



AUDIT

OF

UNDP PROGRAMME OF ASSISTANCE TO THE PALESTINIAN PEOPLE

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

Report No. 1303

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Report on the audit of UNDP Programme of Assistance to the Palestinian People Grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria Executive Summary

The UNDP Office of Audit and Investigations (OAI), from 7 to 25 April 2014, conducted an audit of two grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) (Output Nos. 63662 [HIV] and 63663 [TB]) managed by UNDP Programme of Assistance to the Palestinian People (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, 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, funding, reporting, 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, supply management [inventory, warehousing and distribution], asset management, individual contractors); and
- (e) financial management (revenue and accounts receivable, expenditures, reporting to the Global Fund).

The audit covered the activities of the Office from 1 January 2012 to 31 December 2013. The Office recorded Global Fund-related expenditures totalling \$2.1 million. The last audit of the Office's Global Fund-related activities was conducted by OAI in 2012.

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 **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."

Key recommendation: Total = 1, high priority = 0

The audit did not result in any high (critical) priority recommendations. There is one medium (important) priority recommendation, which means "Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to negative consequences for UNDP." The recommendation includes actions to address weak procurement planning.

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

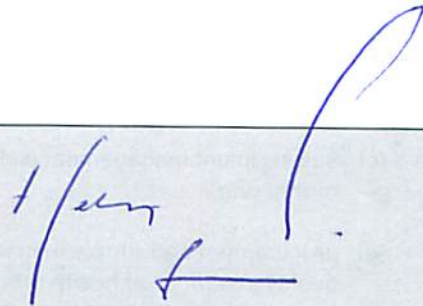
Implementation status of previous OAI audit recommendations: Report No. 975, 1 August 2012.

Total recommendations: 5
Implementation status: 100%

Management comments and action plan

The Special Representative accepted the recommendation and is in the process of implementing it. 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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I. Profile of Global Fund grants managed by UNDP Programme of Assistance to the Palestinian People

Since 2008, UNDP has been the Principal Recipient of Global Fund grants in the occupied Palestinian territory.

Grant No.	Output No.	Description	Start Date	End Date	Budget (in \$'000)	Funds Received as of 31 Dec 2013 (in \$ '000)	Implementation Rate	Expenditures as of 31 Dec 2013 (in \$ '000)	Global Fund Rating at 31 Dec 2013
PSE-708-G01-H	63662	HIV	Dec 2008 (Phase 1)	Nov 2015 (Transitional Funding Mechanism)	10,366 (Phase 1, 2 and TFM)	9,164	85%	8,173	B1 ²
PSE-809-G02-T	63663	TB	Dec 2009 (Phase 1)	Nov 2014 (Phase 2)	1,949 (Phase 1 and 2)	1,810	80%	1,549	A2 ³
Totals					12,315	10,974		9,722	

II. Audit results

Satisfactory performance was noted in the following areas:

- (a) Governance and strategic management. The internal control processes for governance and strategic management were established and functioning well.
- (b) Programme management. Project approval, implementation, monitoring and evaluation were functioning adequately.
- (c) Sub-recipient management. There were five Sub-recipients, comprised of one government entity and four United Nations agencies. The selection, assessment, contracting, funding, oversight and monitoring of Sub-recipients were functioning adequately.
- (d) Financial management. The internal control processes for financial management were established and functioning well.

OAI made one recommendation ranked medium (important) priority.

Low priority recommendations were discussed directly and agreed upon with the Office and are not included in this report.

Medium priority recommendation:

- (a) Improve procurement planning for the Global Fund grants (Recommendation 1).

The detailed assessment is presented below:

² B1 – Adequate

³ A2 – Meets expectations

A. Procurement and supply management

1. Procurement of health products

Issue 1 Weaknesses in procurement planning and monitoring

Procurement planning and monitoring is vital to ensure that grant beneficiaries, such as patients and health centres, receive health products in a timely manner. The 'UNDP Operations Manual for Projects Financed by the Global Fund' stipulates the following: "Once a forecast has been made, it is necessary to determine when and for which quantities orders should be placed. The most important factor in this determination is the lead time for a product. Lead time is the time period between placing an order for a product and actually receiving it ready for use."

OAI noted that the time elapsed between the issuance of the purchase order and the delivery of items ranged between 12 days up to 2 years. The Office developed a tracking tool to follow up on the status of the procurement, but the tool was not comprehensive enough to include all the relevant information. For example, it did not indicate and monitor the expected delivery time, and thus it was unclear if procurement timelines had been met. In addition, the tool did not indicate the delivery location.

OAI reviewed a sample of 21 procurement cases valued at \$851,000 (85 percent of the total procurement value during the audit period) and noted the following weaknesses in the procurement of the TB laboratory equipment amounting to approximately \$110,000:

- one procurement case amounting to \$ 74,000 took up to two years to process;
- laboratory equipment intended for one specific area was actually delivered to another area; and
- equipment had not been installed and on-site training had not been provided more than six months after delivery in September 2013.

Weaknesses identified in procurement planning and monitoring might lead to late delivery of health products.

Priority	Medium (Important)
Recommendation 1:	
Improve the procurement planning for the Global Fund grants by:	
<ul style="list-style-type: none"> (a) strengthening the planning tool with the addition of expected delivery time and location for better monitoring of the procurement process; and (b) performing a comprehensive analysis of the lead times to have relevant feedback for adjusting the procurement planning. 	
Management action plan:	
Management will ensure that:	
<ul style="list-style-type: none"> (a) The Global Fund procurement planning and monitoring tracking tool is improved by adding expected delivery time and location details. (These revisions have already been made and the tracking tool is being used). 	

- (b) A comprehensive analysis is conducted of the lead time related to Global Fund procurement, especially international procurement, taking into account relevant inputs for adjusting the procurement planning, and have realistic timeframes for expected deliveries.

Estimated completion date: June 2014

OAI Response:

OAI acknowledges the action taken by management to implement part (a) of the recommendation; this will be reviewed at a later stage as part of the standard follow-up process of OAI.

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **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.
- **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.
- **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.

B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **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.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to risks that are considered moderate. Failure to take action could contribute to 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.