

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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CONSOLIDATED REPORT

ON THE AUDITS

OF SUB-RECIPIENTS OF GRANTS FROM THE GLOBAL FUND

MANAGED BY UNDP

(FISCAL YEAR 2018)

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Consolidated Report on the Audits of Sub-recipients of Grants from the Global Fund (FY2018) Executive Summary

In September 2019, the Office of Audit and Investigations (OAI) concluded the review and analysis of audit reports of projects implemented by non-governmental organizations or government institutions that were Sub-recipients (SR) of grants from the Global Fund for the fiscal year 2018 (FY2018). The audit reports were initiated and managed by UNDP country offices. The main objective of these audits is to provide UNDP with assurance that resources have been used in accordance with the SR agreements and relevant regulations and rules, policies and procedures of UNDP. This report presents the consolidated results of these SRs audits.

Purpose and scope of the OAI review

The OAI review aimed to: (a) analyse the distribution of the audit opinions; (b) highlight the audit areas under which the internal controls of the SRs were assessed as weak; (c) identify common audit issues; and (d) determine the implementation status of the prior year's audit recommendations. The review covered 40 audit reports for FY2018 that had been uploaded by Country Offices in the Comprehensive Audit and Recommendation Database System (CARDS) of OAI.

These 40 audit reports pertained to 19 projects funded by the Global Fund and implemented by 36 SRs in 10 countries and two regional programmes for which UNDP was the Principal Recipient (PR), and which met the required audit criteria set by OAI. The reports covered FY2018 project expenses totaling \$36 million, equivalent to 43 percent of the overall UNDP/Global Fund SR expenses of \$83 million for 2018.

Results of the review

Of the \$36 million in expenses audited, \$31 million (86 percent) had unmodified audit opinions and \$5 million (14 percent) had modified audit opinions, resulting in an overstatement of expenses with a net financial misstatement (NFM) of \$0.31 million (1 percent of the total audited expenses). The qualifications were due to (a) the lack of supporting documentation for expenses incurred (Burundi and Chad); (b) irregularities leading to a suspicion of fraud (Afghanistan); (c) ineligible expenses (Angola); and (d) failure to record transactions (Chad).

With respect to the auditors' assessment of internal controls, the number of unsatisfactory ratings was low or only 3 percent of the total audit areas assessed. The areas where the auditors found unsatisfactory internal controls related mostly to financial management and compliance with UNDP agreement.

The external audit firms raised a total of 218 audit observations for FY2018. Most of the audit observations related to three areas namely, financial management, project progress and rate of delivery and, human resources selection and administration. The area of financial management had the highest number of audit observations/recommendations. The most common audit issue was the lack of adequate financial controls.

Implementation of prior year audit recommendations

OAI focused its assessment on the implementation status of the high priority recommendations. Of the 62 high-priority FY2017 recommendations, 39 (63 percent) had been implemented, 6 (10 percent) had not been implemented, and the remaining 17 (27 percent) had been withdrawn because the related projects ended in 2018.

Management action plan

In 2019, the Global Fund Health Implementation Support Team, HIV Health and Development Group in the Bureau for Policy and Programme Support (the "Team") continued to strengthen the SR audit approach/process and follow-up through developing centrally managed LTAs with external audit firms, training of audit firms, review of audit firms' performance, sharing lessons learnt with Country Offices and ongoing monitoring throughout the audit process. In addition, the Team continued to develop SR management tools to enhance project planning and monitoring e.g., SR programmatic report, SR financial management reporting tool, SR management letters, PR/SR training checklist, PR/SR training evaluation, SR performance evaluation tool. Also, support was provided to Country Offices to roll out the tools with SRs and conduct regular global monitoring to track their utilization.

The Team will (i) revise capacity assessment tools with a differentiated approach based on risk and nature of activities; (ii) roll out tools (checklists, evaluations, letters) to Country Offices and provide targeted support and central monitoring to ensure use by Country Offices; (iii) monitor follow-up of previous audit recommendations; (iv) complete blog and webinar series on high risk activities and risk mitigation measures; (v) continue to provide targeted support and central monitoring to ensure consistent uptake and use of SR management tools by Country Offices. Finally, the Team provided targeted support to those Country Offices managing SRs which received adverse opinions.

A handwritten signature in blue ink is enclosed in a black rectangular box. The signature is stylized and appears to read 'H. Osttveiten'.

Helge S. Osttveiten
Director
Office of Audit and Investigations