



AUDIT

OF

UNDP GUINEA-BISSAU

GRANTS FROM THE GLOBAL FUND

Report No. 2282
Issue Date: 17 February 2021



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

The UNDP Office of Audit and Investigations (OAI), from 30 November to 16 December 2020, conducted an audit of one grant from the Global Fund (Output No. 107168 [Malaria]) managed by UNDP Guinea-Bissau (the Office) as the Principal Recipient. The grant was 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 2019 to 31 August 2020. The Office recorded Global Fund-related expenses of approximately \$10 million. The last audit of the Office's Global Fund-related activities was conducted by OAI in 2019.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Due to the COVID-19 pandemic, the audit was conducted remotely. Scope limitations due to the nature of the remote audit related to the following activities:

- (a) A review of original supporting documentation could not be carried out, and therefore the audit team relied on scanned copies of documents provided by the Office for all audit areas reviewed.
- (b) Meetings with Office staff and personnel were carried out virtually, which limited the audit team's understanding of the Office's working environment.
- (c) Project site visits, including to medical facilities, warehouses, Sub-recipients, and meetings with counterparts/beneficiaries were not conducted.
- (d) A physical verification of assets and inventory was not performed.

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

Overall audit rating

OAI assessed the Office's management of the Global Fund grants as **satisfactory/some improvement needed**, which means "The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area." This rating was mainly due to weaknesses in weaknesses in the Logistic Management and Information System (LMIS) for monitoring health commodities and weaknesses in the quality control of pharmaceutical products in the supply chain.

Key recommendations: Total = **3**, high priority = **0**

The audit did not result in any high (critical) priority recommendations. There are three medium (important) priority recommendations, which means "Action is required to ensure that UNDP is not exposed to risks. Failure to take action could contribute to negative consequences for UNDP."

The three recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Effectiveness and efficiency of operations	1, 2, 3	Medium

Implementation status of previous OAI audit recommendations: Report No. 1926, 25 January 2019.

Total recommendations: 10

Implemented: 10

Management comments and action plan

The Resident Representative accepted the three 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.

Helge S. Ostveiten
Director
Office of Audit and Investigations

I. Profile of Global Fund grants managed by UNDP Guinea-Bissau

Since 2018, UNDP has been the Principal Recipient of Global Fund grants in Guinea-Bissau (the Country).

Grant No.	Output No.	Description	Start Date	End Date	Budget (in \$'000)	Funds Received as of 31 August 2020 (in \$ '000)	Implementation Rate	Expenses as of 31 August 2020 (in \$ '000)	Global Fund Rating at 31 August 2020
GNB-M-UNDP-NFC	107168	Fight against Malaria NFC	Jan-18	Dec 20	23,025	17,485	61%	13,957	A2

II. Audit results

Satisfactory performance was noted in the following areas:

- Governance and strategic management. The organizational structure was adequately set up to manage risk and facilitate programme implementation.
- Programme management. Grant activities were implemented in accordance with the grant agreement.
- Financial management. Financial management was efficient, and controls were working adequately.

OAI made three recommendations 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 recommendations, arranged according to significance:

- Ensure that the quality control of pharmaceutical products is performed at all levels within the supply chain (Recommendation 1).
- Enhance the Logistics Management and Information System (LMIS) to monitor the stock levels of health commodities at the peripheral level (Recommendation 2).
- Strengthen procurement processes (Recommendation 3).

The detailed assessment is presented below, per audit area:

A. Procurement and supply chain management

1. Quantification and forecasting

Issue 1 Weaknesses in the quality control of pharmaceutical products within the supply chain

The Office is responsible for quality control of finished pharmaceutical products, along the whole supply chain. The number of samples to be tested is outlined in the annual sampling plan. Both random and targeted risk-based sampling is recommended on arrival and throughout the supply chain.

The audit disclosed that in 2019, the quality control of health products at the peripheral level was not performed and had not been included in the sampling plan. In 2020, a quality control plan was prepared

including testing at the peripheral level. However, this was not implemented, as the sampled batches had been utilized at the peripheral level before quality control testing could be completed.

Without effective quality control, there is no assurance that the quality of pharmaceutical products will be maintained throughout the supply chain.

Priority	Medium (Important)
Recommendation 1:	
The Office should ensure that the quality control of pharmaceutical products is performed at all levels within the supply chain.	
Management action plan:	
The Office will revise the quality control plan to include sampling of health products at the peripheral level of the supply chain.	
Estimated completion date: November 2021	

Issue 2 Weaknesses in the Logistic Management and Information System (LMIS) for monitoring of health commodities

The 'UNDP-Global Fund and Health Implementation Guidance Manual' requires monitoring of healthcare data is required to ensure timely planning and distribution. The targets for the grant stipulated that commodity stockouts at the peripheral or health facility level should not exceed 5 percent in 2019 and 2 percent in the first half of 2020.

The audit team observed that 18 percent of health facilities experienced stockouts of health commodities during the first half of 2019 and 12 percent² in the second half of the year. The percentage of health facilities reporting stockouts increased to 39 percent in the first half of 2020.

The increase in 2020 was due to the COVID-19 pandemic, which limited the Office's and the Government's ability to verify stock levels. The Office explained that weaknesses in the Logistic Management and Information System (LMIS) prevented an accurate determination of the stock levels of health commodities at the peripheral level, which contributed to the stockouts identified.

Increased rates of stockouts may result in patient needs not being met.

Priority	Medium (Important)
Recommendation 2:	
The Office should enhance the Logistics Management and Information System (LMIS) to monitor the stock levels of health commodities at the peripheral level, to reduce the incidence of stockouts.	

² Per Global Fund management letter progress report, covering the period 1 July 2019 – 30 June 2020

Management action plan:

The Office will develop a tool for the monitoring of stock levels of health commodities at the peripheral level.

Estimated completion date: November 2021

2. Procurement of other goods and services

Issue 3 Weaknesses in procurement management

The 'UNDP Programme and Operations Policies and Procedures' provide guidance on effective oversight of procurement practices and contract management. This includes: (i) evaluating bids against criteria stipulated in the solicitation documents; and (ii) submitting contracts awarded to a vendor to the Contracts, Assets and Procurement Committee when the cumulative value exceeds \$50,000 within a calendar year.

The audit sample included 16 procurement cases amounting to \$1.7 million, representing 60 percent of contracts signed during the audit period (\$2.8 million) and noted the following:

- a) Issues during bid evaluation
 - In one contract totalling \$1.2 million, the bill of quantities was modified after the bids were evaluated. However, only the initially selected vendor was requested to provide a revised bid. The initial bid was then reduced from \$1.8 million to \$1.2 million.
 - The solicitation documents of an individual consultancy totalling \$245,468 omitted information within the financial proposal, including timeframe, number of home trips to be paid by the Office, and the limit for daily living expenses. The clarifications were only requested from the consultant who was awarded the contract; the initial bid was for \$271,977.
- b) Late submission to the Contracts, Assets and Procurement Committee
 - A vendor was awarded a series of contracts in 2020 totalling \$143,1333; however, the scheduled review by the Contracts, Assets and Procurement Committee did not take place.

Ineffective oversight over procurement contracts may expose the organization to financial and reputational risks.

Priority	Medium (Important)
Recommendation 3:	
The Office should strengthen its procurement process by:	
(a) improving the quality in the solicitation and evaluation processes; and	
(b) ensuring that contracts are submitted to the Contract, Assets and Procurement Committee in line with corporate requirements.	
Management action plan:	
The Office will:	



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- (a) improve the quality of the solicitation and evaluation processes; and
(b) ensure that contracts are timely submitted for committee review.

Estimated completion date: June 2021

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Fully Satisfactory** The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.
- **Satisfactory / Some Improvement Needed** The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Major Improvement Needed** 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.
- **Unsatisfactory** The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

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. 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.