



AUDIT

OF

UNDP BOLIVIA

GRANTS FROM THE GLOBAL FUND

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

The UNDP Office of Audit and Investigations (OAI), from 26 July 2021 to 10 August 2021, conducted an audit of three grants from the Global Fund (Output Nos. 110830 [Malaria], 118214 [TB], and 87454 [Country Coordinating Mechanism]) managed by UNDP Bolivia (the Office) as the Principal Recipient. 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;
- (e) financial management (revenue and accounts receivable, expenditure, reporting to the Global Fund, Fund Administrator Role).

OAI designed the following performance audit questions to guide the review of the following areas and sub-areas:

Main audit question: **To what extent are the grant results likely to be achieved?**

- (a) Programme management
 - 1. Were grant monitoring and change management undertaken in a timely manner to support the achievement of project results?
- (b) Financial management
 - 1. Was the processing of financial transactions accurate and completed on time when reporting to the Global Fund?

The audit covered the Global Fund-related activities of the Office from 1 January 2020 to 30 June 2021. The Office recorded Global Fund-related expenses of approximately \$4.6 million. The last audit of the Office's Global Fund-related activities was conducted by OAI in 2018.

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 **fully satisfactory**, which means "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."

Good practices

The Project Management Unit developed a training guide and an online training module, which were hosted by the Government, to provide on-demand training to personnel assigned by counterparts to the national health programme. This initiative addressed the capacity development requirements brought about by changes in government personnel. In addition, the Project Management Unit developed IT systems hosted by an Internet service provider with modules for asset management, travel, finance and monitoring of results; these were used to consolidate the information required for reporting to the Global Fund.

Key recommendations: Total = **2**, high priority = **0**

The audit did not result in any high (critical) priority recommendations. There are two 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." These recommendations include actions to address inadequate recording of project risks and incorrect use of account codes.

The two recommendations aim to ensure the following: (a) reliability and integrity of financial and operational information (Recommendation 2), and (b) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendation 1).

Management comments and action plan

The Resident Representative accepted the two 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 Bolivia

Since 2006, UNDP has been the Principal Recipient of Global Fund grants in Bolivia (the Country).

Grant No.	Output No.	Description	Start Date	End Date	Budget (in \$'000)	Funds Received as of 30 June 2021 (in \$ '000)	Implementation Rate (**)	Expenses as of 30 June 2021 (in \$ '000)	Global Fund Rating as of 30 June 2021
BOL-CFUND-1706	87454	Monitoreo Estratégico Salud	19-Aug-13	31-Dec-23	405.2	404.8	70%	284.8	Not rated by the Global Fund given the nature of the grant (Functioning support to the Country Coordinating Mechanism)
BOL-M-UNDP GA Number 1747	110830	Bolivia Libre de Malaria Trans	1-Jan-19	31-Dec-21	4,672.5	4,171.3	73%	3,413.6	No rating as of 30 June 2021 for 2021 implementation period
BOL-T-UNDP GA Number 1852	118214	Fort. acciones de control TB	1-Jan-20	31-Dec-22	6,104.2	3,459.4	37%	2,247.8	No rating as of 30 June 2021 for 2021 implementation period

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

II. Good practices

OAI identified good practices, as follows:

Governance/Capacity Development: IT systems developed for training and grant management.

The Project Management Unit developed a training guide and an online training module for staff of the national health programme, providing on-demand training to address capacity development requirements. In addition, the Project Management Unit developed IT systems for asset management, travel, finance and monitoring of results; these were used to consolidate the information required for reporting to the Global Fund.

III. Audit results

Satisfactory performance was noted in the following areas:

- Governance and strategic management. No reportable issues were identified. Grants from the Global Fund in the Country were adequately implemented by UNDP.

- (b) Sub-recipient management. No reportable issues were identified. The Ministry of Health was the only Sub-recipient and was satisfied with the role played by UNDP and the Project Management Unit in the implementation of the grants from the Global Fund.
- (c) Procurement and supply management. The National Program for Malaria and Tuberculosis is responsible for the quantification and forecasting of pharmaceutical requirements. The Project Management Unit provides technical advice to the national programs on pharmaceutical procurement and stockage. The sample of procurement processes selected for review, for both pharmaceutical and non-pharmaceutical products, did not identify reportable issues.

Conclusions in relation to the performance auditing questions:

(a) Programme management

1. Were grant monitoring and change management activities undertaken in a timely manner to support the achievement of project results?

Satisfactory performance was observed in respect of the monitoring of the Malaria and Tuberculosis grants as all monitoring activities were completed on time, in accordance with the project monitoring plan. The monitoring reports produced were used by the Project Management Unit and the Country Coordinating Mechanism to adjust project activities in supporting the achievement of project results during the global pandemic.

(b) Financial management

1. Was the processing of financial transactions accurate and completed on time when reporting to the Global Fund?

The financial transactions reviewed were processed in a timely manner. It was observed that the average number of days between the voucher approval dates and the entry dates was one day for the 25 payment vouchers reviewed. Nevertheless, 15 payment vouchers from the audit sample of 25 were found to be using incorrect account codes (refer to issue 2).

OAI made two recommendations ranked medium (important) priority.

Medium priority recommendations, arranged according to significance:

- (a) The Office should ensure that financial transactions are recorded using appropriate account codes (Recommendation 2).
- (b) The Project Management Unit should ensure that project risks recorded in Atlas are specific to each project (Recommendation 1).

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

The detailed assessment is presented below, per audit area:

A. Programme Management

1. Monitoring and Evaluation

Issue 1 Inadequate recording of project risks

The UNDP Enterprise Risk Management policy states that project risks should be assessed during project design and as often as needed during project implementation with a minimum of once a year. In consultation with relevant stakeholders, major risks for the project objectives should be identified. The project risk register should be recorded in Atlas (enterprise resource planning system of UNDP) including required actions and risk owners.

Each of the two grants had a project in Atlas with its own risk register. The risks in Atlas were generic and did not include specific project risks that could affect the achievement of project objectives. For example delays in procurement due to the global pandemic and the risk of not achieving the annual targets due to country lock downs. However, the audit team noted that the specific project risks were included in the Project Quarterly Progress Report.

According to the Office, specific project risks were discussed for both grants with stakeholders, but they were not documented in the project risk register.

Weaknesses in risk management may impact on the achievement of project objectives.

Priority	Medium (Important)
Recommendation 1:	
To improve project risk management, the Project Management Unit should ensure that project risks recorded in Atlas are specific to each project.	
Management action plan:	
The Office will reflect specific project risks in Atlas.	
Estimated completion date: November 2021	

B. Financial Management

1. Expenditures

Issue 2 Incorrect use of account codes

As part of donor requirements, UNDP must report on the financial results of the projects to the Global Fund.

The audit team observed that out of the 25 payment vouchers selected for testing, 15 payment vouchers with a total value of \$549,861 (55 percent of the payment vouchers reviewed and 17% of the payment

vouchers for the period audited) were recorded using the incorrect account codes. An example was the use of the “Other Materials and Goods” account while more specific accounts related to construction, equipment and computers was required.

When the correct accounting codes are not followed the presentation of expenditure in the financial statements may be inaccurate.

The Office acknowledged the inaccurate use of account codes and indicated that actions were being taken to improve recording of expenses, such as using the correct Activity ID and Implementing Agent codes, to ensure that each accounting entry is made against the correct budget line in Atlas.

Priority	Medium (Important)
Recommendation 2: In order to address the lapses in accounting entries, the Office should: <ul style="list-style-type: none"> (a) review all accounting entries that could potentially be incorrectly coded in 2021 for correction; (b) re-examine the processes for recording financial transactions and identify weaknesses to be addressed; and (c) provide refresher training to project staff involved in the process from payment request to payment to ensure the correct use of account codes. 	
Management action plan: The Office will: <ul style="list-style-type: none"> (a) review all accounting entries for 2021 and correct inaccuracies; and (b) re-examine the processes for recording financial transactions and conduct refresher training to project staff involved on the correct use of account codes. 	
Estimated completion date: October 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.