



AUDIT

OF

UNDP HAITI

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

Report No. 1456

Issue Date: 30 July 2015

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

The UNDP Office of Audit and Investigations (OAI), from 27 April to 8 May 2015, conducted an audit of two grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) (Output Nos. 77895 [HIV], and 77761 [TB]) managed by UNDP Haiti (the Office) as Principal Recipient. These grants were 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 (quantification 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 October 2013 to 31 December 2014. The Office recorded Global Fund-related expenditures of approximately \$25.6 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 the incorrect granting and reporting of cash advances.

Key recommendations: Total = 2, high priority = 2

The two recommendations aim to ensure the reliability and integrity of financial and operational information (Recommendations 1 and 2).

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

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:

Long-outstanding cash advances (Issue 1) Despite initiatives undertaken by the Project Management Unit, OAI identified shortcomings in the management of cash advances. If these shortcomings are not addressed adequately, there are risks of: (a) booking ineligible expenses *vis-à-vis* the project budget when clearing cash advances; (b) non-recovery of funds advanced to Sub-recipients for which expenses could not be validated; and (c) the Global Fund asking UNDP to reimburse any expenses booked against the project budget considered by them to be ineligible. This issue is particularly critical given the pending closure of the HIV grant.

Recommendation: The Office should comply with the policy for granting cash advances by: (a) prioritizing the process of clearing and recording Sub-recipient expenses (for HIV Project No. 77895); and (b) granting cash advances to Sub-recipients only when 80 percent of the previous advance and/or 100 percent of all earlier have been cleared (for TB Project No. 77761).

Lack of adherence to financial closure deadline for FY 2014 (Issue 2) The year-end closure deadline to record expenses, which was established by the Office of Financial Resources Management as 6 February 2015, was not adhered to by the Project Management Unit.

Recommendation: The Office should improve financial management by: (a) adhering to the year-end financial closure deadline to ensure that expenses are recorded in the corresponding financial period; (b) speeding up the process of validating and recording expenses; and (c) ensuring that Sub-recipients adhere to the established deadline for submitting supporting documentation.

Implementation status of previous OAI audit recommendations: Report No. 1267, 15 April 2014.

Total recommendations: 7
Implementation rate: 86%²

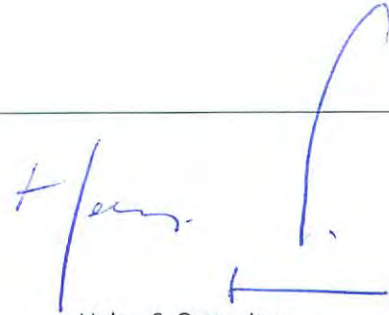
The pending recommendation pertains to direct costs not being charged against project accounts. Its implementation is in progress.

Management comments and action plan

The Resident Representative accepted both recommendations and is in the process of implementing them. Comments and/or additional information provided have been incorporated into the report, where appropriate. Comments from the Bureau for Policy and Programme Support have also been considered in finalizing this report.

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.

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

A handwritten signature in blue ink, appearing to read 'H. Ostveiten', enclosed in a rectangular box. The signature is stylized and includes a long, sweeping flourish that extends upwards and to the right.

Helge S. Ostveiten
Director
Office of Audit and Investigations