



AUDIT

OF

UNDP NIGER

**GRANTS FROM THE GLOBAL FUND TO FIGHT
AIDS, TUBERCULOSIS AND MALARIA**

Report No. 1139

Issue Date: 9 December 2013

Report on the audit of UNDP Niger Grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria Executive Summary

From 17 February to 1 March 2013, the Office of Audit and Investigations (OAI) conducted an audit of two grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) (Project IDs 00052596 [TB] and 00052624 [Malaria]) managed by the UNDP Country Office in Niger (the Office) as the Principal Recipient. These grants were managed under the Global Fund’s Additional Safeguard Policy.¹ The audit covered the Office’s activities related to the closure of the Global Fund grant during the period from 1 January to 31 December 2012, as well as the follow-up on a previous audit report which had been rated as “unsatisfactory”. In view of the fact that the two grants have been in the closure phase (since 31 December 2011 for TB and since 30 June 2012 for Malaria), the audit did not cover the areas relevant to the initial stages of grant management. During the period reviewed, the Office recorded Global Fund-related expenditures totalling \$0.3 million. The last audit of the Office’s Global Fund-related activities was conducted by OAI in 2011.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for the conclusions and audit results.

Audit rating

OAI assessed the Office’s management of Global Fund grants as **partially satisfactory**, which means “Internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity.” This rating was mainly due to weaknesses in the audit process of Sub-recipient activities, lack of oversight over medical supply inventory and weaknesses in asset inventory transfer. Ratings per audit area and sub-areas are summarized below:

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Governance and strategic management				
1.1 Organizational structure	Satisfactory			
1.2 Staffing	Satisfactory			
1.3 Cooperation and coordination with Country Coordinating Mechanism and other stakeholders	Not Applicable			
1.4 Capacity building and exit strategy	Not Applicable			
2. Programme management				
2.1 Project approval and implementation	Not Applicable			
2.2 Conditions precedent and special conditions of the grant agreements	Not Applicable			
2.3 Monitoring and evaluation	Not Applicable			
2.4 Grant closure	Partially Satisfactory			

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

3. Sub-recipient management				
3.1 Selection, assessment and contracting	Not Applicable			
3.2 Funding	Not Applicable			
3.3 Reporting	Not Applicable			
3.4 Oversight and monitoring	Satisfactory			
3.5 Audit	Satisfactory			
4. Procurement and supply management				
4.1 Procurement of health products	Not Applicable			
4.2 Quality assurance of health products	Not Applicable			
4.3 Procurement of other goods and services	Not Applicable			
4.4 Supply management (inventory, warehousing and distribution)	Partially Satisfactory			
4.5 Asset management	Partially Satisfactory			
4.6 Individual contractors	Not Applicable			
5. Financial management				
5.1 Revenue and accounts receivable	Not Applicable			
5.2 Expenditures	Satisfactory			
5.3 Reporting to the Global Fund	Partially Satisfactory			

Key issues and recommendations

The audit raised 6 issues and resulted in 3 recommendations, of which 2 (67 percent) were ranked high (critical) priority, meaning “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 and may affect the organization at the global level.”

The high priority recommendations are as follows:

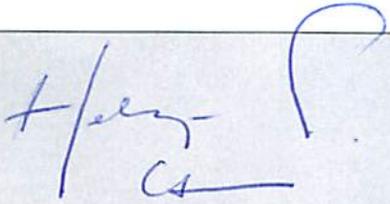
- Grant closure (Issue 1) Delays in the close-out process. OAI noted that 20 months after the end of the Tuberculosis (TB) R5 grant, and 8 months after the end of the Malaria R5 grant, official closure implementation letters had not been received from the Global Fund to facilitate operational and financial closure of the grants. Closure implementation procedures and related reports had been subject to clarification from the Global Fund. Furthermore, many elements, such as agreement on cash balances, submission of progress reports and transfer of assets, among others were still outstanding. OAI recommends that the Office: : (a) identify key closure activities which will extend beyond the departure of project personnel and assign responsibility for their completion to remaining personnel; (b) prepare and submit the final progress reports as well as the revised closure plan for TB R5; (c) complete the revision of the TB R5, and Malaria R5 cash balances and submit them to the Global Fund for concurrence; (d) submit formal notification to the Global Fund regarding the pre-financing of Malaria R5 activities with TB R5 funds; and (e) engage with the Global Fund via the Bureau for Development Policy, to expedite and obtain agreement on outstanding points, including the cash balances, and to facilitate issuance of closure implementation letters to officially trigger the grant closure activities.
- Asset management (Issue 5) Delay in transfer of assets and failure to insure assets. The transfer of assets financed by Global Fund resources had not yet been finalized, even more than 12 months after grant closure. The Office did not ensure that the insurance provision stipulated in the Sub-recipient agreement was adhered to. As a result, vehicles and motorcycles were uninsured and exposed to risk of theft. Furthermore, one stolen vehicle has not been reported to the Contracts, Assets, and Procurement Committee and removed from the

asset listing 13 months after the theft occurred. OAI recommends that the Office strengthen its asset management process by: (a) ensuring the insurance provision in the Sub-recipient agreement is adhered to until final transfer; (b) liaising with the Global Fund and the Country Coordinating Mechanism in order to facilitate the urgent transfer of the assets to the Global Fund; and (c) submitting the supporting documentation on the theft of the vehicle to the Contracts, Assets, and Procurement Committee for review and decision.

The implementation status of previous Global Fund audit recommendations (Report No. 845 issued December 2012 with an "unsatisfactory" rating) was also validated. Of the 16 recommendations, 13 were assessed to be implemented. The remaining three recommendations were withdrawn based on the Office's decision to discontinue the management of the Global Fund grants in Niger.

Management comments and action plan

The Resident Representative accepted all three recommendations and is in the process of implementing them.



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