



**AUDIT**

**OF**

**UNDP IRAQ**

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

**Report No. 1194**

**Issue Date: 18 December 2013**

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

From 14 to 25 July 2013, the Office of Audit and Investigations (OAI) conducted an audit of one grant from the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) (Project No. 56801 [TB]), managed by the UNDP Country Office in Iraq (the Office) as the Principal Recipient. The grant was 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 January to 31 December 2012. During the period reviewed, the Office recorded Global Fund-related expenditures totalling \$8.5 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 identified in the area of procurement and supply management. 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 Capacity development and exit strategy	Satisfactory			
<b>2. Programme management</b>				
2.1 Project approval and implementation	Satisfactory			
2.2 Monitoring and evaluation	Satisfactory			
2.3 Grant closure	Not Applicable			
<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.

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
3.1 Selection, assessment and contracting 3.2 Funding 3.3 Reporting 3.4 Oversight and monitoring				Satisfactory Satisfactory Partially Satisfactory Satisfactory
<b>4. Procurement and supply management</b>				
4.1 Quantification and forecasting 4.2 Procurement of health products 4.3 Quality assurance of health products 4.4 Procurement of other goods and services 4.5 Supply management (inventory, warehousing and distribution) 4.6 Asset management 4.7 Individual contractors				Satisfactory Satisfactory Partially Satisfactory Satisfactory Partially Satisfactory Partially Satisfactory Satisfactory
<b>5. Financial management</b>				
5.1 Revenue and accounts receivable 5.2 Expenditures 5.3 Reporting to the Global Fund				Satisfactory Partially Satisfactory Satisfactory

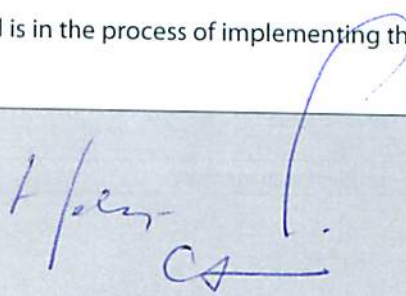
### Key issues and recommendations

The audit raised four issues and resulted in four recommendations, all ranked medium (important) priority, meaning "Action is required to ensure that UNDP is not exposed to significant risks. Failure to take action could result in negative consequences for UNDP." These recommendations include actions to address: delays in Sub-recipient reporting, weakness in the quality assurance of finished pharmaceutical products, inadequate storage management, weakness in asset management, and inadequate use of the chart of accounts.

The implementation status of previous Global Fund audit recommendations (Report No. 971, 1 June 2012) was also validated. Of the 6 recommendations, 5 were fully implemented and 1 was in progress.

### Management comments and action plan

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



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