



**AUDIT**

**OF**

**UNDP BURUNDI**

**GRANTS FROM THE GLOBAL FUND**

**Report No. 2290**  
**Issue Date: 11 August 2021**

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**Report on the Audit of UNDP Burundi  
Grants from the Global Fund  
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), from 14 to 28 June 2021, conducted an audit of four grants from the Global Fund (Output No. 107586 [malaria], Output Nos. 107589 and 125368 [TB, NMF2 grants], Output No. 124145 [malaria], and Output No. 123180 [TB, NMF3 grants]) managed by UNDP Burundi (the Office) as the Principal Recipient. These grants were managed under the Global Fund's Additional Safeguard Policy.<sup>1</sup> 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 2020 to 31 March 2021. The Office recorded Global Fund-related expenses of approximately \$22.7 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.

### **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

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<sup>1</sup> Additional Safeguards Policy (ASP) is a set of measures including: The Global Fund itself selecting the Principal Recipient (PR); The Global Fund approving Sub-recipients (SRs); Additional reporting requirements; Tailored procurement arrangements; and in some cases, a no-cash policy, prohibiting advance cash transfers to SRs that pose a particular risk.

due to inadequate planning and monitoring of supply of health products, and Insufficient implementation of the quality assurance plan.

**Key recommendations:** Total = 4, high priority = 2

The four recommendations aim to ensure the following:

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

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 recommendations are presented below:

Inadequate planning and monitoring of supply of health products (Issue 3)

While the target for stock-out in antiretroviral drugs was 5 percent over the grant cycle, in the last three years the stock-out fluctuated around an average of 208 stock-outs in 2,491 sites or 8.4 percent.

Recommendation: The Office should reinforce its monitoring of health commodities by taking additional measures to enhance the planning of the distribution.

Insufficient implementation of the quality assurance plan (Issue 4)

The audit team tested the alignment of the 2020 quality assurance plan with applicable procedures and the implementation of the quality analysis as per the annual plan and noted that out of the 13 batches that should have been tested in 2020, 6 (46 percent) were not carried out.

Recommendation: The Office should strengthen its quality controls over health products by ensuring that all the required controls are performed in line with the annual quality control plan.

**Implementation status of previous OAI audit recommendations:** Report No. 2091, 6 September 2019.

Total recommendations: 6

Implemented: 6

### Management comments and action plan

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



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

Helge S. Osttveiten  
Director  
Office of Audit and Investigations

## I. Profile of Global Fund grants managed by UNDP Burundi

Since 2018, UNDP has been the Principal Recipient of four Global Fund grants in Burundi (the Country).

Grant No.	Output No.	Description	Start Date	End Date	Budget (in \$'000)	Funds Received as of 31 March 2021 (in \$ '000)	Implementation Rate	Expenses as of 31 March 2021 (in \$ '000)	Global Fund Rating at 31 March 2021
BDI-M-UNDP	107586	Global Fund Malaria 2018-2020	1 January 2018 (Phase 1)	31 December 2020	\$46,300	\$44,783	93.3%	\$43,221	B1
BDI-C-UNDP	107589/125368	Global Fund HIV/TB 2018-2020 / Global Fund COVID-19	1 January 2018 (Phase 1)	31 December 2020	\$34,563.2	\$33,752.7	87%	\$30,086.5	B1
BDI-M-UNDP	124145	Global Fund Malaria	1 January 2021 (Phase 2)	31 December 2023	\$35,842.6	\$12,280	0.6%	\$230	N/A
BDI-C-UNDP	123180	Global Fund HIV/TB	1 January 2021 (Phase 2)	31 December 2023	\$13,901.7	\$9,272	0.4%	\$61.4	N/A

Source: UNDP Atlas (budget, expenses and implementation rate), Country Office (funds received) and Global Fund (rating)

## II. Audit results

Satisfactory performance was noted in the following areas:

(a) Governance and strategic management. The Office established adequate controls within governance and strategic management of the grant.

(b) Financial management. The review of payments vouchers did not disclose any reportable issues.

OAI made two recommendations ranked high (critical) and two recommendations ranked medium (important) priority.

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

**High priority recommendations**, arranged according to significance:

- (a) Strengthen quality controls over health products (Recommendation 4).
- (b) Reinforce monitoring of health commodities (Recommendation 3).

**Medium priority recommendations**, arranged according to significance:

- (a) Implement the Global Fund recommendations and identify those recommendations that are considered out of the control of UNDP (Recommendation 1).
- (b) Improve Sub-recipient reporting (Recommendation 2).

The detailed assessment is presented below, per audit area:

## A. Programme management

### 1. Monitoring and evaluation

#### Issue 1 Sub-optimal response to the Global fund recommended management actions

Principal Recipients are required to timely address grant recommendations from the management letters issued by the Global Fund.

The audit team noted that in 2020, the Global Fund made 65 recommendations. As of 31 December 2020, 12 of them (18 percent) had not been started, 35 (54 percent) were in progress and 18 (28 percent) had been withdrawn.

The Office was responsible, alone or in conjunction with a Sub-recipient, for the implementation of 55 (85 percent) of the recommendations and solely responsible for the implementation of 11 (17 percent) recommendations.

The Global Fund included in its 2020 management letters a statement reminding the Office to utilize the management action follow-up document as a monitoring tool to address identified deficiencies.

Failure to timely address Global Fund recommendations might adversely affect the reputation of the Office and the achievements of the Global Fund targets.

<b>Priority</b>	Medium (Important)
<b>Recommendation 1:</b>	
The Office should implement the Global Fund recommendations in a timely manner and identify those recommendations that are out of the control of UNDP.	
<b>Management action plan:</b>	
The Office will address the recommendations included in the management letters of the Global Fund within one month, including detailing the actions taken (where applicable), and identify those recommendations that are not within the control of UNDP.	
<b>Estimated completion date:</b> 28 February 2022	

## B. Sub-recipient management

### 1. Financial and programmatic activities

#### **Issue 2** Inadequate quarterly reporting by Sub-Recipients and challenges in the validation of advances

According to the standard Sub-recipient agreements, all Sub-recipients are required to provide quarterly programmatic and financial reports. In addition, advances should be timely liquidated.

The five Sub-recipients did not follow the quarterly reporting requirements during the period under review: one Sub-recipient had not submitted quarterly reports and four other Sub-recipients submitted their reports, on average, two to five months past the deadline, which affected the ability of the Office to fulfill its reporting requirement to the donor.

The Programme Management Unit was visiting the Sub-recipients monthly, validating Sub-recipient expenditures. However, there were outstanding advances amounting to \$153,000 for the grants that ended in December 2020 that were older than six months.

The Global Fund raised a concern regarding outstanding payments amounting to \$546,000 for a 2019 campaign, which had not been addressed. The Office stated that it was delayed due to staffing weaknesses at both the Sub-recipient and the Principal Recipient levels. The Office authorized the recruitment of three United Nations Volunteers to validate the expenditures before they were paid out. Subsequent to audit fieldwork, the Office stated that \$344,000 of the outstanding \$546,000 had been liquidated.

Delays in the liquidation of advances increases the risk that advances will not be recoverable. Inadequate quarterly reporting may negatively impact the financial monitoring process.

<b>Priority</b>	Medium (Important)
<b>Recommendation 2:</b>  The Office should improve Sub-recipient reporting by: <ul style="list-style-type: none"> <li>(a) enforcing contractually agreed timelines for reporting; and</li> <li>(b) reviewing and liquidating outstanding grant advances.</li> </ul>	
<b>Management action plan:</b>  The Office will: <ul style="list-style-type: none"> <li>(a) ensure Sub-recipients submit reports in line with the requirements of the grant agreements; and</li> <li>(b) liquidate outstanding advances for the NFM2 grants.</li> </ul>	
<b>Estimated completion date:</b> December 2021	



## C. Procurement

### 1. Quantification and forecasting of health products

#### Issue 3 Inadequate planning and monitoring of supply of health products

According to the UNDP Global Fund Health Implementation Support Team guidelines, quantifying pharmaceutical products as part of the procurement and supply chain should allow for minimal waste in outdated stock and minimal shortages in supply.

While the target for stock-out in antiretroviral drugs was 5 percent over the grant cycle, the Office reported 84 out of 885 or 9.5 percent of sites with a stock-out in 2020, 95 out of 846 or 11.2 percent of sites with a stock-out in 2019 and 29 out of 760 or 3.8 percent of sites with a stock-out in 2018. In the last three years the stock-out fluctuated around an average of 208 stock-outs in 2,491 sites or 8.4 percent. The Office shared that no patients went without treatment but rather treatments were adopted by giving patients single treatments where combination treatments were not available.

Deficiencies in the distribution of health products were due to weaknesses in the planning and monitoring of health commodities.

Not addressing distribution of stocks from the central to peripheral levels may result in patient needs not being met.

<b>Priority</b>	High (Critical)
<b>Recommendation 3:</b>	
The Office should reinforce its monitoring of health commodities by taking additional measures to enhance the planning of the distribution.	
<b>Management action plan:</b>	
The Office will continue, with national stakeholders, to take action to enhance the performance of the indicator of sites without stock-outs.	
<b>Estimated completion date:</b> December 2021	

### 2. Quality assurance of health products

#### Issue 4 Insufficient implementation of the quality assurance plan

The Office should define and implement a quality assurance plan to ensure that the quality of pharmaceutical products fulfills the requirements defined by the Global Fund.

The audit team tested the alignment of the 2020 quality assurance plan with applicable procedures and the implementation of the quality analysis as per the annual plan and noted that out of the 13 batches that should have been tested in 2020, 6 (46 percent) were not carried out.

While the audit team recognized the impact of COVID-19 in the implementation of the quality assurance plan, it also noted that the partial completion of the quality controls dated back to 2019 (with an implementation rate of 67 percent).

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

<b>Priority</b>	High (Critical)
<b>Recommendation 4:</b>	
The Office should strengthen its quality controls over health products by ensuring that all the required controls are performed in line with the annual quality control plan.	
<b>Management action plan:</b>	
The Office shall complete the sampling of health products in accordance with the quality control plan and submit annual progress reports to the UNDP Global Fund Health Implementation Support Team, Bureau for Policy and Programme Support.	
<b>Estimated completion date:</b> February 2022	

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## 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.