



AUDIT

OF

UNDP HAITI

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

Report No. 1267

Issue Date: 15 April 2014

Report on the audit of UNDP Haiti Grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria Executive Summary

The UNDP Office of Audit and Investigations (OAI), from 25 November to 6 December 2013, conducted an audit of two grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) (Project Nos. 77761 [TB]) and 77895 [HIV]) managed by UNDP Haiti (the Office) as the Principal Recipient. These grants were managed under the Global Fund's Additional Safeguard Policy.¹ The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to:

- (a) governance and strategic management (organizational structure, staffing, cooperation and coordination with Country Coordinating Mechanism and other stakeholders, and capacity building and exit strategy);
- (b) programme management (project approval and implementation, conditions precedent and special conditions of the grant agreements, monitoring and evaluation, and grant closure);
- (c) Sub-recipient management (selection, assessment, and contracting, funding, reporting, oversight and monitoring, and audit);
- (d) procurement and supply management (procurement of health products, quality assurance of health products, procurement of other goods and services, supply management, asset management, individual contractors); and
- (e) financial management (revenue and accounts receivable, expenditures, reporting to the Global Fund).

The audit covered the activities of the Office from 1 April 2012 to 30 September 2013. The Office recorded Global Fund-related expenditures totalling \$26 million. The last audit of the Office's Global Fund-activities was conducted by OAI in June 2012.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Overall audit rating

OAI assessed the Office's management of the 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 the incorrect granting and reporting of cash advances, and deficiencies in the supply chain of pharmaceutical products.

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

Key recommendations: Total = 7, high priority = 2

For high (critical) priority recommendations, 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. All high (critical) priority recommendations are presented below:

Incorrect granting and reporting of cash advances
(Issue 4)

Advances for nationally-implemented projects were granted to Sub-recipients before 80 percent of the previous advance, and/or 100 percent of all earlier advances had been fully liquidated.

Recommendation: Strengthen the management and reporting of cash advances to Sub-recipients by: (a) discontinuing the further granting of advances when significant amounts of invalidated expenditures are claimed by Sub-recipients; (b) establishing a quarterly deadline for Sub-recipients to submit the supporting documentation to justify the expenditures; and (c) reflecting in the aging report the dates when cash advances are actually granted.

Deficiencies in supply chain of pharmaceutical products
(Issue 5)

Products labelled “to be stored below 25 degrees Celsius” were stored in a section of the warehouse that was not temperature controlled. In addition, the total value of expired pharmaceutical products at two warehouses amounted to \$260,000 as of 31 October 2013.

Recommendation: Improve storage conditions and monitoring of expiration dates of pharmaceutical products by: (a) reviewing procedures for receipt and storage of pharmaceutical products at the national warehouse and taking corrective actions; (b) enhancing the capacity building of the Sub-recipients so they can improve storage conditions of pharmaceutical products at the site level; (c) closely monitoring the expiration dates of pharmaceutical products to ensure that products are distributed and used prior to the expiration date; and (d) using temperature logs for the pharmaceutical products to ensure that the required temperature is not compromised at any point in the supply chain.

Implementation status of previous OAI audit recommendations: Report No. 1035, 19 October 2012.

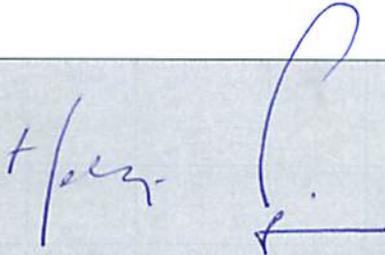
Total recommendations: 4

Implementation status: 100 percent

Management comments and action plan

The Resident Representative of UNDP Haiti, and the Deputy Cluster Leader/Senior Programme Advisor of the Partnership with The Global Fund to Fight AIDS, Tuberculosis and Malaria, HIV, Health and Development Group, of the Bureau for Development Policy, accepted all of the recommendations in the areas of governance and strategic management, Sub-recipient management, procurement and supply management and financial management and are in the process of implementing them. Comments and/or additional information provided have been incorporated in the report, where appropriate.

Issues with less significance (not included in this report) have been discussed directly with management and actions have been initiated to address them.

A handwritten signature in blue ink, appearing to read 'H. Ostveiten', is written over a light blue rectangular background.

Helge S. Ostveiten
Director
Office of Audit and Investigations