



AUDIT

OF

UNDP DJIBOUTI

GRANTS FROM THE GLOBAL FUND

Report No. 2189
Issue Date: 25 June 2020

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

The UNDP Office of Audit and Investigations (OAI), from 13 to 30 April 2020, conducted an audit of two grants from the Global Fund (Output Nos. 107277 [TB/HIV] and 107278 [Malaria]) managed by UNDP Djibouti (the Office) as the Principal Recipient. The Office also managed Output No. 95340 (Country Coordinating Mechanism) as the Funding Recipient.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, 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 to 31 December 2019. The Office recorded Global Fund-related expenses of approximately \$4 million. The last audit of the Office's Global Fund-related activities was conducted by OAI in 2018.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Due to the COVID-19 pandemic, the audit was conducted remotely. Scope limitations due to the nature of the remote audit related to the following activities:

- (a) A review of original supporting documentation could not be carried out, and therefore the audit team relied on scanned copies of documents provided by the Office for all audit areas reviewed.
- (b) All meetings with Office staff and personnel were carried out virtually.
- (c) Project visits (location, site visits, meeting with counterparts/beneficiaries) were not conducted.
- (d) A physical verification of assets was not performed.

¹ Since the Country Coordinating 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.

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 weaknesses in capacity assessments of Sub-recipients and ineffective implementation of a quality control plan.

Key recommendations: Total = 4, high priority = 2

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

Weaknesses in Sub-recipient capacity assessments and development (Issue 1)

The Office contracted six Sub-recipients for the two grants and conducted capacity assessments of five of them nine months after the signing of the Sub-recipient agreements. A capacity assessment was not conducted for the remaining Sub-recipient. Although the Office identified certain weaknesses through the capacity assessments and monitoring visits, a capacity development plan for addressing them was not prepared.

Recommendation: The Office should timely complete capacity assessments of all Sub-recipients for future grants, and prepare a comprehensive capacity development plan, if capacity gaps are identified.

Ineffective implementation of quality control plan (Issue 2)

The Office developed a testing plan for 2019 that contained 14 sampled products to be tested upon arrival and throughout the supply chain. At the time of the audit in April 2020, the Office had yet to receive the 2019 quality control test results of 10 of the 14 sampled products sent for testing in February 2020. No reasons were provided by the Office as to why the 2019 samples were not submitted until 2020. The remaining four sampled products could not be tested. The Office had not revised the sampling plan by replacing the products that could not be tested. The 2018 sampling plan was submitted to the laboratory only in February 2019 and the results were received in July 2019, four months instead of the required turnaround time of 10 working days.

The annual progress reports were not submitted to the UNDP Global Fund Health Implementation Support Team, Bureau for Policy and Programme Support, to disclose the delays and challenges with the implementation of the quality control testing plan.

Recommendation: The Office should strengthen the implementation of quality control activities by: (a) developing and monitoring a quality control testing plan, which should include the timelines for drawing sampling at different points in the supply chain, and actively following up with the laboratory regarding

extended delays in receiving quality control test results; (b) timely revising its quality control testing plan to replace products that could not be sent for testing; and (c) submitting the annual progress reports to the UNDP Global Fund Health Implementation Support Team, Bureau for Policy and Programme Support.

Implementation status of previous OAI audit recommendations: Report No. 1909, 13 April 2018.

Total recommendations: 9

Implemented: 9

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.



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