



AUDIT

OF

UNDP IRAQ

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

Report No. 1445

Issue Date: 30 April 2015

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

The UNDP Office of Audit and Investigations (OAI), from 1 to 5 February 2015, conducted an audit of one grant from the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) (Output No. 56801 [TB]) managed by UNDP Iraq (the Office) as the Principal Recipient. This grant was managed under the Global Fund's Additional Safeguard Policy.¹ 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 Global Fund-related activities of the Office from 1 January to 31 December 2014. The Office recorded Global Fund-related expenditures totalling \$4.8 million. The last audit of the Office's Global Fund-related activities was conducted by OAI in 2013 and covered financial year 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 the insufficient monitoring of Sub-recipients and Sub-sub-recipients, and weaknesses in the management of project assets.

Key recommendations: Total = 3, high priority = 2

¹ The Additional Safeguard Policy is a range of tools established by the Global Fund as a result of its risk management processes.

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

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. All high (critical) priority recommendations are presented below:

Insufficient monitoring of Sub-recipients and Sub-sub-recipients (Issue 1)	During 2014, the Office completed only 6 out of the 16 planned visits to the Sub-recipients and the respective Sub-sub-recipients. The Office indicated that the planned site visits did not take place due to the unstable security situation across the Country.
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Recommendation 1: Improve the monitoring of Sub-recipients by preparing and implementing an alternative monitoring plan for 2015.

Weaknesses in the management of project assets (Issue 3)	A number of weaknesses in the maintenance of assets were identified were identified. For instance, the location and condition of 115 assets had yet to be confirmed (the Office indicated that 3 out of 15 governorates where these assets were held had not been visited due to the security situation). The asset list prepared by the Office did not include cost information tags or serial numbers. In addition, the Office did not have a systematic approach in place to complete regular documented reviews of assets held by the government counterpart.
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Recommendation 2: Enhance asset management of project inventory by: identifying the location and condition of all asset items, tagging the items and updating the asset cost, tag, serial number, custodian and location on the asset list in those areas that can be accessed; combining spot checks of assets during field visits, in those areas that can be accessed, ensuring all assets verified are documented, and any exceptions highlighted for follow up; and concluding discussions with the donor on the inclusion of a limited liability clause in the contract in the event of loss or damage of assets in areas which are insecure. For assets purchased under the programme that are located in locations which cannot be accessed due to security concerns, the Office also should approach the Global Fund to consider the transfer of title.

Implementation status of previous OAI audit recommendations: Report No. 1194, 18 December 2013.

Total recommendations: 4

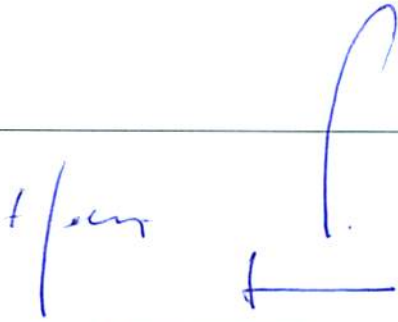
Implementation rate: 100%²

Management comments and action plan

² This may differ from the implementation rate in the Comprehensive Audit and Recommendation Database System (CARDS), which includes extra points depending on how quickly the recommendations have been implemented. Recommendation 2 supersedes Recommendation 3 of Report No. 1194, which was withdrawn.

The Resident Representative accepted all of the recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated into the report, where appropriate.

Issues with less significance (not included in this report) have been discussed directly with management and actions have been initiated to address them.



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