

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP ZIMBABWE

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

Report No. 1562

Issue Date: 16 February 2016

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

The UNDP Office of Audit and Investigations (OAI), from 16 to 30 November 2015, conducted an audit of five grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) (Output Nos. 72970 [HIV], 72971 [TB], 72973 [Health System Strengthening], 82260 [Malaria], 88278 [HIV], managed by UNDP Zimbabwe (the Office) as the Principal Recipient and three projects 93055 [TB], 93641 [Malaria] and 94787 [Capacity Development]) managed by UNDP Zimbabwe as the Fund Administrator¹. These grants were managed under the Global Fund's Additional Safeguard Policy.² 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 Global Fund-related activities of the Office from 1 September 2014 to 31 August 2015. The Office recorded Global Fund-related expenditures of approximately \$160 million. The last audit of the Office's Global Fund-related activities was conducted by OAI in 2014.

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 a weaknesses in the supply chain management.

¹ On 1 January 2015, UNDP entered into an agreement with the Global Fund to provide support services to the new Principal Recipient (a government counterpart) managing the new TB and Malaria grants as the Fund Administrator. The agreement stated that UNDP was to contribute its own resources towards building functional capacities required by national entities. UNDP would facilitate and design a prioritized capacity development plan owned by the new Principal Recipient, in order to build on the capacity assessments that have already been carried out and the ongoing work in the areas of strengthening of the financial and risk management at the Principal Recipient.

² The Additional Safeguard Policy is a range of tools established by the Global Fund as a result of its risk management processes.

Good practice

The Office has according to its own estimates managed to attain significant savings in the purchase of antiretroviral (ARV) medicines. This applied to the purchase of the one-pill combination of three HIV medicines known as TLE (Tenofovir, Lamivudine and Efavirenz). Savings of over \$11 million were realized in the latest round of procurement as compared to previous orders and what had been budgeted (refer to Section II, page 2 for details).

Key recommendations: Total = 2, high priority = 1

The two recommendations aim to ensure the following: (a) achievement of the organization's strategic objectives (Recommendation 1); and (b) effectiveness and efficiency of operations (Recommendation 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. The high (critical) priority recommendation is presented below:

Weaknesses in the storage of medical products
(Issue 2)

Storage conditions in the national and regional warehouses, and health facilities were poor. In the national warehouse, health products were on the floor due to limited space and there were expired health products amounting to \$3 million. In the regional warehouse, no thermometer was installed to monitor the temperature. In one health facility, cold chain items were kept in a refrigerator but the thermometer was not working and in the second facility, no thermometer was installed in the pharmacy.

Recommendation: The Office should improve on the controls over supply chain management and storage conditions by (a) expediting the process of the construction of the new warehouse to address the challenges of not having enough space at the current warehouse; (b) working with the government counterpart and the Sub-recipient to ensure that the amount of expired products is minimized including better managing the supply chain and inventory levels so as to anticipate future changes in treatment protocols and new lines of medication; and (c) working with the government counterpart so that functioning thermometers are installed in the warehouses, health facility pharmacies and refrigerators where cold chain items are kept and required temperatures are maintained and logged.

Implementation status of previous OAI audit recommendations: Report No. 1401, 12 December 2014.

Total recommendations: 3
Implemented: 3
In progress: 0

Management comments and action plan

The Resident Representative accepted both 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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