



AUDIT

OF

UNDP BOSNIA AND HERZEGOVINA

GRANTS FROM THE GLOBAL FUND TO FIGHT
AIDS, TUBERCULOSIS AND MALARIA

Report No. 1130

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Report on the audit of UNDP Bosnia and Herzegovina Grants from the Global Fund to Fight Aids, Tuberculosis and Malaria Executive Summary

From 21 January to 1 February 2013, the Office of Audit and Investigations (OAI) conducted an audit of three grants from the Global Fund to Fight Aids, Tuberculosis and Malaria (Global Fund) (Project Nos. 53291 [HIV], 76377 [HIV] and 76387 [TB]) managed by the UNDP Country Office in Bosnia and Herzegovina (the Office) as the Principal Recipient. The audit covered all Global Fund-related activities of the Office during the period from 1 January 2011 to 31 December 2012. During the period reviewed, the Office recorded Global Fund-related expenditures totalling \$19 million. This was OAI's first audit of the Office's Global Fund-related activities.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for the conclusions and audit results.

Audit rating

OAI assessed the Office's management of Global Fund grants as **partially satisfactory**, which means "Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity." This rating was mainly due to weaknesses observed relating to the recruitment process, inadequate quality assurance of finished pharmaceutical products, and inadequate documentation for the salary supplementation of government officials. Ratings per audit area and sub-areas are summarized below:

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Governance and strategic management				
1.1 Organizational structure	Partially Satisfactory			
1.2 Staffing	Unsatisfactory			
1.3 Cooperation and coordination with Country Coordinating Mechanism and other stakeholders	Satisfactory			
1.4 Capacity building and exit strategy	Satisfactory			
2. Programme management				
2.1 Project approval and implementation	Satisfactory			
2.2 Conditions precedent to disbursement and special conditions	Satisfactory			
2.3 Monitoring and evaluation	Satisfactory			
2.4 Grant closure	Partially Satisfactory			
3. Sub-recipient management				
3.1 Selection, assessment, and contracting	Satisfactory			
3.2 Funding	Satisfactory			
3.3 Reporting	Satisfactory			
3.4 Oversight and monitoring	Satisfactory			
3.5 Audit	Satisfactory			

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
4. Procurement and supply management				
4.1 Procurement of health products	Partially Satisfactory			
4.2 Quality assurance of health products	Unsatisfactory			
4.3 Procurement of other goods and services	Satisfactory			
4.4 Supply management (inventory, warehousing, and distribution)	Partially Satisfactory			
4.5 Asset management	Satisfactory			
4.6 Individual contractors	Partially Satisfactory			
5. Financial management				
5.1 Revenue and accounts receivable	Satisfactory			
5.2 Expenditures	Satisfactory			
5.3 Reporting to the Global Fund	Satisfactory			

Key issues and recommendations

The audit raised 6 issues and resulted in 6 recommendations, of which 3 (50 percent) were ranked high (critical) priority, meaning “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 and may affect the organization at the global level.”

The high priority recommendations are as follows:

Staffing (Issue 1) Weaknesses in the recruitment process. A series of shortcomings were identified in the Office's human resources function. For example, the Office did not always use a competitive selection process, and in some instances it had waived the academic qualification requirement subsequent to the shortlisting process. Also, written tests were not used consistently and the Office had raised the position level of two service contract holders without conducting a competitive recruitment process. OAI recommends that the Office review and revise its recruitment processes to comply with UNDP policies and procedures and the Recruitment and Selection Framework requirements and ensure that all fixed-term appointments and service contract positions are filled through a transparent and competitive recruitment process.

Quality assurance of health products (Issue 3) Inadequate quality assurance of finished pharmaceutical products. Anti-TB drugs procured by the Office had not been tested as required by the Global Fund quality assurance policy. OAI recommends that the Office coordinate with the Global Fund Partnership Team of the Bureau for Development Policy to ensure that the finished pharmaceutical products are tested throughout the supply chain by a lab which meets the requirements of the Global Fund quality assurance policy. OAI further recommends that the Office coordinate with the Global Fund Partnership Team of the Bureau for Development Policy to ensure that the quality assurance plan for the Country complies with Global Fund requirements.

Individual contractors (Issue 6) Lack of approval for the salary supplementation of government officials. The Office provided salary supplements to government officials without seeking the required approval for such engagements from the Office of the Administrator and the Regional

Bureau. OAI recommends that the Office obtain the approval of the Office of the Administrator and Regional Bureau on the Engagement on National Salary Supplementation and Payment Scheme. The request for the approval should clearly indicate the mechanism for calculating the level of salary supplements.

Management comments and action plan

The Resident Representative accepted all six recommendations and is in the process of implementing them.

A handwritten signature in blue ink is visible within a light blue rectangular box. The signature is cursive and appears to read 'Helge S. Ostveiten'.

Helge S. Ostveiten
Director
Office of Audit and Investigations