



AUDIT

OF

UNDP SOUTH SUDAN

GRANTS FROM THE GLOBAL FUND

Report No. 2229
Issue Date: 6 August 2020

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

The UNDP Office of Audit and Investigations (OAI), from 18 May to 3 June 2020, conducted an audit of seven grants from the Global Fund (Output Nos. 81101 [HIV], 81103 [TB], 81104 [HSS], 96503 [HIV], 96034 [TB], 107107 [HIV], and 107108 [TB]) managed by UNDP South Sudan (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:

- I. governance and strategic management (organizational structure, risk management, staffing and performance management, capacity development and transition strategy);
- II. programme management (project approval and implementation, monitoring and evaluation, grant closure);
- III. Sub-recipient management (selection, assessment and contracting, financial and programmatic activities);
- IV. procurement (quantification and forecasting, procurement of health products, quality assurance of health products, individual contractors, procurement of other goods and services), supply management (inventory, warehousing and distribution), and asset management; and
- V. financial management (revenue and accounts receivable, expenses, reporting to the Global Fund, Fund Administrator Role).

The audit covered the Global Fund-related activities of the Office from 1 January 2019 to 30 April 2020. The Office recorded Global Fund-related expenses of approximately \$25 million. The last audit of the Office's Global Fund-related activities was conducted by OAI in 2017.

Due to the COVID-19 pandemic, the audit was conducted remotely. Scope limitations due to the nature of the remote audit applied to the following activities

- (a) A review of original supporting documentation could not be carried out, and therefore the audit team relied on scanned copies of documents provided by the Office for all audit areas reviewed.
- (b) Meetings with Office staff and personnel were carried out virtually, which limited the audit team's understanding of the Office's working environment.
- (c) Project site visits (health care facility visits, meetings with counterparts/beneficiaries) were not conducted.
- (d) Supporting documents for expenditures of non-UN Sub-recipients were not validated.
- (e) Storage facilities were not inspected, and stock counts were not undertaken.
- (f) A physical verification of assets was not performed.

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

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/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 do not significantly affect the achievement of the objectives of the audited entity/area." This rating was mainly due to weaknesses in grant closure, asset management and expenditures.

Key recommendations: Total = **3**, high priority = **2**

The three recommendations aim to ensure the following: (a) effectiveness and efficiency of operations (Recommendations 1 and 3); and (b) safeguarding of assets (Recommendation 2).

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:

Inadequate management of the grant closure process (Issue 1)

There were five expired Global Fund grants recorded in Atlas that were flagged as ongoing. At a minimum, all should have been flagged as operationally closed and should have been financially closed several years earlier. Moreover, the Office used UNDP funds amounting to \$397,000 to refund the Global Fund against expenditures that were rejected or assets that were lost in the closed grants. The Sub-recipients responsible had yet to refund UNDP for these funds.

Recommendation: The Office should improve project closure by: (a) efficiently processing UNDP project closure activities and financially closing all the projects; and (b) obtaining reimbursement from Sub-recipients for the pre-financed funds amounting to \$397,000.

Loss of grant assets under temporary custody of government Sub-recipients (Issue 2)

Seven vehicles with an acquisition cost of \$347,000 and under temporary custody of the Sub-recipients had not been physically verified since August 2016. No incident or police reports were made available by the Sub-recipients to UNDP for the lost assets. UNDP as Principal Recipient is liable to refund the Global Fund for the lost assets.

Recommendation: The Office should strengthen accountability for grant assets placed under temporary custody of Sub-recipients by: (a) requesting detail incident and police reports of events leading up to the loss of assets under their custody; and (b) determining liability for the loss of the seven vehicles and recovering that loss from the liable party.

Implementation status of previous OAI audit recommendations: Report No. 1892, 13 October 2017.

Total recommendations: 5
Implemented: 5

Management comments and action plan

The Resident Representative accepted all three 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.

A handwritten signature in blue ink, appearing to read 'B G Simpson', is enclosed in a black rectangular box.

Brett Simpson
Officer-in-Charge
Office of Audit and Investigations