



AUDIT

OF

UNDP PACIFIC OFFICE IN FIJI

GRANTS FROM THE GLOBAL FUND

Report No. 2239
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Report on the Audit of UNDP Pacific Office in Fiji Grants from the Global Fund Executive Summary

The UNDP Office of Audit and Investigations (OAI), from 18 May to 4 June 2020, conducted an audit of two grants from the Global Fund (Output Nos. 113363 [HIV/TB] and 113364 [Malaria]) managed by the UNDP Pacific Office in Fiji (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, capacity development and transition strategy);
- (b) programme management (project approval and implementation, monitoring and evaluation);
- (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).

The audit covered the Global Fund-related activities of the Office from 1 January 2019 to 30 April 2020. The Office recorded Global Fund-related expenses of approximately \$4.2 million. The last audit of the Office's Global Fund-related activities (Output Nos. 96098 and 96174) was conducted by OAI in 2017.

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) Meetings with Office staff and personnel were carried out virtually, which limited the audit team's understanding of the Office's working environment.
- (c) Project site visits were not conducted.
- (d) Verification of health product inventory held by the Office and the storage location conditions was performed virtually.
- (e) A physical verification was not performed for health products stored by Sub-recipients.
- (f) A physical verification of other assets was not performed.

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."

This rating was mainly due to weaknesses in quality assurance and quality controls over the procurement of health products.

Key recommendations: Total = 3, high priority = 1

The three recommendations aim to ensure the following: (a) reliability and integrity of financial and operational information (Recommendation 2, medium priority); (b) effectiveness and efficiency of operations (Recommendation 1, medium priority); and (c) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendation 3, 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. The high (critical) priority recommendation is presented below:

Weaknesses in quality assurance and quality controls over procurement of health products (Issue 3)

There was no documentary evidence that the Office performed all required quality assurance verifications upon receiving health products. A review of receiving reports disclosed that the template used by the Office did not contain relevant fields for recording all verifications. The Office did not perform the required quality control tests for the batches of medicines received during the audit period although it had received 39 batches of medicines as per its Health Procurement Action Plan. Furthermore, no medicines had been sampled for quality control testing either upon receipt in country or throughout the supply chain during the audit period.

Recommendation: The Office should address weaknesses in its quality assurance and quality controls over health products by: (a) conducting all required compliance controls upon receipt of health products and documenting the required information on receiving reports; and (b) performing the mandatory quality control tests upon receipt and after distribution to ensure that health products in the supply chain meet the required quality standards.

The previous audit (Report No. 1878, issued on 5 July 2017) did not result in any recommendations.

Management comments and action plan

The Resident Representative accepted all three 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.



Moncef Ghrib

Moncef Ghrib
Officer-in-Charge
Office of Audit and Investigations