



AUDIT

OF

UNDP PANAMA

GRANTS FROM THE GLOBAL FUND

Report No. 1929
Issue Date: 25 May 2018

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

The UNDP Office of Audit and Investigations (OAI), from 26 March to 6 April 2018, conducted an audit of one grant from the Global Fund (Output No. 97297 [HIV /TB]), managed by UNDP Panama (the Office) as the Principal Recipient. 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, risk management, staffing and performance management, capacity development and transition strategy);
- (b) programme management (project approval and implementation, monitoring and evaluation, grant closure);
- (c) Sub-recipient management (selection, assessment and contracting, financial and programmatic activities);
- (d) procurement (quantification 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 2017 to 31 January 2018. The Office recorded Global Fund-related expenses of approximately \$3.7 million from the beginning of the project. 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 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 project implementation delays and weaknesses in inventory and warehousing management.

Key recommendations: Total = 7, high priority = 2

The seven recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Achievement of the organization's strategic objectives	2	High
	1, 3	Medium
Safeguarding of assets	6	High
	7	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	4, 5	Medium

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:

Project implementation delays (Issue 2) The low implementation rate of 49 percent was due to the delay in a number of project activities. Specifically, as of April 2018, the total disbursement of incentive payments for the target population was only \$19,730 out of a budget of \$241,833 (or 8 percent). Further, the Office's institutional capacity-building activities with a budget of \$150,000 was not completed and two Friendly Clinics¹ had not been opened as planned.

Recommendation: The Office should enhance controls for the timely implementation of project activities by: (a) calculating the expected number of incentive payments to be disbursed, returning to the supplier the unused incentive vouchers, or agreeing with the government ministry and donor regarding reprogramming of the unused amounts; (b) identifying a supplier, providing the relevant training, and completing the required institutional capacity-building activities; and (c) following up with the government ministry to ensure the opening of the Friendly Clinics is within the agreed time frame.


Weaknesses in inventory and warehousing management (Issue 6) The Office did not maintain adequate inventory records, including information of stock items received and transferred. Also, there was no evidence of physical counts and certifications of health commodities. Further, the warehouse inventory was poorly managed.

Recommendation: The Office should strengthen inventory and warehouse management by: (a) recording and controlling inventory following the World Health Organization guidelines; (b) conducting a physical inventory count by an independent verification team; and (c) certifying the balance and value of inventory and submitting this to the Global Shared Services Unit.

Management comments and action plan

The Resident Representative accepted all seven 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.



Helge S. Osttveiten
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¹ Friendly Clinics: Dedicated areas within the government health centres, offering health-related services to the targeted population.