



AUDIT

OF

UNDP SOUTH SUDAN

GRANTS FROM THE GLOBAL FUND

Report No. 1892
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Report on the Audit of UNDP South Sudan Grants from the Global Fund Executive Summary

The UNDP Office of Audit and Investigations (OAI), from 21 August to 1 September 2017, conducted an audit of six grants from the Global Fund (Output Nos. 81101 [HIV], 81102 [TB], 81103 [TB], 81104 [HSS], 96503 [HIV] and 96034 [TB]) managed by UNDP South Sudan (the Office) as the Principal Recipient. These grants were managed under the Global Fund's Additional Safeguard Policy.¹ South Sudan is one of the Countries that the Global Fund has categorized as a Challenging Operating Environment.² 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 2016 to 30 June 2017. The Office recorded Global Fund-related expenditures of approximately \$25.8 million. The last audit of the Office's Global Fund-related activities was a financial audit conducted by External auditors on behalf of OAI in 2016.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

During the period under review, the Country was faced with a political crisis that led to the evacuation of personnel to other countries and had an impact on the implementation of the grants.

Overall audit rating

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

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

² Challenging Operating Environments refer to Countries or unstable parts of countries or regions, characterized by weak governance, poor access to health services, limited capacity and fragility due to man-made or natural crises. Challenging Operating Environments may be experiencing either acute or chronic instability which will be considered by the Global Fund in tailoring the Country approach.

do not significantly affect the achievement of the objectives of the audited entity/area.” This rating was mainly due to delay in the implementation of grant activities.

Key recommendations: Total = 5, high priority = 1

The five recommendations aim to ensure the following:

Objectives	Recommendation No.	Priority Rating
Reliability and integrity of financial and operational information	2	Medium
Effectiveness and efficiency of operations	1	High
	4	Medium
Safeguarding of assets	5	Medium
Compliance with legislative mandates, regulations and rules, policies and procedures	3	Medium

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 recommendation is presented below:

Delay in the implementation of grant activities: (Issue 1)

The absorption capacity of the grants remained behind budget targets for the life of the grants, which was largely due to the political crisis in July 2016, and to the period of recovery to stabilize implementation. During the 12-month period from January to December 2016, the absorption rate of the HIV grant stood at 65 percent of the target. The variance was largely attributed to low absorption by the Sub-recipients, who had only consumed 36 percent of the target of \$9.9 million attributed to them, compared to 97 percent of the \$9 million attributed to the Office. For the TB grant and over the same period, the absorption rate stood at 51 percent with Sub-recipients having an absorption rate of 46 percent, as compared to 55 percent for the Office. This issue was partially caused by factors beyond the control of UNDP, as the 2016 political crisis had a major impact on the capacity of the Office and its Sub-recipients to implement programme activities, and to the achievement of programme targets.

Recommendation: The Office should finalize the ongoing reprogramming and initiate measures to accelerate the implementation of project activities.

Implementation status of previous OAI audit recommendations: (Report No. 1400, 6 February 2015).

Total recommendations: 4

Implemented: 4

Management comments and action plan

The Resident Representative accepted all of the five 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.



Helge S. Ostveiten
Director
Office of Audit and Investigations

I. Profile of Global Fund grants managed by UNDP South Sudan

Since 2004, UNDP has been the Principal Recipient of Global Fund grants in South Sudan (the Country).

Grant No.	Output No.	Description	Start Date	End Date	Lifetime Budget (in \$ '000)	Funds Received as of 30 June 2017 (in \$ '000)	Implementation Rate	Expenditures as of 30 June 2017 (in \$ '000)	Global Fund Rating at 30 June 2017
SSD-405-G05-H	81101	HIV Prevention and Care Program for South Sudan	1-Aug-06	1-Sep-15	46,317	46,317	100	1,237	N/A
SSD-506-G06-T	81102	Tuberculosis and HIV Collaborative Programme	1-Jan-09	30-Sep-11	22,940	22,940	100	120	N/A
SSD-708-G11-T	81103	Improving and expanding Tuberculosis Control in Southern Sudan	1-Oct-06	1-Jun-15	18,734	18,734	100	139	N/A
SSD-910-G13-S	81104	Strengthening Health System in Southern Sudan	1-Oct-10	30-Jun-17	41,755	41,755	100	5,064	A2 ³
SSD-H-UNDP	96503	Investing Towards Impact for HIV and AIDS in South Sudan	1-Oct-15	31-Dec-17	42,566	21,675	51	14,048	B1 ⁴
SSD-T-UNDP	96034	Expanding and enhancing quality TB prevention, care and control services in South Sudan	1-Jul-15	31-Dec-17	16,080	8,877	55	5,194	B1
Total					188,391	160,297		25,801	

During the period under review, the Country faced a political crisis that led to the evacuation of UNDP personnel to other countries. This had an impact on the implementation of the grants, and work in some implementation sites in various states came to a standstill. At the time of the audit mission, some of the previously closed implementation sites had resumed operations, but some were still not operational. The Global Fund has categorized the Country as a Challenging Operating Environment and it is also managed under the Additional Safeguard Policy⁵.

II. Audit results

Satisfactory performance was noted in the following areas:

- Governance and Strategic Management:** The Organizational structure was found adequate and all senior positions were filled. Although there was a delay in implementing the capacity development activities, the Office was working on getting a consultant to carry out a review whose results would form the basis of further capacity development activities.

³ Global Fund rating A2 = Meets expectations

⁴ Global Fund rating B1 = Adequate

⁵ Additional Safeguard Policy: The Additional Safeguard Policy would be invoked by the Secretariat when the existing systems to ensure the accountable use of Global Fund financing reveal conditions that suggest that Global Fund monies could be placed in jeopardy without the use of such additional measures.

- (b) Financial Management: The review of a sample of payments did not give rise to any reportable findings and payments had adequate supporting documents. Reporting to the Global Fund Secretariat was done according to the stipulated deadlines.

OAI made one recommendation ranked high (critical) and four recommendations ranked medium (important) priority.

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

High priority recommendation:

- (a) Finalize the ongoing reprogramming and initiate measures to accelerate the implementation of project activities (Recommendation 1).

Medium priority recommendations, arranged according to significance:

- (a) Strengthen project monitoring by conducting monitoring and supervision visits according to plan (Recommendation 2).
- (b) Strengthen implementation of grant closure activities by expediting the remaining activities that are within its realm of control to allow the timely closure Round 9 HSS, Round 4 HIV and Round 7 TB grants and reimbursing the outstanding balance for Round 5 TB grant (Recommendation 3).
- (c) Implement a mechanism to track the resolution of challenges that were recorded in the quarterly reports of Sub-Recipients (Recommendation 4).
- (d) Strengthen the management of assets held by the Sub-recipients. (Recommendation 5).

The detailed assessment is presented below, per audit area:

A. Programme Management

1. Project approval and implementation

Issue 1 Delay in the implementation of grant activities

As the Principal Recipient, the Office is required to ensure that the implementation of the grant is carried out per the signed agreement which defines the activities to be implemented and when they will be implemented.

The absorption capacity of the grants lagged behind budget targets during the life of the grants. Using the last validated Progress Update Disbursement Requests, the audit noted that for the 12-month period from January to December 2016, the absorption rate of the HIV grant stood at 65 percent of the target. The variance was largely attributed to low absorption by the Sub-recipients who had only consumed 36 percent of the target, i.e. \$9.9 million attributed to them compared to 97 percent of the \$9 million attributed to the Office. For the TB grant and over the same period, the absorption rate stood at 51 percent with Sub-Recipients having an absorption rate of 46 percent as compared to 55 percent for the Office.

Although the HIV grant started in October 2015, it was not until April 2016 that two of the Sub-Recipients were engaged and funds worth \$8.5 million (20 percent value of grant activities) were disbursed to implement activities. A similar delay was observed for the TB grant which started in July 2015, and for which two of the Sub-Recipients were engaged and funds disbursed April 2016. Subsequently, there was a political crisis in July 2016 which resulted in evacuation of personnel from Juba for several months. Upon return to Juba in fourth quarter

2016, and given the changed context, a reprogramming exercise was initiated to allow for an accelerated implementation plan. This exercise was not approved by the donor until April 2017 which further exacerbated the implementation of the grant.

At the time of the audit, and with four months remaining to the end of the grant, a reprogramming effort was in progress which will further compound the delays in implementation. The Office management indicated that the July 2016 political crisis had a major impact on the capacity of the Office and its Sub-recipients to implement programme activities and to the achievement of programme targets. While the situation began to normalize by end of August 2016, it was not until the beginning of 2017 that the majority of the Sub-Recipients were back in full operation. There were no alternative implementation arrangements that could have been established to mitigate the impact of the decrease in personnel. In addition, the human resources of the key partner (Ministry of Health) were also directed to other priorities during this period. A number of key health facilities were also severely impacted, and to this date operations have not resumed.

The delayed implementation of project activities may affect the performance of the grant. Moreover, per updated Global Fund rules, unused funds at the end of the New Funding Model grants cannot be carried over into new grants.

Priority	High (Critical)
Recommendation 1:	
The Office should finalize the ongoing reprogramming and initiate measures to accelerate the implementation of project activities.	
Management action plan:	
The recommendation is well noted.	
The second reprogramming was completed and submitted to the Global Fund in mid-August 2017. All queries and clarifications needed were actioned within the timelines requested. It should be noted that despite all efforts made there have been delays in approving the documents by the Global Fund. The Office has elevated the delay to the Global Fund senior management on a number of occasions and also raised the delay with UNDP's Health Implementation Support Team, HIV, Health and Development Group, who have raised the matter with the Fund's senior management.	
Despite the delays in the approval, the Office put in place an acceleration plan and took the initiative of proceeding with the implementation of some critical activities that had long lead times to ensure that goods/services are received before the end of the grants (i.e. 31 December 2017). It is important to note the challenging operating environment, which also impacts on the rate of implementation, including insecurity, limited pool of implementers and limited human resources. Further, besides the insecurity there has been a severe impact on the economy which has led to an over 3000 percent devaluation of the currency. This has led to the reduction of the purchasing power of the local staff paid in local currency resulting in high turnover and at the same time generating substantial savings that contribute to the overall low budgetary burn rate.	
The Office has put in place a number of mitigating measures, which have yielded positive results reflected in the improved results of our key indicators for the period Jan to June 2017. The results show a significant improvement from the last reporting period.	

The Office will continue to pursue the approval of the second reprogramming request from the Global Fund.

Estimated completion date: October 2017

OAI Response

OAI acknowledges the action taken by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.

2. Monitoring and Evaluation

Issue 2 Inadequate onsite monitoring

According to the Global Fund approved Monitoring and Evaluation Plan, the Sub-recipients must conduct periodic visits to the regions to supervise the delivery of services by Sub-sub recipients, to collect data and to provide training on the use of data collection tools. The Principal Recipient is responsible for the overall monitoring and evaluation of the grants; it should carry out periodic monitoring & supervision visits and on return, the results should be documented in a written report.

The Office developed a joint monitoring and supervision visits plan for both the TB and HIV grants incorporating all the partners in the management of the grant for 2016. A similar plan was developed for the period from August to December 2017 covering only TB but on this occasion, the plan did not incorporate all the partners. This plan was yet to be approved by the Technical Working Group at the time of the audit.

As of December 2016, and excluding third quarter 2016 (due to the political crisis over that period), only 13 out of 70 (19 percent of target) site visits had been made. In 2017, no site visits occurred. Where visits had occurred, site visit reports had been made outlining achievements, strengths, weaknesses, as well as recommendations. The office management explained that those recommendations were recorded in the visitors and supervision books, to allow for follow-up on the progress on implementation of recommendations in the subsequent visits to the health facilities. While this approach was reasonable, it did not work as intended, as only one site received more than one visit in 2016 and 2017.

The audit further noted that the Global Fund had raised a similar issue in its management letter for the HIV grant issued in December 2016. In response to the recommendation, the Office committed to implement a systematic method of tracking and addressing recommendations from supervision and monitoring visits by February 2017. At the time of the audit, this proposed action had not been implemented.

The Office management explained that it was hampered by the 2016 political crisis in addition to the departure of the Monitoring and evaluation specialist and the ensuing vacuum until the recent recruitment of the incumbent who joined in July 2017. The programme experienced significant challenges arising from the July 2016 crisis, and the subsequent impact on normalizing implementation. In addition, prior to the 2016 crisis, the Office had logistical challenges in accessing most of the facilities by road, as there was a need to travel in an armed convoy. This was a complex logistical arrangement and very often the convoys were not timed with the planned grant activities. Furthermore, the country's road network had deteriorated and some facilities could not be accessed even with the use of the armed convoy. The Global Fund has designated the country as a challenging operating environment, and under the Fund's Additional Safeguard Policy.

Failure to undertake monitoring and supervision visits may affect the quality of service as well as the quality of data.

Priority	Medium (Important)
Recommendation 2:	
The Office should strengthen project monitoring by conducting monitoring and supervision visits more regularly and according to plan.	
Management action plan:	
The recommendation is well noted.	
The Office has revised the monitoring and supervision plan to reflect the current country context for the October to December 2017 period and based on the review of this plan, the 2018 plan will be developed. In addition, the Office has developed an integrated supervision checklist which will be used by all staff (e.g. programme, finance, Quality Assurance and Procurement and Supply Management), to collect information on various aspects as they conduct field visits.	
Estimated completion date: December 2017	
OAI Response	
OAI acknowledges the action taken by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.	

3. Grant Closure

Issue 3 Delays in grant closure activities

UNDP Policies stipulate that projects should be operationally closed in Atlas when the project period expires and that they should be financially closed within 12 months from their operational closure. The Global Fund and the Principal Recipient develop and agree a closure plan that guides the closure of the projects.

At the time of audit, there were four expired Global Fund grants recorded in Atlas. Two were flagged as operationally closed, while another two were flagged as on-going as shown in table below:

Output	Name	Expiry date per closure letter	Status in Atlas	Date operationally closed
81101	Round 4 HIV	30-Sep-2015	On Going	N/A
81104	Round 9 HSS	30-Jun-2017	On Going	N/A
81102	Round 5 HIV/TB	28-Feb-2015	Operationally closed	December 2016
81103	Round 7 TB	30-Jun-2015	Operationally closed	July 2017

Except for Round 9 HSS, all other three grants should have been financially closed, given their expiry dates. Moreover, both Round 4 HIV and Round 9 HSS should at a minimum have been operationally closed in Atlas.

Delays for closure of Round 4 HIV and Round 7 TB were partially explained by disputed balances of advances to a Sub-recipient amounting to \$541,000. Nevertheless, out of 24 tasks required to be completed to allow for the full financial closure of the grants, 14 were still outstanding; two were overdue and 11 were due in one month. Most of the pending items were financial in nature.

With respect to Round 5 TB, the only outstanding item was the refund of the cash balance and direct project costs amounting to \$337,885. Notwithstanding that the deadline for this activity was one month away, it was not clear why the Office had not completed it, granted that there was no dispute.

The disputed amounts negatively impacted the ability of the Office to close certain items, in addition to the effects of the political crisis encountered in 2016. Nevertheless, inefficiencies in responding to the demands of the Global Fund also contributed to the delays observed. There were also delays on the part of the Global Fund in their approval process, which also had a negative impact on the capacity of the Office to move forward.

Delay in the closure of the grants may result in unfunded liabilities for the Office.

Priority	Medium (Important)
Recommendation 3:	
The Office should strengthen implementation of grant closure activities by:	
<ul style="list-style-type: none"> (a) expediting the remaining activities that are within its realm of control to allow the timely closure of Rounds 9 HSS, 4 HIV, and 7TB grants, when items beyond its control are finalised; and (b) reimbursing the outstanding balance for Round 5 TB to allow for financial closure of the grant. 	
Management action plan:	
<p>The recommendation is well noted, and the closure of the grants is a priority for the Office. However, the resources of the Project Management Unit have been directed to accelerating programme implementation following the 2016 crisis and ensuring achievement of project targets. The Office is also receiving support from the UNDP's Health Implementation Support Team, HIV, Health and Development Group, and the Office also arranged additional support from a Finance Specialist from another Country Office to expedite the grant closure. The status to date is as follows</p> <ul style="list-style-type: none"> (a) For the Round 9 HSS grant, the Office has developed a tracking tool of key timelines and to date they are being achieved. As at 30 September 2017, the Office submitted to the Global Fund the final project report, assets verification report and list of health products to be transferred and disposed of. The Office is following up on the Global Fund's approval. (b) For the Round 4 HIV and Round 7 TB grants, the Office is awaiting the outcome of UNDP's internal review process following the findings of ineligible expenses of a Sub-recipient, and the Global Fund is aware of this process. (c) For the Round 5 HIV/TB grant, the refund of the outstanding balance for Round 5 TB has been made and the project will be financially closed once the pay cycle is completed. 	
Estimated completion date: March 2018	

OAI Response

OAI acknowledges the action taken by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.

B. Sub recipient management

1. Reporting

Issue 4 Inadequate quarterly reporting

According to the standard Sub-Recipient agreements, all the Sub-Recipients are required to provide quarterly programmatic and financial reports. In addition, non-United Nations Sub-Recipients are to maintain a separate bank account that is dedicated to Global Fund activities. A statement of this account is to accompany the quarterly financial reports submitted to the Office.

All the Sub-Recipients had been providing quarterly programmatic reports as required by the Sub-Recipient agreements. The reports captured the accomplishments as well as the challenges faced by the Sub-Recipients in implementing activities. Upon review of three reports for one Sub-Recipient from October 2016 to June 2017, it was noted that issues were not timely resolved and were re-reported in multiple quarters. Some examples included provision of starter kits to allow for activation of service delivery points for TB that were not supplied from Jan to June 2017, and the provision of motorcycles that was reported from October 2016 to June 2017.

Sub-Recipients did not provide financial reports in the form defined in the Sub-Recipient agreements except for one. The Sub-Recipients only provided a FACE form to report on the expenditures incurred and to request for a further advance. Moreover, of the three non-United Nations Sub-Recipients that received advances, only one used a dedicated bank account, as required for Global Fund transactions. The Office management explained that it was not possible for the Sub-Recipients to use the dedicated bank account in Juba, due to the challenging operating environment. However, this was contradicted by the fact that at least one of the Sub-Recipients was operating an account in a Juba bank.

With respect to the challenges in the programmatic reports, the Office had not put in place a mechanism to track the resolution of challenges that were recorded in the quarterly reports. With respect to the financial reports, the Office had not enforced the requirements articulated in the Sub-Recipient agreement, due to capacity constraints. The Office management explained that they were aware of the issue, and had now started to reinforce the requirements with the partners and expected compliance in coming quarterly reports.

Inadequate oversight and failure to comply with agreed requirements could lead to failure to timely detect and correct issues that impact on grant performance.

Priority	Medium (Important)
Recommendation 4:	
The Office should implement a mechanism to track the resolution of challenges that were recorded in the quarterly reports of Sub-Recipients and work with them to ensure compliance in quarterly financial reporting.	
Management action plan:	
The recommendation is well noted. A Sub-recipient orientation workshop was held on 20 and 21 September 2017 covering compliance issues as per grant agreements, processes and procedures for financial management and reporting timelines and templates. A revised integrated reporting template has been shared with the Sub-recipients which is effective 30 September for the third quarter reporting period (July to September) and the Quality Assurance team is working with the Sub-recipients to ensure that this is done and finalized within the required reporting timelines. The template captures issues raised during reviews of financial and programmatic results and Sub-recipients are required to regularly update the actions undertaken. In addition, a tracking system has been put in place to capture all the issues raised by the Sub-recipients as well as the Global Fund, to ensure that required action is undertaken on time, to avoid negative impact on the implementation of activities.	
Estimated completion date: March 2018	
OAI Response	
OAI acknowledges the action taken by management; this will be reviewed at a later stage as part of the standard desk follow-up process of OAI.	

C. Procurement and Supply Management

1. Assets Management

Issue 5 Weak controls in assets management

According to the standard terms and conditions signed by UNDP with the Global Fund, UNDP is ultimately responsible for all assets procured by the grant. Where UNDP procures assets on behalf of a Government Sub-recipient and transfers the ownership title of those assets to that Sub-recipient, UNDP must comply with Article 19 of the Standard Terms and Conditions, which requires that all assets are used for programme activities, unless specifically agreed otherwise with the Global Fund. If Article 19 is violated, the Global Fund may request a refund from UNDP in accordance with Article 8 of the Standard Terms and Conditions.

During the period under review, assets with a total value of \$1.3 million were transferred to the Sub-recipients. The Sub-recipients did not report to the Office on the assets that were temporarily transferred to them and were in their custody. The Office management explained that there was a challenge of capacity at the Sub-recipient level. The Sub-recipient had not set up asset focal points, and even though the Office collected contact

information during the last verification (as of July 2017), official communication from the responsible Ministry was still pending.

Nine vehicles were temporarily transferred to the Ministry, but the Office was not able to get access to them and install tracking devices. Therefore, the location of these vehicles could not be confirmed by the Office. The Office followed up with the Ministry in 2016, but had not yet received a response, while a response was also pending from the Country Coordinating Mechanism since June 2017. In addition, three vehicles were stolen in 2016 and although the Ministry had provided the police reports, the Office was still waiting for comprehensive reports from the Ministry, before they could invoke the limited liability clause in the agreement.

In one of the management letters, the Global Fund had requested UNDP to recover funds from the Ministry for 10 computers (with a net book value of 8,337), where staff left the Ministry without returning them. The Office wrote to the Ministry requesting them to refund the money by 30 September 2016, but the amount had yet to be refunded.

There is a risk that the Office may not be informed on a timely basis about assets that are not in use or are lost and/or stolen, and thus a quick follow-up may not be done. Furthermore, the project assets may not be used for the intended purpose of assisting in the implementation of the grant, which may affect the grant performance. Assets may be missing without the knowledge of the Office especially if access to these assets is denied.

Priority	Medium (Important)
Recommendation 5: The Office should strengthen the management of assets held by the Sub-recipients by: <ul style="list-style-type: none"> (a) Setting up a system for Sub-recipients to report on the assets in their custody on a regular basis to assist in assets monitoring; (b) Ensuring that the Sub-recipient provides police reports and detailed incident reports for the stolen vehicles to enable the Office to invoke the limited liability clause; and (c) Follow up with the Ministry to gain access to the vehicles that need tracking devices installed in them so that they can verify existence and install the trackers. (d) Follow up with the Ministry to reimburse the funds for the computers. 	
Management action plan: The recommendations are well noted. <ul style="list-style-type: none"> (a) The Office has set up a system that requires all Sub-Recipients to report on mobile assets on a quarterly basis starting with July to September 2017 reporting period. In addition, the Ministry of Health has appointed assets focal points at central level who will work hand in hand with UNDP's assets focal point to ensure that any incidents related to assets management and usage are reported timeously. The Ministry of Health will also extend the appointment of assets focal points to the facility level. Furthermore, the Sub-Recipients will participate in the end of year verification exercise that will be conducted jointly with the Office. (b) As was communicated to OAI during the audit, several attempts were made to obtain incident and police reports from the Ministry. In addition, UNDP has proceeded with the invocation of the limited liability clause in its grant agreement with the Global Fund for the vehicles that had incident and police reports. The Office has sent the request to the Global Fund in a letter dated 22 September 2017. It should also be 	

noted that the limited liability clause expires at the end of the grants which is 31 December 2017 and the Country Office will obtain the Fund's approval to renew the clause for the new grant agreement starting 1 January 2018.

- (c) The Office has written to the Ministry to obtain access to vehicles, for the devices to be installed.
- (d) The Office has written to the Ministry on several occasions concerning accountability for the assets and also brought to their attention the decision of the Global Fund recoveries committee to recover the cost of the assets in August 2016. A follow up letter to request for the refund will be sent to the Ministry.

Estimated completion date: January 2018

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.