



**AUDIT**

**OF**

**UNDP DEMOCRATIC REPUBLIC OF THE CONGO**

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

**Report No. 1066**  
**Issue Date: 16 May 2013**

## Report on the audit of UNDP Democratic Republic of the Congo Grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria Executive Summary

From 17 to 28 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 Nos. 53596 [TB], 63527, 73867 [HIV] and 74247 [Malaria]) managed by the UNDP Country Office in the Democratic Republic of the Congo (the Office) as the Principal Recipient. These grants were managed under the Global Fund's Additional Safeguard Policy.<sup>1</sup> The audit covered all Global Fund-related activities of the Office during the period from 1 August 2011 to 31 July 2012. In view of the fact that the Office was phasing out of its role as Principal Recipient of Global Fund grants by 30 June 2013, the audit did not cover the areas relevant to the initial stages of grants management. During the period reviewed, the Office recorded Global Fund-related expenditures totalling \$21.4 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 organizational structure, programme management and Sub-recipient management with respect to Global Fund grant closure activities. The ratings per audit area and sub-areas are summarized below:

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
<b>1. Governance and strategic management</b>				
1.1 Organizational structure	Partially Satisfactory			
1.2 Staffing	Satisfactory			
1.3 Cooperation and coordination with Country Coordination Mechanism and other stakeholders	Satisfactory			
1.4 Capacity building and exit strategy	Satisfactory			
<b>2. Programme management</b>				
2.1 Project approval and implementation	Not Applicable			
2.2 Conditions precedent to disbursement and special conditions	Satisfactory			
2.3 Monitoring and evaluation	Partially Satisfactory			
2.4 Grant closure	Partially Satisfactory			
<b>3. Sub-recipient management</b>				

<sup>1</sup> 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	Not Applicable
3.2	Funding	Partially Satisfactory
3.3	Reporting	Satisfactory
3.4	Oversight and monitoring	Partially Satisfactory
3.5	Audit	Satisfactory
<b>4.</b>	<b>Procurement and supply management</b>	
4.1	Procurement of health products	Satisfactory
4.2	Quality assurance of health products	Satisfactory
4.3	Procurement of other goods and services	Satisfactory
4.4	Supply management (inventory, warehousing and distribution)	Satisfactory
4.5	Asset management	Partially Satisfactory
4.6	Individual contractors	Satisfactory
<b>5.</b>	<b>Financial management</b>	
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 six issues and resulted in four recommendations, all of which 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.”

Organizational structure (Issue 1)	<u>Absence of a human resources action plan for the closure activities.</u> There was no documented exit strategy for human resources of the Programme Management Unit during the closure phase. This period requires that operations be supported by adequate staff members and personnel with expertise and motivation. In view of the fact that the grants were closing, most of the programme personnel and staff members were already searching for alternative employment. Furthermore, as of October 2012, validated commitments to Sub-recipients amounted to \$3.5 million and outstanding amounts disputed from past rounds amounted to \$1 million, the clearance of which would require competent and available staff members. OAI recommends that the Office establish a human resources strategy which identifies the resources needed to adequately and effectively implement the closure activities and to mitigate the risks stemming from the closure plan requirements and the high project personnel turnover. Specifically, the human resources strategy should tackle issues of contract duration, amended terms of reference for key project personnel, support for existing project personnel in the search for new opportunities and the creation of a pool of candidates that the Office could refer to in case of a staffing shortage.
Funding (Issue 4)	<u>Outstanding advance payments to Sub-recipients.</u> OAI noted delays of more than six months in clearing advances made to Sub-recipients, a practice not compliant with UNDP policies and procedures. Outstanding advances at the time of the audit amounted to \$246,000 for the HIV R3 project that ended in 2010. OAI recommends that the Office follow up with Sub-recipients on the settlement of long-outstanding cash advances totalling more than \$0.2 million
Oversight and monitoring (Issue 5)	<u>Insufficient capacity to handle financial obligations relating to closure activities.</u> According to UNDP policies, Sub-recipients have up to 12 months after the operational closure of a project to submit their financial reports and invoices for payment. For Global Fund projects, the operational closure dates for various projects were 30 September 2011 for TB R6, 31 December 2012 for Malaria R8 and 30 June 2013 for HIV R7 and R8. Thus, financial closure for the last grant (HIV R7) will be due on 30 June 2014 and requests for payments may continue to be received until that date. OAI also noted that long-

outstanding disputed amounts between the Office and Sub-recipients from past rounds amount to \$1 million. However, closure plans provided for staffing only up to 30 June 2013, thus not ensuring adequate staff capacity of the Finance Unit for financial closure activities up to June 2014. OAI recommends that the Office ensure that finance staff capacity and resources remain available after the operational closure of the grants in order to adequately perform all outstanding tasks, including the clearance of any remaining commitments to Sub-recipients. In this regard, the Office should also closely follow up with Sub-recipients on the submission of supporting documentation within a short time-frame after the operational closure of the grants, as well as the timely clearance of all disputed amounts from past rounds.

Asset  
management  
(Issue 6)

Inadequate preparations for the transfer of assets. The Office had not yet submitted a list of Global Fund assets, valued at approximately \$11 million, and a plan for their use, transfer and/or disposal to the Country Coordination Mechanism for its endorsement and subsequent submission to the Global Fund Secretariat. The last inventory count was performed in November 2010. OAI recommends that the Office adequately prepare for the transfer of assets in compliance with grant closure requirements by: (a) ensuring that the action plan for the transfer of asset ownership is endorsed by the Country Coordination Mechanism and submitted to the Global Fund; and (b) completing the physical inventory to facilitate effective, timely and accurate transfer of assets in line with the closure plan.

#### Management's comments and action plan

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



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