



AUDIT

OF

UNDP MALI

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

Report No. 1144
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Report on the audit of UNDP Mali Grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria Executive Summary

From 26 August to 6 September 2013, the Office of Audit and Investigations (OAI) conducted an audit of two grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) (Project Nos. 84293 and 85760 [HIV]), managed by the UNDP Country Office in Mali (the Office) as the Principal Recipient. These grants were managed under the Global Fund's Additional Safeguard Policy.¹ The audit covered all Global Fund-related activities of the Office during the period from 1 November 2012 to 30 June 2013. During the period reviewed, the Office recorded Global Fund-related expenditures totalling \$11 million. This was the first audit of the Office's Global Fund-related activities conducted by OAI.

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 **satisfactory**, which means "Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity." 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	Satisfactory			
1.2 Staffing	Satisfactory			
1.3 Capacity development and exit strategy	Not Assessed			
2. Programme management				
2.1 Project approval and implementation	Satisfactory			
2.2 Monitoring and evaluation	Satisfactory			
2.3 Grant closure	Not Applicable			
3. Sub-recipient management				
3.1 Selection, assessment and contracting	Satisfactory			
3.2 Funding	Not Assessed			
3.3 Reporting	Partially Satisfactory			
3.4 Oversight and monitoring	Partially Satisfactory			
3.5 Audit	Not Assessed			

¹ The Additional Safeguard Policy is a range of tools established by the Global Fund as a result of its risk management processes.

4. Procurement and supply management				
4.1	Quantification and forecasting	Partially Satisfactory		
4.2	Procurement of health products	Satisfactory		
4.3	Quality assurance of health products	Partially Satisfactory		
4.4	Procurement of other goods and services	Satisfactory		
4.5	Supply management (inventory, warehousing and distribution)	Partially Satisfactory		
4.6	Asset management	Satisfactory		
4.7	Individual contractors	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

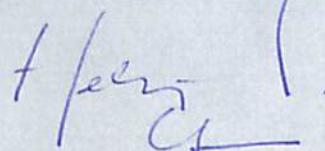
The audit raised 6 issues and resulted in 5 recommendations, of which 2 (40 percent) were ranked high (critical) priority, meaning “Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP and may affect the organization at the global level.”

The high priority recommendations are as follows:

Quantification and forecasting (Issue 3)	<u>Weaknesses in quantification and forecasting processes.</u> OAI noted a lack of control over the health products budget. The Programme Management Unit used the estimates submitted by the Government to finalize its Procurement Supply Management Plan (health products, e.g. reagents, diagnostic technologies and supplies, etc.), without having performed quality control procedures to determine the reasonableness of the data. As of the end of June 2013, there was a budget deficit of \$1.1 million for reagents and supplies, which meant that the Office would be unable to re-order reagents for the third and fourth quarters of 2013. Further, the Quantification and Forecasting Committee had not met on a regular basis, and changes were made to the national treatment protocol without considering the stock on hand. OAI recommends that the Office strengthen controls over the quantification and forecasting processes by: (a) ensuring that the Quantification and Forecasting Committee meets on a regular basis; and (b) liaising with the national health authorities in order to consider distribution of the stock on hand before discontinuing the use of any medicine from the national treatment protocol.
Supply management (inventory, warehousing and distribution) (Issue 6)	<u>Inadequate control over health product stocks.</u> A number of the recommendations and activities included in the Procurement and Supply Management Plan had not been implemented. The more critical ones related to the monitoring of the stock. No field verifications of stock and no physical inventory counts were performed by the Programme Management Unit. OAI recommends that the Office ensure that the activities included in the Procurement Supply Management Plan are implemented in a timely manner by: (a) organizing and conducting joint field visits each semester that include participation by the responsible national partner; (b) periodically following up with the responsible Sub-recipient to ensure the timely submission of accurate inventory reports; and (c) ensuring that mid-year and end-year inventories are performed at the central and regional warehouses.

Management comments and action plan

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

A handwritten signature in blue ink, which appears to read 'H. Osttveiten', is positioned above the printed name.

Helge S. Osttveiten
Director
Office of Audit and Investigations