in 51 districts of Zimbabwe	1 Aug 2009	30 Sep 2010	18,213	15,443	85	110	N/A

Grant No.	Project ID	Description	Start Date	End Date	Lifetime Budget (in \$'000)	Funds Received* (in \$000)	Implementation Rate in %	Expenditures* (in \$000)	Global Fund Rating*
ZIM-509-G10-H	72172	Program to support the scale up of ART and HIV testing and counselling services in 22 districts in Zimbabwe	1 Aug 2009	31 Jul 2010	44,441	41,474	93	-572	N/A
ZIM-809-G11-H	72970	Addressing critical gaps in HIV prevention, Treatment, Care and Support in Zimbabwe	1 Jan 2010 (Ph 1)	31 Dec 2014 (Ph 2)	267,912	119,424	45	31,286	B1 <sup>2</sup>
ZIM-809-G12-T	72971	Towards universal access: Improving accessibility to high quality DOTS in Zimbabwe	1 Jan 2010 (Ph 1)	31 Dec 2014 (Ph 2)	48,106	31,229	65	13,237	A2 <sup>3</sup>
ZIM-809-G13-M	72972	Scaling up effective malaria control interventions in Zimbabwe	1 Jan 2010	31 Mar 2012 <sup>4</sup>	32,810	31,889	97	11,673	A2
ZIM-809-G14-S	72973	Health System Strengthening Cross-Cutting Interventions	1 Jan 2010 (Ph 1)	31 Dec 2014 (Ph 2)	74,664	50,002	67	30,980	A2
ZIM-011-G15-M	80242	Towards achieving pre-elimination in the Southern region of Zimbabwe and consolidating malaria control in the rest of the Country	1 Jan 2012	31 Mar 2012	13,739	125	N/A	110	N/A
ZIM-M-UNDP	82260	Towards achieving pre-elimination in the Southern region scaling up effective malaria control interventions	1 Apr 2012 (Ph 1)	31 Dec 2016 (Ph 1)	34,878	16,807	48	1,895	A2
		Totals			542,914	313,525	58	88,703	

\* As of 31 August 2012

<sup>2</sup> Global Fund B1 rating = Adequate

<sup>3</sup> Global Fund A2 rating = Meets Expectations

<sup>4</sup> The two malaria grants ZIM-809-G13-M and ZIM-011-G15-M were consolidated to form one grant ZIM-M-UNDP under the single stream of funding. As a result, the end dates for the two original grants were amended to 31 March 2012 so as to end a day before the start of the new grant.

### III. Detailed assessment

#### 1. Governance and strategic management

Satisfactory

##### 1.1 Organizational structure

Satisfactory

The structure of the Programme Management Unit was assessed at the start of Phase II of the current grant. The assessment followed a Global Fund request for the Programme Management Unit to achieve a 10 percent reduction on staffing costs. Out of a total of 32 posts (5 international and 27 national posts), 3 posts (Communications Specialist, Contracts Manager, and Human Resources Associate) were abolished and the savings on these posts were used to create 2 additional posts (HIV/AIDS Associate and Asset/Finance Associate). The human resources function was covered by the Office.

##### 1.2 Staffing

Satisfactory

At the time of the audit mission in October 2012, there were three vacancies, namely a Procurement Manager, Procurement Associate and an HIV/AIDS Assistant. OAI reviewed the recruitment process for the three vacant posts and an additional six recruitments (total sample of nine) that were completed during the period under review. The review focused on ensuring that the recruitment procedure for all selected cases was transparent, competitive and resulted in the best possible candidate being selected for the positions. No reportable issues were noted.

##### 1.3 Cooperation and coordination with Country Coordinating Mechanism and other stakeholders

Satisfactory

OAI met with the current Vice-chairman and the Coordinator of the Country Coordination Mechanism who indicated that there had been an improvement in the working relationship with UNDP since it took over as Principal Recipient. The Country Coordination Mechanism highlighted the delays in the disbursements that affected the implementation of the programmes but were positive that these delays would be addressed by the changes in the reporting and disbursement schedules from quarterly to semi-annually. No reportable issues were identified.

##### 1.4 Capacity building and exit strategy

Satisfactory

The capacity building activities are monitored by a Capacity Development Associate. The Associate will be assisted by a Capacity Development Consultant through a series of short term consultancy contracts.

As part of its capacity building activities, the Office implemented the Round 8, Phase 1 capacity building plan. An evaluation of the Phase 1 capacity building plan was carried out by the Local Fund Agent and the results were used as a basis for the preparation of the Phase 2 capacity building plan. The Office developed a new capacity building plan to be implemented under Phase 2 of the Round 8 grants, which was approved by the Global Fund in July 2012.

During the audit team's meeting with the Country Coordination Mechanism representatives, they expressed their concern that the capacity building concentrated on training of individuals who may leave the organization instead of improving the systems in the institutions which would be more sustainable. The Office clarified that the Phase 2 plan would focus more on building the capacity of the institutions.

**2. Programme management**

**Satisfactory**

**2.1 Project approval and implementation**

**Partially Satisfactory**

**Issue 1**      Delay in the disbursement of funds

According to the “UNDP Global Fund Operational manual for Projects financed by the Global Fund”, the Country Coordination Mechanism is invited to submit a request for continued funding on the last day of Month 18 (June 2011 for the Country) and expected to submit the request in mid-month of Month 21 (September 2011). On the first day of Month 24 (December 2011), Phase 2 Secretariat recommendations must be made to the Board and the Board must approve on the 10<sup>th</sup> day of Month 24. The negotiation must be carried out after the Board approval and the signing of the agreements for the extension of the grant to Phase 2, which must be completed by Month 26 (February 2012) and the first Phase 2 disbursement must be made in Month 27 (March 2012).

Phase 1 of the Round 8 grants ended on 31 December 2011 and Phase 2 started on 1 January 2012. The Office started the Phase 2 preparation before the end of Phase 1 and submitted the proposal according to the expected timelines in the manual. However, the negotiation process was prolonged because the Office was requested to resubmit a revised proposal in March 2012 for the TB and HIV grants and the Global Fund mission on grant negotiation was carried out in April 2012; thus, the grant agreements were signed in June 2012. Similarly, the Health System Strengthening grant negotiation process was also prolonged because of Country team deliberations regarding salary scale that had been included in the proposed budget and extensive discussion with the Local Fund Agent; thus, the Phase 2 agreements were signed in April 2012. During the negotiation process, the Global Fund extended all the Phase 1 grant agreements by three months (January-March 2012). HIV and TB grants were extended for an additional three months (April-June 2012) in order to make funds available for major activities that could not be interrupted including payment of salaries. The Country Office’s management commented that the negotiation process is consultative (i.e. with all stakeholders) by nature and delays in the process may be beyond the control of UNDP as Principal Recipient.

As a result of the protracted negotiation process of the Round 8, Phase 2 grants, the first disbursement to the Principal Recipient and, subsequently, to the Sub-recipients was delayed for three months, and was only made in June 2012. Therefore, implementation of activities during the first six months of 2012 was affected and caused UNDP to provide pre-financing of \$1.38 million to ensure continuation of major Global Fund programme activities.

The protracted negotiation process for the Round 8, Phase 2 grants led to the late signing of the Phase 2 grants which led to a delay in the disbursement of the Phase 2 funds.

<b>Priority</b>	Medium (Important)
<b>Recommendation 1:</b> The Office, in collaboration with relevant stakeholders and the Global Fund, should ensure that the negotiation for extension of grants, including follow up with the Global Fund on resolution of any issues, is carried out within two months after the closure of the current grant.	
<b>Management comments and action plan:</b> <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	
The Office took note of the recommendation.	



**Issue 2**      Lack of contingency planning ahead of the elections.

The Country is planning to hold elections during the year 2013. This may create disruptive conditions in the implementation of Global Fund programmes which need to ensure that (a) drugs are purchased, received and delivered to the patients on time, (b) indoor residual spraying of mosquitoes is carried out on time and (c) all other activities are implemented as scheduled.

The Office had not prepared a documented contingency plan detailing the risk assessment and mitigation measures to address the uncertainty arising out of the planned elections expected in 2013.

The Office explained that, as part of their preparation for the elections, they plan to limit the funds that they will disburse to the Sub-recipients and Sub-sub-recipients by disbursing funds for activities planned for only two months as opposed to three months according to their current disbursement schedules. This will ensure that funds held by Sub-recipients and Sub-sub-recipients are kept at low levels. The Office also plans not to disburse funds for training activities since it may be difficult to hold gatherings during the election campaign season. However, the Office may need support from other stakeholders to ensure that the implementation of programmes is not interrupted.

Implementation of the grants may be further affected if a comprehensive contingency plan is not in place in order to minimize disruption in programme implementation.

<b>Priority</b>	Medium (Important)
<b>Recommendation 2:</b> The Office, in coordination with the Global Fund and other stakeholders, should develop and document a contingency plan in anticipation of the election period.	
<b>Management comments and action plan:</b> <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	
The Office took note of the recommendation. The Office will collaborate with the stakeholders to develop a scenario based contingency plan detailing the Risk Mitigation measures that will address potential risks to the Global Fund grants in the following categories: finance, procurement, programme management and monitoring & evaluation activities.	

**2.2 Conditions precedent and special conditions of the grant agreements**      **Satisfactory**

A condition precedent is a condition which must be fulfilled before a specific event, such as the disbursement of funds or the procurement of goods. OAI assessed the fulfilment status of the conditions precedent and special conditions pertaining to the agreements for the grants currently managed by the Office as Principal Recipient. All 14 conditions that were due within the period under review had been met, except for the following two conditions precedent which were still outstanding as of August 2012:

- Deliver data on actual consumption of Artemisinin-based Combination Therapies (ACT) anti-malaria drugs and Rapid Diagnostic Test (RDT) for the year and approval by Global Fund.
- Detailed multi drug resistant-TB expansion plan and the national guidelines for programmatic management of multi drug resistant-TB.

The Office was already working towards addressing the outstanding conditions and the condition precedent related to TB was fulfilled after the audit mission. The malaria condition precedent was still outstanding. No other reportable issues were identified.

### 2.3 Monitoring and evaluation

**Satisfactory**

The monitoring and evaluation system was in place and functioning within the Programme Management Unit. OAI assessed that monitoring and evaluation functions were being performed by the Office. On-site data verification visits were carried out in different sites at the end of every quarter for all the grants and field visit reports were available. Follow-up visits were also carried-out for the on-site data verification visits that had been carried out by the Local Fund Agent. No reportable issues were identified.

### 2.4 Grant closure

**Satisfactory**

During the period under review, three grants that had ended in 2010 were closed (Round 5 HIV, Round 5 Malaria and Round 5 TB grants). All the grant closure activities were implemented and the remaining funds were returned to the Global Fund in September 2012. No reportable issues were identified.

## 3. Sub-recipient management

**Partially Satisfactory**

The Office implemented the grants through five Sub-recipients – four government entities and one non-government organization. The Sub-recipients were assisted by 15 Sub-sub-recipients.

### 3.1 Selection, assessment and contracting

**Satisfactory**

The transition from Phase 1 to Phase 2 of the Round 8 grants happened during the period under review. The Office carried out an assessment of the Sub-recipients for Phase 1 of the grants. The process involved an evaluation questionnaire that was completed by the Sub-recipient to assess their performance in the implementation of the Global Fund programme during Phase 1 of the Round 8 grants. Based on the evaluation questionnaire, the Office prepared a performance assessment report which included areas for improvement and a conclusion on whether or not the Sub-recipient was approved for Phase 2 of the Round 8 grants.

### 3.2 Funding

**Satisfactory**

OAI reviewed the funding mechanism for the Sub-recipients and noted that the Office disbursed funds to the Sub-recipients based on their funding requests. Sub-recipients were funded through advances, whereby the next advance was disbursed once 80 percent of the previous advance had been spent. Advances were also disbursed directly to the Sub-sub-recipients on request of the Sub-recipients. No reportable issues were identified.

### 3.3 Reporting

**Satisfactory**

Financial reporting by the Sub-recipients is done on a monthly basis whereas the programme reporting is done on a quarterly basis 30 days after the end of the reporting period. OAI reviewed the reporting requirement of the Sub-recipients and noted an improvement in the reporting by the Sub-recipients and Sub-sub-recipients since the previous audit. All the Sub-recipients and Sub-sub-recipients had submitted reports up to August 2012.

OAI noted an improvement in the submission of reports; however, out of a total of 20 reports, there were 9 cases of reports submitted after the deadline with delays ranging from 1 to 42 days. No other reportable issue was raised.

### 3.4 Oversight and monitoring

Partially Satisfactory

#### Issue 3 Weaknesses in support to Sub-recipients

According to the Sub-recipient Management Toolkit for UNDP County Offices, the Office is responsible for the management of Sub-recipients and is programmatically and financially accountable for funds disbursed to the Sub-recipients. The Principal Recipient is responsible for the supervision and monitoring of Sub-recipient activities and their reporting under the programme and is required to provide adequate support to the Sub-recipients.

OAI noted the following weaknesses during visits to the Sub-recipients:

- All four government Sub-recipient units that were visited used Excel spreadsheets for the recording of their financial transactions. The Office informed OAI that there had been plans to provide the Sub-recipients with an accounting package which was purchased under Phase 1 of Round 8 grants, but the license had expired before the Sub-recipients had started using it.
- The data relating to health workers under the staff retention scheme was also maintained in Excel spreadsheets. The Monitoring and Evaluation Specialist explained that support for development of the Human Resources Information System was being provided by another donor and the process of developing the database was about 80 percent complete. When completed, the database will be housed at the Ministry of Health and Child Welfare.
- The Office, as Principal Recipient, did not provide motor vehicles to the auditors of the Sub-recipient in charge of the health retention scheme to enable them to carry out more frequent field verification visits and more regular monitoring of the workers' headcount.
- Certain Sub-recipients did not comply with payroll statutory deductions and, in some cases, where the deductions were applied, the remittances were not made to the relevant public institutions.

Inadequate support provided to the Sub-recipients may affect the chain of implementation results throughout the programme.

<b>Priority</b>	Medium (Important)
<b>Recommendation 3:</b> The Office should improve its support to Sub-recipients, particularly as follows:	
<ul style="list-style-type: none"> <li>(a) build the capacity of Sub-recipients on recording financial transactions by providing them with an accounting package, training them in using this package and following-up on its use;</li> <li>(b) facilitate transportation for the auditors of the Sub-recipient under the health retention scheme and</li> <li>(c) ensure that Sub-recipients are complying with the payroll statutory deductions as stipulated by the local laws.</li> </ul>	
<b>Management comments and action plan:</b> <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	
<p>The Office took note of the recommendations. The Office has taken the following initiatives to enhance support to Sub-recipients:</p> <ul style="list-style-type: none"> <li>(a) Renewed the license for the accounting package PASTEL procured in Phase 1 for the partners. A refresher training on the software is also envisaged.</li> <li>(b) Provided two motor vehicles to the Sub-recipient to support the Health System Strengthening program. The office will negotiate for additional vehicles to compliment the two.</li> <li>(c) Raised the non-compliance of statutory payroll deductions with partners and enhanced the financial monitoring of financial reports from partners to ensure compliance.</li> </ul>	

### 3.5 Audit

Satisfactory

Four Round 8 grants [Project No. 72970 (HIV), Project No. 72971(TB), Project No. 72972 (Malaria) and Project No. 72973(Health System Strengthening)] from the Global Fund were audited as part of the non-governmental organization/national implementation (NGO/ NIM) audit plan for the financial year 2011. They all received unqualified opinions. No reportable issues were noted.

## 4. Procurement and supply management

Satisfactory

There were a total of 609 purchase orders for a total of \$44.9 million that were processed during the period under review. OAI selected a total of 42 purchase orders for a total of \$12.6 million which represented 28 percent of the total value of purchase orders processed.

### 4.1 Procurement of health products

Satisfactory

From the selected sample of 42 purchase orders, 16 for a total of \$6.5 million were for the procurement of health products. All selected health products were purchased using the Long Term Agreements. No issues were noted.

### 4.2 Quality assurance of health products

Satisfactory

OAI noted that the Office had developed a quality assurance plan which was approved by the Global Fund in September 2012. Quality control was carried out by the national laboratory when products were received in the Country. OAI noted that although the Office did not have an approved quality assurance plan during the majority of the period under review, quality assurance and control was conducted along the distribution system only once during this period in November 2011 in accordance with UNDP and Global Fund procedures. The Office explained that with the approval of the quality assurance plan, the quality assurance of health products will be enforced and managed better with the implementation of the plan. No reportable issues were identified.

### 4.3 Procurement of other goods and services

Satisfactory

OAI reviewed 26 purchase orders for a total of \$6.1 million for various goods and services. OAI reviewed the Global Fund Programme Unit's compliance to organizational policies and procedures on procurement. No issues were noted.

### 4.4 Supply management (inventory, warehousing and distribution)

Partially Satisfactory

#### Issue 4 Weak controls over storage.

The Principal Recipient is required to ensure that the Sub-recipients establish and maintain reliable stock management systems. In addition, the UNDP operations manual for projects financed by the Global Fund (September 2008) recommends the use of the World Health Organization guidelines for the storage of medical products.

OAI noted the following weaknesses at the government warehouse in Harare:

- The temperature was not properly monitored. During the audit team's visit, temperature logs were not updated in the antiretroviral (ARV) section and the thermometer in the general section was not working.

- The foil paper on the roof of the warehouse, which assisted in regulating the temperature, was falling off.
- There was no electricity at the time of the visit and the power generator was out of order.

The weaknesses identified at the government warehouse were noted during the previous audit. The government warehouse Operations Manager explained that the government-owned warehouse did not have the funding to address its limitations. However, there was a “Roadmap to capacity building support to the government warehouse” to be funded by different donors in order to address the Office’s financial constraints.

The weaknesses at the hospital pharmacy were as follows:

- The stock cards at the warehouse did not contain information about the maximum stock level, minimum stock level or re-order stock level for the various items.
- The temperature in the pharmacy was not properly monitored, as at the time of the visit, there was no thermometer and no temperature monitoring log for items kept in the pharmacy. However, a temperature monitoring log was maintained specifically for items kept in the refrigerator.
- Boxes were placed on the floor and not on pallets.

At the warehouse managed by a United Nations agency, the audit team noted the following:

- Inventory stock records kept by the United Nations agency were on an Excel spreadsheet, which were manually updated when there was a receipt or distribution of inventory.
- On a test count, the audit team selected five products and noted discrepancies in two products, that is, a difference of 479 in ladies uniforms due to a distribution that was made five days earlier (on 25 October 2012) and was yet to be updated in the system, and a difference of 50 in female bicycles that were received on 10 October 2012 and were yet to be recorded three weeks later.
- There was co-mingling of inventory in the warehouse, noting that in addition to Global Fund products, items for two United Nations agencies and a government ministry were also stored and that there was no clear segregation of inventories for the various organizations.

The weaknesses may lead to delivery of spoiled drugs and errors in quantification and forecasting of stock levels.

<b>Priority</b>	Medium (Important)
<b>Recommendation 4:</b>	
The Office should, in collaboration with relevant stakeholders, improve storage conditions, as follows:	
<ul style="list-style-type: none"> <li>(a) Install and monitor temperature control equipment at the warehouses and hospital pharmacy to ensure items are kept within the recommended temperature range.</li> <li>(b) Ensure that structural weaknesses at the warehouses are addressed.</li> <li>(c) Implement a robust inventory system that ensures perpetual records are updated in a timely manner at the warehouses and that Global Fund stocks are kept in a clearly demarcated area.</li> </ul>	
<b>Management comments and action plan:</b> <input checked="" type="checkbox"/> Agreed <input type="checkbox"/> Disagreed	
The Office took note of the recommendation. The Office in collaborations with the stakeholders are working on the following initiatives to enhance the storage and distribution capacities of the government warehouse and other health storage facilities:	
<ul style="list-style-type: none"> <li>(a) Collaborating in the implementation of the Road map to address the capacity constraints at the government warehouse.</li> <li>(b) Initiated an Assessment of the Storage Capacity and Conditions for Health Commodities in Zimbabwe with a view to develop an action plan and mobilize resources to address the gaps.</li> <li>(c) The Office shall request the United Nations agency to improve on the warehouse inventory management systems that will ensure timely update of records. This new proposal shall be made a condition in the inter agency Letter of Agreement with the United Nations agency.</li> </ul>	

#### 4.5 Asset management

**Satisfactory**

The Office had successfully conducted the asset verification exercise for the closure of all Round 5 grants. All assets purchased for the Sub-recipients and Sub-sub-recipients were immediately handed over through the signing of a temporary custody agreement between the Global Fund Programme Unit and the Sub-recipient. Sub-recipients verified assets on a quarterly basis and submitted asset listings to the Programme Unit. The Asset/Finance Associate was responsible for ensuring that Sub-recipients completed the quarterly asset verification and submitted the reports to the Programme Unit. No issues were noted.

#### 4.6 Individual contractors

**Satisfactory**

During the period under review, the Office hired seven individual contractors. OAI reviewed four individual contractors (57 percent). No issues were noted.

### 5. Financial management

**Satisfactory**

#### 5.1 Revenue and accounts receivable

**Satisfactory**

OAI reviewed Global Fund disbursements to the Office and noted no reportable issues, as all disbursements were accounted for by the Office.

#### 5.2 Expenditures

**Satisfactory**

OAI reviewed 40 vouchers for a total of \$19.5 million, which represented 22 percent of total expenditures made during the period under review. The review focused on ensuring that there was adequate documentation to support that payments being made were for goods that had been ordered and received. No issues were noted.

#### 5.3 Reporting to the Global Fund

**Satisfactory**

OAI met with the Local Fund Agent and discussed the reporting requirements. The Local Fund Agent did not highlight any delays in reporting or any other concern to indicate that the Office's reporting was contrary to what was agreed with the Global Fund.

## ANNEX. Definitions of audit terms - Ratings and Priorities

### A. AUDIT RATINGS

In providing the auditors' assessment, the Internal Audit Services of UNDP, UNFPA, UNICEF, and WFP use the following harmonized audit rating definitions. UNDP/OAI assesses the country office or audited HQ unit as a whole as well as the specific audit areas within the country office/HQ unit.

- **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. *(While all UNDP offices strive at continuously enhancing their controls, governance and risk management, it is expected that this top rating will only be achieved by a limited number of business units.)*
- **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. *(A partially satisfactory rating describes an overall acceptable situation with a need for improvement in specific areas. It is expected that the majority of business units will fall into this rating category.)*
- **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. *(Given the environment UNDP operates in, it is unavoidable that a small number of business units with serious challenges will fall into this category.)*

### B. PRIORITIES OF AUDIT RECOMMENDATIONS

The audit recommendations are categorized according to priority, as a further guide to UNDP management in addressing the issues. The following categories are used:

- **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 and may affect the organization at the global level.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to significant risks. Failure to take action could result in 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.