



**AUDIT**

**OF**

**UNDP SOUTH SUDAN**

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

**Report No. 1188**  
**Issue Date: 19 December 2013**

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

From 5 to 22 August 2013, 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. 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.<sup>1</sup> The audit covered all Global Fund-related activities of the Office during the period from 1 July 2012 to 30 June 2013. During the period reviewed, the Office recorded Global Fund-related expenditures totalling \$19.8 million. The last audit of the Office's Global Fund-related activities was conducted by OAI in 2012.

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 delay in programme implementation and inadequate quality assurance for health products. 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	Satisfactory			
1.2 Staffing	Satisfactory			
1.3 Cooperation and coordination with Country Coordinating Mechanism and other stakeholders	Partially Satisfactory			
1.4 Capacity development and exit strategy	Satisfactory			
<b>2. Programme management</b>				
2.1 Project approval and implementation	Partially Satisfactory			
2.2 Monitoring and evaluation	Satisfactory			
2.3 Grant closure	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	Satisfactory		
3.2	Funding	Satisfactory		
3.3	Reporting	Satisfactory		
3.4	Oversight and monitoring	Satisfactory		
<b>4.</b>	<b>Procurement and supply management</b>			
4.1	Procurement of health products	Satisfactory		
4.2	Quality assurance of health products	Partially Satisfactory		
4.3	Procurement of other goods and services	Satisfactory		
4.4	Supply management (inventory, warehousing and distribution)	Partially 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 6 issues and resulted in 6 recommendations, of which 2 (33 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 six issues raised, one was noted to be caused by factors beyond the control of UNDP (Issue 3).

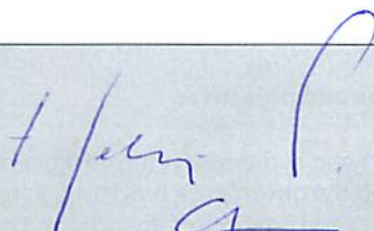
The high priority recommendations are as follows:

Project approval and Implementation (Issue 2)	<u>Delay in programme implementation.</u> During the period under review, Phase I of the Round 9 Grant ended on 30 September 2012, and Phase II started on 1 October 2012. However, at the time of the audit, in August 2013, the bills of quantities, drawings and revised budget for the civil works to construct health facilities to be carried out in Phase II of the Grant had not yet been approved by the Global Fund and thus construction of health facilities had not begun. OAI recommends that the Office: (a) liaise with the Global Fund and ensure that the construction plan for the Round 9, Phase II grant is approved as soon as possible in order to complete the civil works before the end of the grant; and (b) ensure that negotiations with the government counterparts on planned programme implementation are carried out effectively.
Quality assurance (Issue 4)	<u>Inadequate quality assurance of health products.</u> The Office had a draft quality assurance plan during the period under review that was yet to be finalized and it had not received the results of pharmaceutical testing in a timely manner. OAI recommends that the Office: (a) in collaboration with the Special Advisory team of the Procurement Support Office, finalize and implement a quality assurance plan that complies with the Global Fund quality assurance policy requirements; and (b) ensure that the results of quality tests carried out on the pharmaceutical products are obtained in a timely manner.

The implementation status of previous Global Fund audit recommendations (Report No. 1017, 10 April 2013) was also validated. Of the five recommendations, three were fully implemented and the rest were in progress.

### Management comments and action plan

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

A handwritten signature in blue ink, appearing to read 'H. Osttveiten', is written over a light blue rectangular background.

Helge S. Osttveiten  
Director  
Office of Audit and Investigations