



AUDIT

OF

UNDP SUDAN

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

Report No. 1072

Issue Date: 2 July 2013

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

From 30 September to 10 October 2012, the Office of Audit and Investigations (OAI) conducted an audit of seven grants from the Global Fund to Fight Aids, Tuberculosis and Malaria (Global Fund) (Project Nos. 44710 [Malaria], 44832 [HIV], 54334 [HIV], 54201 [TB], 70280 [Malaria], 73875 [TB], 73876 [TB], 77037 [TB] and 77038 [TB]) managed by the UNDP Country Office in 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 to 31 December 2011. During the period reviewed, the Office recorded Global Fund-related expenditures totalling \$33 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 Sub-recipient quarterly reports, weaknesses in procurement monitoring and a lack of monitoring and oversight of Sub-sub-recipients. 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			

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

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

Key issues and recommendations

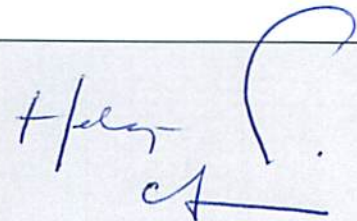
The audit raised eight issues and resulted in eight recommendations, of which one (13 percent) was ranked high (critical) priority, meaning “Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP and may affect the organization at the global level.”

Quality assurance of health products (Issue 8)

Inadequate quality assurance of finished pharmaceutical products. The Office had not performed laboratory testing of finished pharmaceutical products throughout the supply chain as required by the Global Fund. OAI recommends that the Office coordinate with the Global Fund Partnership Team of the Bureau for Development Policy to ensure that the finished pharmaceutical products are tested throughout the supply chain by a laboratory that is pre-qualified by WHO or the International Organization for Standardization.

Management comments and action plan

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



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