



AUDIT

OF

UNDP ISLAMIC REPUBLIC OF IRAN

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

Report No. 1080
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Report on the audit of UNDP Islamic Republic of Iran Grants from the Global Fund to Fight Aids, Tuberculosis and Malaria Executive Summary

From 21 October to 1 November 2012, the Office of Audit and Investigations (OAI) conducted an audit of three grants from the Global Fund to Fight Aids, Tuberculosis and Malaria (Global Fund) (Project Nos. 73329 [Round 8 HIV Phase I], 77633 [Round 7 TB Phase 2], 77675 [Round 7 Malaria Phase 2] and 80152 [Round 10 Consolidated Malaria Phase 1]) and managed by the UNDP Country Office in the Islamic Republic of Iran (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 \$10.6 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 incorrect recording of expenditures, delays in closing inactive projects and weaknesses in the procurement process. 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 Coordination Mechanism and other stakeholders	Partially Satisfactory			
1.4 Capacity building and exit strategy	Satisfactory			
2. Programme management				
2.1 Project approval and implementation	Satisfactory			
2.2 Conditions precedent to disbursement and special conditions	Satisfactory			
2.3 Monitoring and evaluation	Partially 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.

4. Procurement and supply management			
5. Financial management			
5.1 Revenue and accounts receivable	Satisfactory		
5.2 Expenditures	Partially satisfactory		
5.3 Reporting to the Global Fund	Satisfactory		

Key issues and recommendations

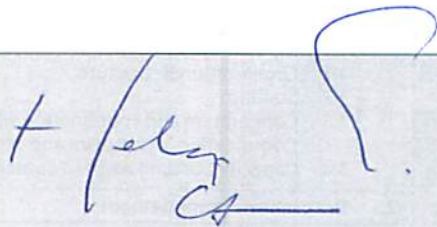
The audit raised seven issues and resulted in six recommendations, of which one (17 percent) was ranked high (critical) priority, meaning "Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP and may affect the organization at the global level."

Financial
management
(Issue 7)

Overstatement of the 2011 Combined Delivery Report. The Combined Delivery Report for 2011 included an amount of \$825,000 for 2012 salary that had neither been incurred nor paid. Recording the 2012 salary expenses in 2011 resulted in overstating the 2011 report by 8 percent. OAI recommends that the Office ensure that salaries are recorded as expense in the same period in which they are actually disbursed so that the Combined Delivery Report gives a true and accurate picture of a project's expenses.

Management's comments and action plans

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



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