

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP ZIMBABWE

GRANTS FROM THE GLOBAL FUND

Report No. 1904
Issue Date: 24 January 2018

Report on the Audit of UNDP Zimbabwe Grants from the Global Fund Executive Summary

The UNDP Office of Audit and Investigations (OAI), from 6 to 17 November 2017, conducted an audit of five grants from the Global Fund (Output Nos. 72970 [HIV], 72971 [TB], 72973 [Health System Strengthening], 82260 [Malaria], and 88278 [HIV]) managed by UNDP Zimbabwe (the Office) as the Principal Recipient, and of three projects (Output Nos. 93055 [TB], 93641 [Malaria] and 94787 [Capacity Development]) managed by the Office as the Fund Administrator.¹ 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 (qualification and forecasting, procurement of health products, quality assurance of health products, individual contractors, procurement of other goods and services), supply management (inventory, warehousing and distribution), and asset management; and
- (e) financial management (revenue and accounts receivable, expenses, reporting to the Global Fund, Fund Administrator role).

The audit covered the Global Fund-related activities of the Office from 1 January 2016 to 30 September 2017. The Office recorded Global Fund-related expenses of approximately \$244 million. The last audit of the Office's Global Fund-related activities was conducted by OAI in 2015.

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

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. The aim was to build on the capacity assessments that had already been carried out and on the ongoing work in the areas of strengthening financial and risk management at the Principal Recipient level.

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

Overall audit rating

OAI assessed the Office's management of the Global Fund grants as **partially satisfactory / some improvement needed**, which means "The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area." This rating was mainly due to uncertainty over the completion of infrastructure improvements, and to weaknesses in the storage of medical products.

Key recommendations: Total = 4, high priority = 2

The four recommendations aim to ensure the following: (a) achievement of the organization's strategic objectives (Recommendation 1, high priority); (b) effectiveness and efficiency of operations (Recommendation 2, high priority); (c) safeguarding of assets (Recommendation 3, medium priority); and (d) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendation 4, medium priority).

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:

Uncertainty over the completion of infrastructure improvements (Issue 1)

At the time of the audit mission in November 2017, construction and renovation of infrastructure amounting to \$34 million were planned, but would require funding and completion beyond the grant end date of 31 December 2017. However, countries are required to return unused funds at the end of the grant implementation period. At the time of the audit mission, the Government, as the recipient of the funds, was requesting through the Country Coordinating Mechanism, a special waiver from the Global Fund to enable them to use the funds beyond 31 December 2017.

Recommendation: The Office should prioritize reaching an agreement with the Global Fund in collaboration with the Country Coordinating Mechanism and other relevant stakeholders on how to fund the approved infrastructure activities.

Weaknesses in the storage of health products (Issue 2)

Storage conditions in the central medical warehouse and the two health facilities that were visited were poor. The space in the central warehouse was not optimized and the monitoring of the temperature in the warehouse and health facilities was not properly carried out. There were inadequate storage conditions and delays in safely disposing of expired medical products.

Recommendation: The Office should work with the government counterpart to improve storage conditions of medical products by: (a) expediting the process of constructing and equipping the new central medical warehouse in Harare; (b) monitoring temperature fluctuations at facilities storing medical products, and ensuring facilities are equipped with functioning thermometers and data loggers that are used to monitor temperature fluctuations, including all quality assurance tests to establish the efficacy and safety of medical products exposed to potentially harmful temperature fluctuations, and recall damaged products if warranted; and (c) keeping all expired medical items secure and under quarantine until they can be safely disposed of.

Implementation status of previous OAI audit recommendations: Report No. 1562, 16 February 2016.

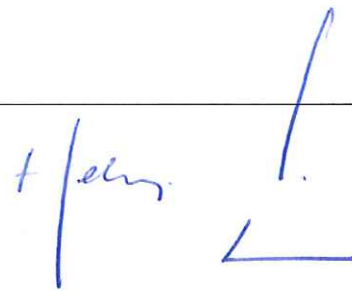
Total recommendations: 2

Implemented: 2

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.

Low risk issues (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, which appears to be 'H. Ostveiten', is written inside a rectangular box. The signature is stylized and includes a long vertical stroke on the right side.

Helge S. Ostveiten
Director
Office of Audit and Investigations