



**AUDIT**

**OF**

**UNDP MALI**

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

**Report No. 1432**

**Issue Date: 20 May 2015**

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

The UNDP Office of Audit and Investigations (OAI), from 16 February to 3 March 2015, conducted an audit of one grant from the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) (Output No. 84293 [HIV]) managed by UNDP Mali (the Office) as the Principal Recipient. This grant was managed under the Global Fund's Additional Safeguard Policy.<sup>1</sup> The Office also managed Output No. 85760 (Country Coordinating Mechanism as its Funding Recipient).<sup>2</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, capacity development and exit strategy);
- (b) programme management (project approval and implementation, monitoring and evaluation);
- (c) Sub-recipient management (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, and supply management [inventory, warehousing and distribution]); and
- (e) financial management (expenditures, reporting to the Global Fund).

The audit covered the Global Fund-related activities of the Office from 1 October 2013 to 31 January 2015. The Office recorded Global Fund-related expenditures totaling \$19 million. The last audit of the Office's Global Fund-related activities was conducted by OAI in 2013.

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 weaknesses in programme management, and procurement and supply management.

**Key recommendations:** Total = 5, high priority = 2

The five recommendations aim to ensure the following: achievement of the organization's strategic objectives (Recommendations 1, 2, and 3); and effectiveness and efficiency of operations (Recommendations 4 and 5).

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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.

<sup>2</sup> Since the Country Coordinator Mechanism is not a legally incorporated body and cannot receive funds, it designates a Funding Recipient to be responsible for receiving funds on its behalf.

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. The high (critical) priority recommendations are presented below:

Challenges regarding operating context and relationship with Sub-recipients (Issue 3)

Conditions defined in the Zero Cash Policy were not accepted by some Sub-recipients, and this created a tense and untrusting relationship with the Project Management Unit. This Policy is meant to mitigate any financial risks and significantly reduce risk of loss to UNDP in a complex crisis situation. The operating context was challenged by a disagreement over the per diem rate used in the grant and was exacerbated by omissions and errors in the grant budget. This resulted in delays in implementing activities. As of December 2014, the implementation rate of activities was 57 percent and the loss of General Management Service fees amounted to \$469,000.

Recommendation: Strengthen the relationship with the Sub-recipients by: (a) timely processing operational requests; and (b) identifying important and strategic challenges and resolving them in a timely manner, and as necessary, escalating to senior management for action.

Weaknesses in distribution system and inventory management (Issue 5)

The Sub-recipient had not developed a plan for distributing medicines. The condition of the warehouses for storing medicines also did not meet the World Health Organization minimum storage and warehousing standards. Furthermore, there were insufficient monitoring controls over health product stocks and lack of insurance for medical products in transit.

Recommendation: Improve medical product distribution systems and inventory management by: (a) finalizing the distribution plan including its approval by all the relevant stakeholders; (b) conducting a follow-up mission to warehouses in four regions to determine the status of implementation of recommendations made by the Project Management Unit during prior field visits; (c) implementing the procurement and supply management capacity-building plan and upgrading storage conditions; (d) conducting spot checks on the health products in peripheral, regional and central warehouses and documenting the results; and (e) following up with the Sub- recipient responsible for the distribution of drugs on the insurance coverage of medical products during transportation to distribution sites

**Implementation status of previous OAI audit recommendations:** Report No. 1144, 9 December 2013.

Total recommendations: 5  
Implementation rate: 100%

### 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.



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