

**UNITED NATIONS DEVELOPMENT PROGRAMME**  
**Office of Audit and Investigations**



*Empowered lives.  
Resilient nations.*

**AUDIT**

**OF**

**UNDP GUINEA-BISSAU**

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

**Report No. 1315**

**Issue Date: 12 December 2014**

## Report on the audit Guinea-Bissau Grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria Executive Summary

The UNDP Office of Audit and Investigations (OAI), from 8 to 19 September 2014, conducted an audit of two grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria (Output Nos. 87240 [TB] and 87241 [Malaria]) managed by UNDP Guinea-Bissau (the Office) as the Principal Recipient. These grants were managed under the Global Fund's Additional Safeguard Policy.<sup>1</sup> 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, staffing, capacity development and exit strategy);
- (b) programme management (project approval and implementation, monitoring and evaluation, grant closure);
- (c) Sub-recipient management (selection, assessment and contracting, funding, reporting, oversight and monitoring);
- (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 [inventory, warehousing and distribution], 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 January 2013 to 31 July 2014. The Office recorded Global Fund-related expenditures totalling \$6.8 million. This was the 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*.

### Overall 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 in programme management, quality assurance, and financial management.

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<sup>1</sup> 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 = **8**, high priority = **3**

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:

Lack of quality review and assurance of data (Issue 2)	<p>The Monitoring and Evaluation Plan requires the National Institute of Public Health (National Institute) to conduct periodic reviews of the quality and completeness of data collected by the health centres. OAI noted that the National Institute had not been able to conduct periodic reviews since the beginning of 2014 due to financial constraints. As such, programmatic data used by the Office for Global Fund reporting purposes was not reviewed for quality and therefore may have been inaccurate.</p> <p><u>Recommendation:</u> Reassess and strengthen the mechanism in place for data validation by establishing a contractual agreement with the National Institute with a funding mechanism to support the implementation of activities; otherwise, consider alternative options for data validation of programmatic information from other institutions in the Country that provide similar services.</p>
Inadequate quality assurance of pharmaceutical products (Issue 4)	<p>As Principal Recipient, UNDP is required to ensure that pharmaceutical products are tested upon initial receipt in-country, and along the supply chain. OAI noted that these tests had not been conducted despite the fact that several batches of pharmaceutical products were received and distributed to patients. Moreover, conditions at the periphery levels were not appropriate for the storage of pharmaceutical products. The Project Management Unit explained that this was attributable to the fact that a Global Fund approved quality assurance plan was not in place.</p> <p><u>Recommendation:</u> Test pharmaceutical products upon receipt in-country and at different points in the supply chain as per Global Fund requirements.</p>
Weaknesses in management of project cash advances and non-compliance with Zero Cash Policy (Issue 6)	<p>The Office committed to the Global Fund that it would apply a Zero Cash Policy to Sub-recipients, meaning that no funds would be advanced to the Sub-recipients for the implementation of activities. In order to process cash payments under the Zero Cash Policy, the Office created a dummy vendor. Cash advances to this vendor were directly expensed. This practice made it difficult to oversee and monitor the cash advances. OAI further noted that cheques assigned to the dummy vendor were subsequently cashed by a UNDP staff member and/or service contractors for a total of \$424,000, of which \$110,000 was outstanding for at least four months as of September 2014.</p> <p><u>Recommendation:</u> Strengthen the management of the disbursements of funds from Global Fund grants by: (a) reconciling and closing the outstanding cash advance made via the local bank and to staff of Sub-recipients; (b) utilizing third party services, including mobile cash partners, to make payments for project activities so as to minimize the need for using UNDP personnel to effect such payments; (c) disbursing funds based on finalized payment lists that are not subject to change after issuance; and (d) making payments to final beneficiaries and eliminating payments to staff of Sub-recipients for implementation of programmatic activities.</p>

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### **Management comments and action plan**

The Resident Representative accepted all of the recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated into 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.

 Digitally signed  
by Helge S.  
Ostveiten

Helge S. Ostveiten  
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