



AUDIT

OF

UNDP PANAMA

GRANTS FROM THE GLOBAL FUND

Report No. 2418
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**Report on the Audit of UNDP Panama
Grants from the Global Fund
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), from 8 to 24 November 2021, conducted an audit of one grant from the Global Fund (Output No. 109292) (HIV/TB), managed by UNDP Panama (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 (individual contractors, procurement of other goods and services), 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 July 2021. The Office recorded Global Fund-related expenses of approximately \$0.83 million. The last audit of the Office's Global Fund-related activities was conducted by OAI in 2018. The Global Fund grants for Panama will close in 2022.

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."

Key recommendations: 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."

Failure to take action could contribute to negative consequences for UNDP.” This recommendation includes actions to address challenges in programmatic delivery and reporting.

The recommendation aims to ensure the reliability and integrity of financial and operational information.

Implementation status of previous OAI audit recommendations: Report No. 1929, 25 May 2018.

Total recommendations: 7

Implemented: 7

Management comments and action plan

The Resident 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.

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 Panama

Since 2016, UNDP has been the Principal Recipient of Global Fund grants in Panama (the Country).

Grant No.	Output No.	Description	Start Date	End Date	Budget (in \$'000) (lifetime budget)	Funds Received as of 31 July 2021 (in \$'000)	Implementation Rate	Expenses as of 31 July 2021 (in \$ '000)	Global Fund Rating 1 Jan to 31 Dec 2020
1757	109292	Transition for a sustainable response to HIV and TB	1 January 2019	31 December 2021	2,987	2,987	73%	2,188	B2

II. Audit results

Satisfactory performance was noted in the following areas:

- (a) Governance and strategic management: The Office's organizational structure and risk management processes were assessed as adequate for the effective management of Global Fund activities.
- (b) Sub-recipient management: Disbursements were made to Sub-recipients in accordance with UNDP regulations and rules. Financial progress reports were prepared on a quarterly basis with adequate supporting documents.
- (c) Procurement: The procurement of individual contractors and other goods and services, and asset management were carried out according to UNDP rules and procedures and procurement principles.
- (d) Financial management: The review of payments through the verification of a sample of vouchers did not disclose any significant concerns regarding the reliability and integrity of financial and operational information.

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) Ensure donor reports are provided on time and in line with requirements of the grant agreement (Recommendation 1).

A. Programme Management/Monitoring and Evaluation

Issue 1 Challenges in programmatic delivery and reporting

The Global Fund requires project results to be reported within specified timelines which include progress against defined impact indicators. The Office is expected to report on the delivery as well as progress of impact, outcome, and coverage of HIV and TB indicators within 60 days following the year end. The supporting data is provided by the relevant government ministry.

The audit identified the following weaknesses in reporting:

The Office did not meet agreed reporting requirements and timelines for 2019 and 2020

One impact indicator on 'TB treatment success rate' was not reported on in 2019 and 2020. However, the Office did inform the Global Fund in a timely fashion that the data would not be available.

The intended information sources were not available because the government ministry did not have the required resources to enter data into the information system. As a result, the Office selected an alternative data source, which was not clarified with the donor. This alternative data source was not utilized by the Global Fund based on concerns over its quality.

Furthermore, the 'Progress Update and Disbursement Request' report in 2020 was delayed by 12 days, after an initial extension of 1 month.

Late follow-up on the assessment for low programmatic delivery

There was lower than expected delivery of TB and HIV coverage over the period 2019/2020. For example, in 2021 indicators of the number of TB cases notified (TCP1, MDR TB-(M)) only achieved 67% and 69% respectively of agreed upon targets.

As a result, the Global Fund requested a 'Detail analysis report' to determine the root cause of the low delivery, including evidence of corrective action taken. The reports were scheduled for 30 July 2020 and 31 August 2020 for the HIV and TB indicators, respectively. However, the reports including the corrective actions were not submitted until December 2021.

Since the grant is in the process of closing the audit team is not raising a recommendation on this specific issue.

Late and incomplete reporting impacts the project monitoring and reduces the possibilities to mitigate the impact.

Priority	Medium (Important)
Recommendation 1:	
The Office should ensure donor reporting is strengthened by:	
(a) ensuring that the 2021 'Progress Update and Disbursement Request' report is complete and submitted on time; and	
(b) clarifying with the Global Fund, indicator data sources in the event there are quality concerns.	
Management action plan:	
(a) The Office will ensure the 2021 'Progress Update and Disbursement Request' report is complete and timely delivered to the Global Fund.	
(b) The Office will confirm with Global Fund the sources of data for indicator reporting should they differ from the source detailed in the approved performance framework.	
Estimated completion date: 31 March 2022	

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.