



**AUDIT**

**OF**

**UNDP MONTENEGRO**

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

**Report No. 1499**  
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## **Table of Contents**

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

**Report on the Audit of UNDP Montenegro  
Grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria  
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), from 28 September to 9 October 2015, conducted an audit of a grant from the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) (Output No. 75943 [HIV]) managed by UNDP Montenegro (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 and supply management (qualification and forecasting, procurement of health products, quality assurance of health products, procurement of other goods and services, supply management [inventory, warehousing and distribution], asset management, individual contractors); and
- (e) financial management (revenue and accounts receivable, expenditures, reporting to the Global Fund).

The audit covered the Global Fund-related activities of the Office from 1 January 2014 to 30 June 2015. The Office recorded Global Fund-related expenditures of approximately \$1.1 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, "Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity."

The audit did not result in any recommendations.



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## I. Profile of Global Fund grants managed by UNDP Montenegro

Since 2006, UNDP has been the Principal Recipient of Global Fund grants in Montenegro (the Country).

Grant No.	Output No.	Description	Start Date	End Date	Budget (in \$'000)	Funds Received as of <b>30 June 2015</b> (in \$ '000)	Implementation Rate	Expenditures as of <b>30 June 2015</b> (in \$ '000)	Global Fund Rating at <b>31 Dec 2014</b>
MNT-910-Go3-H	75943	HIV/AIDS	1 Jul 2010	30 Jun 2015	5,284	5,284	98.84%	5,206	A2*

\*From its inception to June 2014, the grant received an A1 rating (best performance) or a performance score of more than 100 percent based on the established performance indicators. The grant received an A2 rating, or an average performance score between 90 percent and 100 percent during the period from July to December 2014.

## II. Audit results

Satisfactory performance was noted in the following areas:

- Governance and strategic management. The organizational structure and capacity building were found to be adequate.
- Programme management. Programme activities were implemented within the stipulated timeframe and with adequate monitoring.
- Sub-recipient management. Financial and progress reports from Sub-recipients were found to be adequate, with reports received on a quarterly basis and timely reviewed by the Programme Management Unit.
- Procurement and supply management. The procurements of non-pharmaceutical products and services were found to be satisfactory. During the audit period, the Office did not procure any pharmaceutical products. Furthermore, asset management was found to be adequate.
- Financial management. The review of payment vouchers disclosed that the Office had complied with the applicable policies and procedures, and the controls were generally adequate. Furthermore, the Office's financial reporting to the Global Fund Secretariat was done in a timely manner.

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.

## Definitions of audit terms - ratings and priorities

### A. AUDIT RATINGS

- **Satisfactory** Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity.
- **Partially Satisfactory** 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.
- **Unsatisfactory** Internal controls, governance and risk management processes were either not established or not functioning well. The issues were such that the achievement of the overall objectives of the audited entity could be seriously compromised.

### 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 that are considered moderate. 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.