



CONSOLIDATED REPORT

OF THE AUDITS OF

UNDP COUNTRY OFFICES AS PRINCIPAL RECIPIENTS OF GRANTS FROM

THE GLOBAL FUND

FOR THE PERIOD FROM 1 JANUARY TO 31 DECEMBER 2019

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Consolidated Report of the Audits of UNDP Country Offices as Principal Recipient of Grants from the Global Fund Executive Summary

Background

The UNDP Office of Audit and Investigations (OAI) analysed the audit issues noted in the 2019 OAI audits of the Global Fund grants managed by UNDP as Principal Recipient and reviewed the status of implementation of audit recommendations as of 12 February 2020. OAI also identified the categories with recurring audit issues from the reports issued from 2016 to 2019.

In 2019, UNDP was the Principal Recipient, Fund Administrator or Funding Recipient in 19 countries and 3 regional programmes¹ and managed 32 Global Fund grants totalling \$897.64 million.

Audit coverage

In 2019, five reports were issued pertaining to audits of Global Fund grants managed by UNDP as Principal Recipient, Fund Administrator,² and Funding Recipient.³ These five reports (three in Africa, one in Asia and the Pacific, and one pertaining to the Africa regional grant that is managed by the Bureau for Policy and Programme Support from Istanbul) covered 20 Global Fund grants with total expenses of \$169 million.

Of the five reports issued, one was rated “satisfactory”, two were rated “partially satisfactory/some improvement needed”, one was rated “partially satisfactory/major improvement needed”, and one was rated “unsatisfactory”.⁴

The five audits reported a total of 26 audit issues and made a total of 26 recommendations to address those issues. The recurring issues⁵ noted in the five audit reports were weaknesses in:

- (a) Financial management (budget management and oversight)
- (b) Procurement and supply management (inventory and warehousing)
- (c) Sub-recipient management (selection, assessment, and monitoring)

There were six recommendations (23 percent) that were rated as high priority.

To strengthen the implementation of Global Fund grants, OAI issued audit recommendations to the Country Offices. The critical and important recommendations included the following:

¹ The three regional programmes covered another 24 countries in Africa, Southern Asia and Western Pacific.

² In Zimbabwe, starting January 2015, UNDP entered into a series of agreements with the Global Fund to provide support services to the Principal Recipient (a government counterpart) managing the TB and Malaria Grants as the Fund Administrator.

³ In the Islamic Republic of Iran and Zimbabwe, since the Country Coordinating Mechanism is not legally an incorporated body and cannot receive funds, it designates Funding Recipients to be responsible for receiving funds on its behalf.

⁴ UNDP Zimbabwe, Report No. 2054

⁵ Issues are considered as “recurring” when there are more than three issues and recommendations for a given audit area.

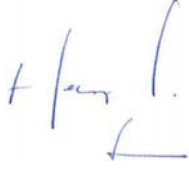
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- Strengthen financial management by:
 - (a) charging the grant for common service costs incurred and adjusting any amount that has been overcharged;
 - (b) addressing the delays in processing cash advances to Sub-recipients, and ensuring that no new advances are given prior to liquidating previous advances;
 - (c) ensuring that cash advances are approved by senior management and balances are reported in the Funding Authorization and Certificate of Expenditures (FACE) forms that have been approved by designated Sub-recipient officials;
 - (d) processing payments only upon the receipt of goods and services and the presentation of a vendor's invoice;
 - (e) adhering to budgeted activities in Atlas and approving non-budgeted activities prior to their implementation; and
 - (f) closely monitoring Sub-recipients' activities and ensuring that budget overruns are pre-approved by UNDP.
 - Strengthen procurement and supply management by:
 - (a) having staff undertake monitoring visits within each level of the supply chain to validate stocks against reports;
 - (b) implementing monthly reconciliations of stocks reported by the warehousing and distribution agency to detect issues in stock management; and
 - (c) working with the Sub-recipients and partners to ensure that temperatures for the storage of medical products are read and recorded on a daily basis and that significant variations are addressed in a timely manner.
 - Strengthen Sub-recipient management by:
 - (a) preparing a capacity development plan and the corresponding action plan to address the findings of the Sub-recipient micro-assessments, audit recommendations and field visit reports;
 - (b) taking necessary measures to address delays in Sub-recipient reporting;
 - (c) issuing timely management letters to allow implementation of recommendations within the next reporting period;
 - (d) conducting a comprehensive capacity assessment using a standard capacity assessment tool of all Sub-recipients, which should be validated during the Local Project Appraisal Committee meeting;
 - (e) performing capacity assessments prior to contracting Sub-recipients; and

- (f) improving contractual arrangements by engaging Sub-sub-recipients directly or have Sub-recipients, rather than the Office, advance funds to Sub-sub-recipients.

Implementation of audit recommendations

In close cooperation with the Bureau for Policy and Programme Support, Global Fund/Health Implementation Support Team, OAI continuously monitors and follows up on the progress achieved by each Country Office in implementing audit recommendations.

As of 30 March 2020, the rate of implementation of 2019 audit recommendations was 80.3 percent as detailed in Section IV of this report.



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