

**UNITED NATIONS DEVELOPMENT PROGRAMME**  
**Office of Audit and Investigations**



*Empowered lives.  
Resilient nations.*

**AUDIT**

**OF**

**UNDP SOUTH SUDAN**

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

**Report No.1400**

**Issue Date: 6 February 2015**

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

The UNDP Office of Audit and Investigations (OAI), from 10 to 21 November 2014, conducted an audit of three grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) (Output Nos. 81101 [HIV], 81102 [HIV/TB], 81103 [TB] and 81104 'Health Systems Strengthening' [HSS] ) managed by UNDP 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 aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

- (a) governance and strategic management (organizational structure, staffing, capacity development and exit strategy);
- (b) programme management (project approval and implementation, monitoring and evaluation, grant closure);
- (c) sub-recipient management (selection, assessment and contracting, funding, reporting, oversight and monitoring);
- (d) procurement and supply management (qualification and forecasting, procurement of health products, quality assurance of health products, procurement of other goods and services, supply management [inventory, warehousing and distribution], asset management, individual contractors); and
- (e) financial management (revenue and accounts receivable, expenditures, reporting to the Global Fund).

The audit covered the activities of the Office from 1 July 2013 to 30 June 2014. The Office recorded Global Fund-related expenditures totaling \$13.4 million. The last audit of the Office's Global Fund-related activities was conducted by OAI in 2013.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

### Overall audit rating

OAI assessed the Office's management of the 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 programme management, Sub-recipient management, procurement and supply management, and financial management.

**Key recommendation(s)** Total = 4, high priority = 1

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<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.

The four recommendations aim to ensure the following: (a) reliability and integrity of financial and operational information (Recommendations 2, 4); (b) effectiveness and efficiency of operations (Recommendation 1); (c) safeguarding of assets (Recommendation 3).

For high (critical) priority recommendations, 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. The high (critical) priority recommendation is presented below:

Weaknesses in inventory and warehousing management (Issue 3)

Weaknesses were noted with respect to the UNDP-managed warehouse, mainly absence of formal segregation of duties for receipt and distribution on inventory and lack of independent verification of stock counts. Further, the Quality Assurance Plan procedures were not strictly adhered to regarding the monitoring of temperature sensitive inventory. The small size of the warehouse also negatively impacted the proper storage of the items.

Recommendation: Strengthen inventory management procedures at the UNDP managed warehouse by: (a) formally delegating responsibilities for receiving, recording and distribution functions; (b) obtaining an independent inventory verification team during physical inventory count; (c) strengthening inventory count procedures by assigning a dedicated refrigerator for newly arrived cool chain items; (d) exploring possibilities to negotiate more warehouse space; (e) enforcing the procedures documented in the Quality Assurance Plan for monitoring temperature sensitive inventory.

**Implementation status of previous OAI audit recommendations:** Report No. 1188, 19 December 2013.

Total recommendations: 5

Implementation status: 100%

#### Management comments and action plan

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



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