



CONSOLIDATED REPORT
OF THE AUDITS OF
UNDP COUNTRY OFFICES AS PRINCIPAL RECIPIENTS OF GRANTS FROM
THE GLOBAL FUND
FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2021

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Consolidated Report of the Audits of UNDP Country Offices as Principal Recipient of Grants from the Global Fund Executive Summary

Background

The UNDP Office of Audit and Investigations (OAI) analysed the audit issues identified in the 2021 OAI audits of the Global Fund grants managed by UNDP as Principal Recipient. In addition, the implementation status of audit recommendations was reviewed as of 31 January 2022. OAI also identified recurring audit issues from the reports issued between 2018 to 2021.

In 2021, UNDP was the Principal Recipient in 22 countries and two regional programmes¹ and managed 33 Global Fund grants with budgets totalling \$1.63 million.

Audit coverage

In 2021, seven reports were issued pertaining to audits of Global Fund grants managed by UNDP as Principal Recipient. The reports included five in Africa (Angola, Burundi, Chad, Guinea-Bissau, Sao Tome and Principe), one in Europe and the Commonwealth of Independent States (Tajikistan), and one in Latin America and the Caribbean (Bolivia). The coverage included 14 Global Fund grants with total expenditures of \$84.6 million. Further details on these audits can be found in Annex 1.

Of the seven reports issued, three were rated “fully satisfactory” and four were rated “satisfactory/some improvement needed.”

The audit in Sao Tome and Principe did not result in any recommendations. The remaining six audits identified a total of 15 audit issues with 15 recommendations. Two recommendations (or 13 percent) were rated as high priority, meaning that “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.”

Within each of the following areas, at least three issues were observed:

- (a) Procurement and supply management (quality assurance and quantification and forecast)
- (b) Programme management (monitoring and evaluation)
- (c) Sub-recipient management (financial and programmatic activities selection)

To strengthen the implementation of Global Fund grants, OAI issued audit recommendations to the Country Offices. The most significant, high (critical) and medium (important) recommendations included the following:

- Strengthen procurement and supply management by:
 - a) reinforcing the monitoring of health commodities and taking additional measures to enhance the planning of the distribution;
 - b) enhancing 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; and

¹ The Multi-country Western Pacific HIV/TB grant, which covers 11 countries: Republic of Marshall Islands, Federal States of Micronesia, Kiribati, Vanuatu, Tuvalu, Samoa, Tonga, Cook Islands, Nauru, Niue, and Palau; the Malaria grant, which covers Vanuatu; and the Multi-country Southern Asia grant, which covers three countries: Afghanistan, Iran, and Pakistan.

- c) ensuring that the quality control of pharmaceutical products is completed at all levels within the supply chain.
- Strengthen programme management by:
 - a) ensuring that project risks recorded in Atlas are specific to each project;
 - b) implementing the Global Fund recommendations in a timely manner and identifying those recommendations that are out of the control of UNDP; and
 - c) accelerating the implementation of the grant to achieve its objectives and targets.
- Strengthen Sub-recipient management by:
 - a) incorporating in the capacity-building plan those issues identified through the micro-assessment within the capacity assessment and ensuring their timely implementation; and
 - b) closely monitoring the Sub-recipients for timely submission of programmatic and financial reports, as well the timely issuance of management letters; and
 - c) working with the local authorities and the Global Fund to recover assets and cash from the Sub-recipient.

Audit recommendations distribution during 2018, 2019, 2020 and 2021

From 2018 to 2021, while the number of audits remained to a large extent the same, there was a downward trend in the number of recommendations, from 32 in 2018, to 15 in 2021

The highest number and percentage of high priority recommendations were made in 2018 (17 high priority recommendations representing 53 percent of the total). In 2021, there were 2 high priority recommendations (representing 13 percent of the total).

	2018	2019	2020	2021
Number of Audits	8	5	6	7
Number of recommendations	32	26	24	15
Number of high priority recommendations	17	6	11	2
High priority recommendations vs total recommendations	53%	23%	46%	13%

Implementation of audit recommendations

In close cooperation with the Global Policy Network, Bureau for Policy and Programme Support, Global Fund/Health Implementation Support Team, OAI continuously monitors and follows up on the progress achieved by each Country Office in implementing audit recommendations.



As of 15 February 2022, 14 recommendations out of 15 recommendations were implemented as detailed in Section IV of this report.

Helge S. Osttveiten
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I. Profile of Global Fund grants managed by UNDP as Principal Recipient

In 2021, UNDP was the Principal Recipient in 22 countries and two regional programmes and managed 33 Global Fund grants totalling \$1.63 million. As Principal Recipients, UNDP Country Offices are required to implement the Global Fund grants according to the Framework Agreement, including the UNDP-Global Fund Grant Regulations signed between UNDP and the Global Fund.

Objectives and scope of the audits of Global Fund grants

In October 2016, UNDP and the Global Fund signed a Framework Agreement, which formalized the risk-based approach for all OAI audits completed on behalf of the Global Fund. The agreement stipulated that OAI independently plans audits, defines the risk model and undertakes audits of grants managed by UNDP as Principal Recipient, identified within its audit plans. The audits are conducted in accordance with the standards followed by OAI.

The 2021 audits were conducted directly by OAI. The audits aimed to assess the adequacy and effectiveness of 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 and supply management (qualification and forecasting, procurement of health products, quality assurance of health products, procurement of other goods and services, supply management of medical products (inventory, warehousing and distribution), asset management, individual contractors); and
- (e) financial management (revenue and accounts receivable, expenditure, reporting to the Global Fund, Fund Administrator role).

The scope of the audits of Global Fund grants included all activities related to the implementation of Global Fund grants by UNDP Country Offices.

A draft version of this consolidated report has been shared with the Global Policy Network, Bureau for Policy and Programme Support, Global Fund/Health Implementation Support Team, HIV, Health and Development Group, and their comments have been considered in the final report.

II. Overview of the audits

The Global Fund audit reports issued in 2021 covered 14 grants with total expenses of \$84.6 million. Of the seven reports issued, three were rated “fully satisfactory” and four were rated “partially satisfactory/some improvement needed”.

III. Analysis of the audit issues raised

The audit recommendations related mainly to issues within procurement and supply management, programme management, as well as Sub-recipient management. A detailed analysis of the issues and corresponding audit recommendations are presented in figure 1 below.

Figure 1: Number of recommendations by audit category and the total recommendations per year (2019-2021)

Audit Category	2019 (5 reports)		2020 (6 reports)		2021 (7 reports)	
	Ratio	No. of Rec.	Ratio	No. of Rec.	Ratio	No. of Rec.
Procurement and supply management	35%	9	50%	12	47%	7
Programme management	12%	3	25%	6	20%	3
Governance	15%	4	0%	0	0%	0
SR management	23%	6	21%	5	27%	4
Financial management	15%	4	4%	1	7%	1
Total	100%	26	100%	24	100%	15

A. Procurement and supply management

Issue 1 Inadequate planning and monitoring of supply of health products

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

OAI noted weaknesses in the monitoring of health commodities in Burundi and Guinea-Bissau, as follows:

- In Burundi, while the target for stock-out of antiretroviral drugs should not exceed 5 percent over the grant period. The Office reported that 84 out of 885 or 9.5 percent of sites experienced a stock-out in 2020, 95 out of 846 or 11.2 percent of sites experienced a stock-out in 2019, and 29 out of 760 or 3.8 percent of sites experienced a stock-out in 2018.
- In Guinea-Bissau, 18 percent of health facilities experienced stock-outs of health commodities during the first half of 2019 and 12 percent in the second half of the year. The percentage of health facilities reporting stock-outs 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.

OAI recommended that the Offices strengthen planning and monitoring of supplies by:

- In Burundi, reinforcing the monitoring of health commodities and taking additional measures to enhance the planning of the distribution.
- In Guinea-Bissau, enhancing the Logistics Management and Information System (LMIS) to monitor the stock levels of health commodities at the peripheral level, to reduce the incidence of stock-outs.

Issue 2 Inadequate quality control of pharmaceutical products

UNDP Offices are 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 risk-based sampling is recommended on arrival and throughout the supply chain.

OAI noted weaknesses in the quality assurance of health products in Guinea-Bissau:

- 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.

OAI recommended that the Office ensure that the quality control of pharmaceutical products is performed at all levels within the supply chain.

B. Programme management

Issue 3 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, and at least 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, including required actions and risk owners.

OAI noted weaknesses in the recording of project risks in Bolivia:

- 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.

OAI recommended that the Project Management Unit ensure that project risks recorded in Atlas are specific to each project.

Issue 4 Delays in responding to the Global Fund recommended management actions

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

OAI noted delays in the responses to management letter recommendations in Burundi:

- The Global Fund made 65 recommendations in 2020. As of 31 December 2020, 12 of them (18 percent) had not been implemented, 35 (54 percent) were in progress and 18 (28 percent) had been withdrawn. The Global Fund also 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 the recommendations.

OAI recommended that the Office implement the Global Fund recommendations in a timely manner.

Issue 5 Delay in start of grant implementation

As per the 'UNDP Programme and Operations Policies and Procedures', Country Offices are expected to deliver planned results and monitor programme implementation. The performance of the Global Fund grants is monitored based on the utilization of funds that are provided by the Global Fund for the implementation of the grants.

OAI noted delays in the start date of the grant implementation in Angola:

- The grant (Project 123075) had a planned start date of 1 July 2020; however, the grant agreement was signed with a three-month delay for reasons beyond the control of the Office, thus delaying the actual start date of implementation. This affected the progress of the implementation of the grant during 2020. As of 31 December 2020, the expenditure incurred by the grant was \$5.2 million out of the budget planned for that period of \$17.1 million.

OAI recommended that the Country Office accelerate the implementation of the grant to achieve the grant objectives and targets.

C. Sub-recipient management

Issue 6 Weaknesses in the oversight of Sub-recipients

The UNDP-Global Fund guidance manual requires the Country Offices to conduct a capacity assessment of the Sub-recipients before signing the Sub-recipient agreement and create a capacity development plan to address weaknesses in a timely manner. The Sub-recipients should provide timely programmatic and financial reports. The Principal Recipient is responsible for issuing timely management letters to the Sub-recipient and following up on weaknesses identified.

OAI noted weaknesses in the oversight of Sub-recipients in Chad and Tajikistan:

- In Chad, the capacity assessment of the government Sub-recipient was completed in 2017. The resulting capacity development plan included an implementation date of June 2018; however, the deadline was extended to June 2021. The micro-assessment of the government implementing partner was completed in 2018 and identified weaknesses within programme management and inventory/asset management. These weaknesses were not included in the existing capacity-building plan.
- In Tajikistan, 8 out of 10 management letters for the Sub-recipient showed that these were issued two to six months after the reporting period. A review of 5 out of 14 Sub-recipients disclosed delays in the submission of both programmatic and financial reports. The delays ranged from 1 to 18 days for 14 programmatic reports, and less than 10 days for 12 financial reports, with one issued with a delay of 87 days. In three instances, no reports were submitted by the Sub-recipients due to restrictions imposed by local authorities in response to the COVID-19 pandemic.

OAI recommended that the Offices strengthen the oversight of Sub-recipients by:

- incorporating a capacity-building plan to address the issues identified through the micro-assessment and the capacity assessment and ensuring their timely implementation; and
- closely monitoring the Sub-recipients for timely submission of programmatic and financial reports.

Issue 7 Delays in the recovery of funds for suspended operations

The Principal Recipient is accountable to the Global Fund for funds provided for the implementation of grant activities. This implies that sufficient efforts should be undertaken to ensure the full recovery of funds if the Sub-recipient activities are suspended.

OAI noted delays in the recovery of funds from one Sub-recipient in Tajikistan:

- In 2020, one Sub-recipient, a non-governmental organization, had its activities suspended following an investigation by the local authorities. While the Office retrieved the commodities including contraceptives communication booklets, and HIV tests kits, assets with a net book value of \$1,127 (laptops, printers, and automated voltage regulator) and cash in the amount of \$32,511 had yet to be recovered.

OAI recommended that the Office continue working with the local authorities and the Global Fund to recover assets and cash from the Sub-recipient.

IV. Implementation of the audit recommendations

OAI, in close cooperation with the Global Policy Network, Bureau for Policy and Programme Support, UNDP Global Fund/Health Implementation Support Team, HIV, Health and Development Group, continuously monitors the progress achieved by UNDP Country Offices in implementing the audit recommendations made.

The data contained in this section of the report represents 15 audit recommendations included in six of the seven audit reports issued between 1 January and 31 December 2021 (see Figure 2).

As of 15 February 2022, 14 of the 15 recommendations had been fully implemented.

Figure 2: Implementation rate of the recommendations in the 2021 Global Fund audits as of 15 February 2022

Country Office	Report No.	Issue Date	Total No. of Recommendations	No. of Outstanding Recommendations	Implementation rate As of 15-Feb-22
Angola	2231	19-Feb-21	2		120.00%
Bolivia	2311	16-Sep-21	2		120.00%
Burundi	2290	11-Aug-21	4	1	108.33%
Chad	2207	12-Jan-21	2		100.00%
Guinea-Bissau	2282	17-Feb-21	3	0	100.00%
Tajikistan	2194	05-Jan-21	2		100.00%
Total for 2021			15	1	

Definitions of audit terms - ratings and priorities used in 2021

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 result in 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 <u>not included in this report</u> . |

Annex 1: Global Fund grants audited in Country Offices

Report No.	Country Office	Issue Date	Audit Period	Audit rating	Audited expenditure (in \$ millions)	Global Fund Grants Audited					Number of issues/ recommendations
						Total	HIV	TB	HIV/TB/Malaria	Malaria	
2194	Tajikistan	5/1/2021	1-Jan-19	30-Aug-20	Fully Satisfactory	6.8	1	1			2
2207	Chad	12/1/2021	1-Jan-19	31-Aug-20	Satisfactory/Some Improvement Needed	31.3	1			1	2
2231	Angola	19/02/2021	1-Jan-19	30-Sep-20	Satisfactory/Some Improvement Needed	7.4	3	2		1	2
2282	Guinea Bissau	17/02/2021	1-Jan-19	31-Aug-20	Satisfactory/Some Improvement Needed	10.0	1			1	3
2290	Burundi	11/8/2021	1-Jan-20	31-Mar-21	Satisfactory/Some Improvement Needed	22.7	4		2		4
2297	São Tomé and Príncipe	27/05/2021	1-Jan-20	31-Mar-21	Fully Satisfactory	1.76	1			1	0
2311	Bolivia	16/09/2021	1-Jan-20	30-Jun-21	Fully Satisfactory	4.6	3		1	1	2
Total:					84.56	14	3	3	4	4	15