



AUDIT

OF

UNDP DEMOCRATIC REPUBLIC OF THE CONGO

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

Report No. 1190
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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 June 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. 53596 [TB Round 5], 63527 [HIV Round 7], 73867 [HIV Round 8], and 74247 [Malaria Round 8]) 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.¹ The audit covered all Global Fund-related activities of the Office during the period from 1 August 2012 to 30 April 2013. During the period reviewed, the Office recorded Global Fund-related expenditures totalling \$6.4 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 weaknesses in the programme management, Sub-recipient management, procurement/supply management and financial management areas. 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	Not Applicable			
1.2	Staffing	Not Applicable			
1.3	Cooperation and coordination with Country Coordinating Mechanism and other stakeholders	Not Applicable			
1.4	Capacity building and exit strategy	Not Applicable			
2. Programme management					
2.1	Project approval and implementation	Not Applicable			
2.2	Conditions precedent to disbursement and special conditions	Not Applicable			
2.3	Monitoring and evaluation	Not Applicable			
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.

3. Sub-recipient management				
3.1 Selection, assessment and contracting	Not Applicable			
3.2 Funding	Unsatisfactory			
3.3 Reporting	Not Applicable			
3.4 Oversight and monitoring	Satisfactory			
3.5 Audit	Not Applicable			
4. Procurement and supply management				
4.1 Procurement of health products	Partially Satisfactory			
4.2 Quality assurance of health products	Satisfactory			
4.3 Procurement of other goods and services	Partially Satisfactory			
4.4 Supply management (inventory, warehousing and distribution)	Satisfactory			
4.5 Asset management	Partially 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 issue/s and recommendations

The audit raised 6 issues and resulted in 6 recommendations, of which 3 (50 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."

The high priority recommendations are as follows:

Funding (Issue 2)	<u>Lack of documentation to support liquidation of advances to Sub-recipients.</u> OAI's reconciliation of the advances outstanding from August 2012 indicated that there was an unliquidated advance balance of at least \$111,900 relating to the Malaria Round 8 grant. In some instances, the amount liquidated over the life of the grant for a given Sub-recipient exceeded the amount advanced, forcing the Office to record Sub-recipient refunds directly against expense accounts rather than against the advance account. In other instances, the Office liquidated entire Sub-recipient advances without reviewing the underlying financial reports and supporting documents to determine eligibility of the related expense. To ensure proper liquidation of advances to Sub-recipients, OAI recommends that the Office: (a) review and reconcile all journal vouchers relating to the liquidation of advances to Sub-recipients made from 1 August 2012 and ensure that they are backed with appropriate supporting documentation; and (b) follow up on any advances which remain unjustified to either obtain supporting documentation or refunds from Sub-recipients.
Procurement of health products (Issue 3)	<u>Inadequate management of outstanding liabilities.</u> In June 2011, test kits with a value of \$0.4 million were stolen from a holding cell at the airport prior to reaching the freight forwarder's warehouse. The freight forwarder denied any responsibility for replacing or repaying the value of the stolen test kits. While the Office has been working with the various parties in order to recover the disputed amount, more than two years have passed without an agreement between the parties on accountability. To facilitate grant closure, OAI recommends that the Office work with the Legal Support Office and explore all possible means to manage the outstanding liability.

Asset
management
(Issue 5)

Inadequate management of assets. The Programme Management Unit had not conducted the annual physical inventory verification since 2010, and the majority of Sub-recipients had not reported their assets certification on a six-month basis, as required by the agreement with the Global Fund. This lack of control and oversight had resulted in the loss of, damage to and/or stolen assets which had not been detected in a timely manner. The 2013 physical inventory conducted by the Office in conjunction with the new Principal Recipients determined that 7 vehicles were not inventoried, 8 were not physically located although they were reported as existing, 2 vehicles were sold by Sub-recipients without authorization from UNDP, and 2 generators could not be traced. As of 30 June 2013, the Office had only collected 97 out of 326 vehicle license plates issued by the Government to UNDP and subsequently provided to Sub-recipients. To facilitate the timely closure of the Global Fund grants, OAI recommends that the Office: (a) determine all lost/stolen items, prepare and submit the Request for Asset Disposal and Theft for submission to the Contracts, Assets and Procurement Committee for review to facilitate the removal of the lost assets from the asset register; and (b) obtain confirmation from the appropriate ministry that all license plates for which UNDP is responsible have been cancelled or revoked.

The implementation status of previous Global Fund audit recommendations (Report No. 1066, 16 May 2013) was also validated. Of the 4 recommendations, 1 was fully implemented and 3 were in progress.

Management comments and action plan

The Resident Representative/Resident Coordinator and the Programme Manager of the HIV/AIDs Group of the Bureau for Development Policy accepted all six recommendations and are in the process of implementing them.



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