

**UNITED NATIONS DEVELOPMENT PROGRAMME**  
**Office of Audit and Investigations**



**AUDIT**

**OF**

**UNDP PAKISTAN**

**GRANTS FROM THE GLOBAL FUND**

**Report No. 2562**

**Issue Date: 6 December 2022**

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

The UNDP Office of Audit and Investigations (OAI), from 29 August to 4 October 2022, conducted an audit of one grant from the Global Fund (Output No. 126882 [HIV]) managed by UNDP Pakistan (the Office) as the Principal Recipient. This grant was managed under the Global Fund's Additional Safeguard Policy.<sup>1</sup> 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 July 2021 to 31 July 2022. The Office recorded Global Fund-related expenses of approximately \$ 7.8 million. 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* of The Institute of Internal Auditors (The IIA). In view of travel restrictions on the audit team, 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.

### **Overall audit rating**

OAI assessed the Office's management of the Global Fund grants as **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

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<sup>1</sup> The Additional Safeguard Policy is a range of tools established by the Global Fund as a result of its risk management processes.

due to weaknesses in the management of Sub-recipients, low fund utilization, and Inadequate monitoring of quality assurance over health products.

**Key recommendations:** Total = **3**, high priority = **3**

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

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:

Low fund utilization (Issue 1)	Of the total budget of \$47.1 million, \$39.77 million, representing 84 percent of grant funds remained uncommitted as of 30 June 2022, with only 18 months remaining of the two-and-a-half-year grant implementation period.
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Recommendation: The Office should improve the utilization of the grant funds to achieve grant objectives and targets within specified the timeline by accelerating grant implementation and closely tracking long pending grant activities.

Weaknesses in Sub-recipient management (Issue 2)	The Office conducted capacity assessments and contracted 21 Sub-recipients, including 16 community-based organizations (CBOs). The audit team noted the following: (a) no direct linkage between the results of the capacity assessments and the special conditions used in the Sub-recipient agreements; (b) lack of adherence to guidance with respect to cash transfer mechanisms used with Sub-recipients and inadequate due diligence on legal agreements with Sub-recipients; (c) late contract extensions and delays in concluding a competitive process for the selection of Sub-recipients.
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Recommendation: The Office should enhance management of Sub-recipients by: (a) tailoring risk responses to each Sub-recipient's capacity assessment outcomes, including the use of special conditions that address specific weaknesses identified; (b) ensuring that appropriate cash transfer modalities that reflect the results of capacity assessments are used and due diligence is exercised in the preparation and sign-off of Sub-recipient agreements; and (c) ensuring that contract extensions are processed timely and before the expiry of the contracts and taking steps to expedite the selection of Sub-recipients through the competitive process.

Inadequate monitoring of quality assurance over health products procured by former Principal Recipient (Issue 3)	Inventories of programme related health products, including Antiretrovirals, had been procured by the former Principal Recipient. These stocks were not transferred to the Office under the grant agreement, and their distribution in the national supply chain was continued at the direction of the Office. However, the Office had not exercised due diligence to ensure quality assurance and quality control of these products.
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Recommendation: The Office should engage with the Global Fund with a view to establishing a monitoring process to ensure that the former Principal Recipient is meeting its quality assurance obligations regarding health

products procured during its administration and being used by the current programme.

### Management comments and action plan

The Resident Representative accepted the 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.

  
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