



AUDIT

OF

UNDP EGYPT

GRANTS FROM THE GLOBAL FUND

Report No. 2646
Issue Date: 8 January 2024

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

The UNDP Office of Audit and Investigations (OAI), from 11 to 24 September 2023, conducted an audit of one grant from the Global Fund (Output Nos. 122206 [HIV/TB] and 131565 [COVID-19 support-C19RM]) managed by UNDP Egypt (the Office) as the Principal Recipient. This grant was managed under the Global Fund's Additional Safeguard Policy.¹ 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, Internal Control Framework & delegation of authorities, risk management, staffing and performance management, and allegations of wrongdoing);
- (b) development activities (project approval and implementation, monitoring and evaluation, capacity development and transition strategy, 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, procurement of other goods and services), supply management of medical products (inventory, warehousing and distribution), and individual contractors; and
- (e) financial management (Global Fund budget during grant making, revenue and accounts receivables, expenditure and payment processing, financial reporting to the Global Fund, Fund Administrator Role, general ledger journal entries).

The audit covered the Global Fund-related activities of the Office from 1 January 2022 to 30 June 2023. The Office recorded Global Fund-related expenses of approximately \$8.01 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). Scope limitations were due to the non-granting of access to the government warehouse to perform a physical verification of assets and inventory.

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

¹ The Additional Safeguard Policy is a range of tools established by the Global Fund as part of its risk management processes.

mainly due to weaknesses identified in inventory management and the quality control of pharmaceutical products.

Key recommendations: Total = 3, high priority = 2

Objectives	Recommendation No.	Priority Rating
Effectiveness and efficiency of operations	1	Medium
Safeguarding of assets	2	High
Compliance with legislative mandates, regulations and rules, policies and procedures	3	High

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 recommendations are presented below:

Insufficient monitoring of health product inventories in the government Central Warehouse (Issue 2) Efforts to conduct physical verifications of the inventories at the government Central Warehouse of COVID-19 test kits and supplies, valued at \$6.2 million, were hindered because the Central Warehouse administrators informed the Programme Management Unit (PMU) that the inventories were considered government property upon delivery of goods procured by the Global Fund and hence, separate inventory records for the Global Fund were not necessary. A physical inventory spot check was ultimately undertaken by the Office, which observed that all test kits and supplies were distributed to medical and testing facilities.

The audit team noted that the government Central Warehouse received an additional COVID-19 Sequencing Kit valued at \$185,501 in January 2023. However, the inventory balances were not available at the PMU at the time of the audit fieldwork because a physical inventory count was not conducted. The audit team sought permission to visit the government Central Warehouse during fieldwork, but the request was not granted.

Recommendation: The Office should strengthen the management of inventories by: (a) requesting a report detailing the actual quantity used and the inventory balance of the COVID-19 Sequencing Kit procured by the Global Fund in the government Central Warehouse and conducting a physical inventory count and verification, if applicable; and (b) escalating the issue of inventory management to the government ministry to ensure access to the government's Central Warehouse is granted and that Global Fund procured medical supplies and consumables are accounted for and stored separately from other inventories.

Lack of quality control testing of second-line TB medicines (Issue 3) Since the inception of the Global Fund grant in January 2019, the quality control testing of second-line TB medicines was not performed. According to the Office, the National TB Programme (NTP) decided that second-line TB medicines procured from Stop TB would be accepted if it was certified and

approved by the World Health Organization and Stop TB because of the lengthy process of the quality control test conducted in the national laboratories (up to four weeks).

Recommendation: The Office should strengthen the quality assurance process by performing quality control tests of all finished pharmaceutical products to be used by the national programmes in accordance with the Global Fund Quality Assurance Policy for Pharmaceutical Products.

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.

A handwritten signature in black ink, appearing to read 'Guillermo Munoz'. The signature is stylized and enclosed within a rectangular box.

Guillermo Munoz
Deputy Director a.i
Office of Audit and Investigations