

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



*Empowered lives.
Resilient nations.*

AUDIT

OF

UNDP AFGHANISTAN

GRANTS FROM THE GLOBAL FUND

Report No. 1898

Issue Date: 21 December 2017

Table of Contents

Executive Summary	i
I. Profile of Global Fund grants managed by UNDP Afghanistan	1
II. Audit results	1
Definitions of audit terms - ratings and priorities	2

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

The UNDP Office of Audit and Investigations (OAI), from 5 to 15 November 2017, conducted an audit of four grants from the Global Fund (Output Nos. 94758 [HSS], 94759 [TB], 96733 [Malaria] and 100800 [HIV]) managed by UNDP Afghanistan (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, staffing, capacity development and exit strategy);
- (b) programme management (project approval and implementation, monitoring and evaluation, grant closure);
- (c) Sub-recipient management (selection, assessment and contracting, funding, reporting, oversight and monitoring);
- (d) procurement (qualification 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 2016 to 31 October 2017. The Office recorded Global Fund-related expenses of approximately \$29 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*.

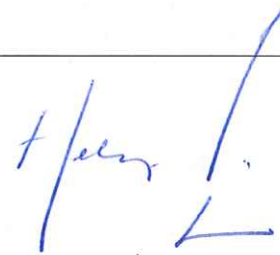
Overall audit rating

OAI assessed the Office's management of the Global Fund grants as **satisfactory**, which means "The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area."

The audit did not result in any recommendations.

Management comments and action plan

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 blue ink, appearing to read 'H. Ostveiten', is enclosed within a black rectangular box.

Helge S. Ostveiten
Director
Office of Audit and Investigations

I. Profile of Global Fund grants managed by UNDP Afghanistan

Since 2015, UNDP has been the Principal Recipient of Global Fund grants in Afghanistan.

Grant No.	Output No.	Description	Start Date	End Date	Budget (in \$'000)	Funds Received as of 31 Dec 2016 (in \$ '000)	Implementation Rate (%)*	Expenses as of 31 August 2017 (in \$ '000)	Global Fund Rating as of 31 Dec 2016
AFG-S-UNDP	94758	HSS	1-Apr-2015	31-Dec-2017	8,700	5,149	84	4,723	B1 ¹
AFG-T-UNDP	94759	TB	1-Apr-2015	31-Dec-2017	11,002	5,352	74	6,875	B1
AFG-M-UNDP	96733	Malaria	1-Oct-2015	31-Dec-2017	19,627	12,691	82	13,492	A2 ²
AFG-H-UNDP	100800	HIV	1-Jul-2016	31-Dec-2017	8,690	2,811	51	3,547	B1

* Implementation rate = (cumulative expenses + commitments)/cumulative budget

II. Audit results

Satisfactory performance was noted in the following areas:

- Governance and strategic management. The Office had established adequate controls for the overall governance and strategic management of the implementation of these grants.
- Programme management. The implementation of grant activities was carried out in accordance with the grant agreement and activities were adequately monitored.
- Sub-recipient management. Disbursements were made to Sub-recipients in accordance with UNDP regulations and rules. Financial progress reports were prepared on a quarterly basis with adequate supporting documents.
- Procurement and supply management. There were adequate controls in place for the procurement of the health products and other goods and services along with the management of assets. Tests addressing warehousing and inventory did not reveal reportable issues.
- Financial management. The review of payments through the verification of a sample of vouchers did not disclose any significant concerns regarding the reliability and integrity of financial and operational information.

The audit did not result in any recommendations.

Low priority recommendations were discussed directly and agreed upon with the Office and are not included in this report.

¹ Adequate

² Meets expectations

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Satisfactory** The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Some Improvement Needed** 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.
- **Partially Satisfactory / Major Improvement Needed** The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.
- **Unsatisfactory** The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **High (Critical)** 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.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to risks. Failure to take action could contribute to negative consequences for UNDP.
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.