



AUDIT

OF

UNDP SYRIAN ARAB REPUBLIC

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

Report No. 1578
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Report on the Audit of UNDP Syrian Arab Republic Grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria Executive Summary

The UNDP Office of Audit and Investigations (OAI), from 7 to 16 February 2016, conducted an audit of two grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) (Project No. 59095 [TB] and Project No. 81886 [HIV]) managed by UNDP Syrian Arab Republic (the Office) as the 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 (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 2013 to 31 December 2015. The Office recorded Global Fund-related expenditures of approximately \$2.6 million. The last audit of the Office's Global Fund-related activities was conducted by OAI as a desk review 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 lack of documentation of the Office's response to emerging challenges, weaknesses in the monitoring of grants, and delays in reporting to the Global Fund.

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

Key recommendations: Total = 5, high priority = 3

Objectives	Recommendation No.	Priority Rating
Reliability and integrity of financial and operational information	4	Medium
Effectiveness and efficiency of operations	3	Medium
	1, 2, 5	High

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:

Office response to emerging challenges not documented (Issue 2)

Since the end of 2011, the Office had been implementing the Global Fund grants under high security threats due to internal conflicts in the Country. Moreover, several regions in the Country were considered as isolated and hard to reach. Global Fund activities, such as the distribution of drugs, patient counseling, patient screening, and monitoring, etc., were initially designed and budgeted without taking into account the challenges in delivering in the hard-to-reach areas. In the Progress Updates submitted to the Global Fund, the Office ascertained that activities continued to be implemented in the hard-to-reach areas, however, there was no documentation available describing how the Global Fund activities were being implemented in these areas and how the Office responded to the emerging challenges caused by the conflict. Further, the potential additional costs of implementing those activities was neither assessed nor reflected in the established budget.

Recommendation 1: The Office should improve its response to emerging challenges by: (a) documenting how grant activities are implemented in hard-to-reach areas; and (b) assessing the potential additional costs of implementing the grant activities in those areas.

Weak monitoring of grants (Issue 3)

As a result of the weakened capacity of the grants implementation team in the area of monitoring and evaluation and the absence of documented standard operating procedures of the monitoring and evaluation function, the following weaknesses were noted: (a) lack of a standardized and comprehensive mechanism of documenting the grants verification process; (b) no documented methodology of identifying sites to be visited and setting up the field visit plans; (c) no documentation of issues identified during the data collection and verification process; and (d) lack of documented mechanisms to collect and verify data from hard-to-reach areas.

Recommendation 2: The Office, in collaboration with the Global Fund Partnership advisors, should strengthen the monitoring function by developing a specific standard operating procedure that includes a mechanism in documenting, analysing and following up on the issues and recommendations identified during the data verification process and the field visits, and a mechanism in data collection in the hard-to-reach areas.

Delays in submission of Progress Update/Disbursement Requests (Issue 8)

A total of 7 out of 15 Progress Update/Disbursement Requests issued during the audit period were submitted by the Office to the Global Fund Secretariat with delays ranging from 44 and 184 days in excess of the allowable period. Furthermore, due to a 124-day delay in submitting the HIV grant Progress Update/Disbursement Request, the funds corresponding to the period between 1 July 2015 and 30 July 2016 were not disbursed. Therefore, the Office and Headquarters were obliged to pre-finance the HIV activities amounting to \$125,000 and \$267,000, respectively. At the time of the pre-financing, there was no written assurance from the donor that the payment installment was in progress.

Recommendation 5: The Office should submit the Progress Update/Disbursement Requests to the Global Fund well in advance to ensure meeting the deadline of 45 days after the end of the quarter or fiscal year.

Implementation status of previous OAI audit recommendations: Report No. 1231, 6 March 2014.

Total recommendations: 4

Implemented: 4

Management comments and action plan

The UN Resident Coordinator and UNDP Resident Representative accepted all five 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.



Helge S. Ostveiten
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