

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



*Empowered lives.  
Resilient nations.*

**AUDIT**

**OF**

**UNDP SOUTH SUDAN**

**GRANTS FROM THE GLOBAL FUND**

**Report No. 1892**  
**Issue Date: 13 October 2017**

## Report on the Audit of UNDP South Sudan Grants from the Global Fund Executive Summary

The UNDP Office of Audit and Investigations (OAI), from 21 August to 1 September 2017, conducted an audit of six grants from the Global Fund (Output Nos. 81101 [HIV], 81102 [TB], 81103 [TB], 81104 [HSS], 96503 [HIV] and 96034 [TB]) 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> South Sudan is one of the Countries that the Global Fund has categorized as a Challenging Operating Environment.<sup>2</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 Global Fund-related activities of the Office from 1 January 2016 to 30 June 2017. The Office recorded Global Fund-related expenditures of approximately \$25.8 million. The last audit of the Office's Global Fund-related activities was a financial audit conducted by External auditors on behalf of OAI in 2016.

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

During the period under review, the Country was faced with a political crisis that led to the evacuation of personnel to other countries and had an impact on the implementation of the grants.

### Overall audit rating

OAI assessed the Office's management of the Global Fund grants as **"partially satisfactory / some improvement needed"**, which means "The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit

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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.

<sup>2</sup> Challenging Operating Environments refer to Countries or unstable parts of countries or regions, characterized by weak governance, poor access to health services, limited capacity and fragility due to man-made or natural crises. Challenging Operating Environments may be experiencing either acute or chronic instability which will be considered by the Global Fund in tailoring the Country approach.

do not significantly affect the achievement of the objectives of the audited entity/area.” This rating was mainly due to delay in the implementation of grant activities.

**Key recommendations:** Total = 5, high priority = 1

The five recommendations aim to ensure the following:

| Objectives   | Recommendation No. | Priority Rating |
|--|--------------------|-----------------|
| Reliability and integrity of financial and operational information                   | 2                  | Medium          |
| Effectiveness and efficiency of operations   | 1                  | High            |
|  | 4                  | Medium          |
| Safeguarding of assets   | 5                  | Medium          |
| Compliance with legislative mandates, regulations and rules, policies and procedures | 3                  | Medium          |

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:

Delay in the implementation of grant activities: (Issue 1)

The absorption capacity of the grants remained behind budget targets for the life of the grants, which was largely due to the political crisis in July 2016, and to the period of recovery to stabilize implementation. During the 12-month period from January to December 2016, the absorption rate of the HIV grant stood at 65 percent of the target. The variance was largely attributed to low absorption by the Sub-recipients, who had only consumed 36 percent of the target of \$9.9 million attributed to them, compared to 97 percent of the \$9 million attributed to the Office. For the TB grant and over the same period, the absorption rate stood at 51 percent with Sub-recipients having an absorption rate of 46 percent, as compared to 55 percent for the Office. This issue was partially caused by factors beyond the control of UNDP, as the 2016 political crisis had a major impact on the capacity of the Office and its Sub-recipients to implement programme activities, and to the achievement of programme targets.

Recommendation: The Office should finalize the ongoing reprogramming and initiate measures to accelerate the implementation of project activities.

**Implementation status of previous OAI audit recommendations:** (Report No. 1400, 6 February 2015).

Total recommendations: 4

Implemented: 4

### Management comments and action plan

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

Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.



Helge S. Osttveiten  
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