



AUDIT

OF

UNDP SOUTH SUDAN

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

Report No. 1017
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Report on the audit of UNDP South Sudan Grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria Executive Summary

From 22 August to 7 September 2012, the Office of Audit and Investigations (OAI) conducted an audit of four grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) (Project IDs: 81101 [HIV], 81102 [HIV and TB], 81103 [TB] and 81104 [Health System Strengthening]) managed by the UNDP Country Office in South Sudan (the Office) as the Principal Recipient. These grants were managed under the Global Fund's Additional Safeguard Policy.¹ The audit covered all Global Fund-related activities of the Office during the period from 1 January 2011 to 30 June 2012. During the period reviewed, the Office recorded Global Fund-related expenditures totalling \$24.3 million. The last audit of the Office's Global Fund-related activities was conducted by OAI in 2010.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. These Standards require that OAI plans and performs 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 delays in the official handover and use of completed structures and delay in the financial closure of operationally closed grants. 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	Satisfactory			
1.4 Capacity building and exit strategy	Not Applicable			
2. Programme management				
2.1 Project approval and implementation	Partially Satisfactory			
2.2 Conditions precedent to disbursement and special conditions	Satisfactory			
2.3 Monitoring and evaluation	Satisfactory			
2.4 Grant closure	Partially Satisfactory			
3. Sub-recipient management				

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

3.1	Selection, assessment and contracting	Satisfactory			
3.2	Funding	Satisfactory			
3.3	Reporting	Satisfactory			
3.4	Oversight and monitoring	Satisfactory			
3.5	Audit	Satisfactory			
4.	Procurement and supply management				
4.1	Procurement of health products	Satisfactory			
4.2	Quality assurance of health products	Partially Satisfactory			
4.3	Procurement of other goods and services	Partially Satisfactory			
4.4	Supply management (inventory, warehousing and distribution)	Partially Satisfactory			
4.5	Asset management	Satisfactory			
4.6	Individual contractors	Satisfactory			
5.	Financial management				
5.1	Revenue and accounts receivable	Satisfactory			
5.2	Expenditures	Satisfactory			
5.3	Reporting to the Global Fund	Satisfactory			

Key issues and recommendations

The audit raised five issues and resulted in five recommendations, of which two (40 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.”

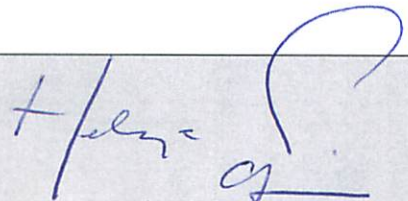
Among the five issues raised, one was noted to be caused by factors beyond the control of UNDP (Issue 2).

Project approval and implementation (Issue 1) Delay in the handover of health facilities. Only one of the 19 completed health facilities had been officially handed over to the Government counterpart. OAI recommends that the Office formally provides the Government with a list of completed facilities and agree on a schedule for their handover as soon as possible.

Procurement of other goods and services (Issue 4) Inadequate contract management for civil works. Nine cases involving variation orders and cost increases of \$352,000 were not adequately approved. Eighteen signed contracts incorrectly contained a six-month defects liability period instead of the standard period of 12 months. OAI recommends that the Office improves management of civil works contracts by, for example, ensuring that additional contract work is approved by an appropriate manager and that contracts contain a 12-month defects liability period.

Management comments and action plan

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



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