

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



AUDIT
OF
UNDP SUDAN

GRANTS FROM THE GLOBAL FUND

Report No. 2328
Issue Date: 21 January 2022

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

The UNDP Office of Audit and Investigations (OAI), from 26 September to 12 October 2021, conducted an audit of two grants from the Global Fund (Output Nos. 93713, 108351 [HIV], 93714, 108353 [TB], 93712, 125436 [Malaria], and 125437 [TB]) managed by UNDP 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:

- (a) governance and strategic management (organizational structure, risk management, staffing and performance management, capacity development and transition strategy);
- (b) programme management (project approval and implementation, monitoring and evaluation, grant closure);
- (c) Sub-recipient management (selection, assessment and contracting, financial and programmatic activities);
- (d) 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
- (e) 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 2020 to 30 June 2021. The Office recorded Global Fund-related expenses of approximately \$17 million. The last audit of the Office's Global Fund-related activities was conducted by OAI in 2019.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Due to the COVID-19 pandemic, the audit was conducted remotely. Scope limitations due to the nature of the remote audit related 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, including to medical facilities, warehouses, Sub-recipients, and meetings with counterparts/beneficiaries were not conducted.
- (d) A physical verification of assets was conducted through video with the help of Office staff.
- (e) A physical verification of inventory was not performed.

Overall audit rating

OAI assessed the Office's management of the Global Fund grants as **partially satisfactory/major improvement needed**, which means "The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area." This rating was

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

mainly due to weaknesses in project closure activities and asset management, and weaknesses in the monitoring of Sub-recipients.

Key recommendations: Total = 4, high priority, = 3

The four recommendations aim to ensure the following: (a) effectiveness and efficiency of operations (Recommendation 1 – high priority, and Recommendation 2 – high priority); (b) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendation 3 – medium priority) and (c) safeguarding of assets (Recommendation 4 – high priority).

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:

Delays in project closure (Issue 1)

The previous audit recommendation from OAI audit Report No. 2055 of 28 February 2020, in respect to grant and project closure, had not been fully implemented. The issue is disclosed below:

- Three projects (Output Nos. 93712, 93713, 93714) had not been financially closed within one year of operational closure in September 2019.

In addition, the audit team identified the following weaknesses within the current audit period:

- Two projects (Output Nos. 108351 and 108353) were extended in Atlas until 31 December 2021 while the grant ended in December 2020. The Office explained that the Global Fund policy provided a six-month closure period up to 15 August 2021 to settle outstanding financial commitments and submit the Financial Closure reports. As of 2021 year-end, the outputs had yet to be operationally closed.
- Two out of three reports required for grant closure dated 30 October 2020 were not submitted within the deadline.

Recommendation: The Office should complete the financial and operational closure of Outputs Nos. 108351 and 108353 and ensure that for the remaining grants, closure reports are submitted within the timeframe stipulated by the donor.

In relation to the three outputs operationally closed in 2019, the corresponding recommendation was included in OAI Report No. 2055 of 28 February 2020 and remains in progress.

Weaknesses in monitoring Sub-recipients' performance (Issue 2)

The expenditure of the TB grant, for the period from 1 January to 30 June 2021, was \$77,472.08 out of a budget of \$799,163.80 (9.7 percent). The expenditure for the HIV grant, during the same period, was \$14,179 out of a budget of \$918,809 (2 percent).

The low expenditure was due to:

- late signing of two Sub-recipients' agreements; and
- delay in liquidating advances from a previous grant, which prevented the processing of new advances under the new grant.

The budget for the two agreements with the Sub-recipient had not been revised to reflect the challenges outlined.

Recommendation: The Office should strengthen the monitoring of Sub-recipients financial and programmatic performance by: (a) preparing an acceleration plan to address the performance issues, closely monitoring its implementation; and (b) submitting a reprogramming request to the Global Fund for approval.

Weaknesses in asset management (Issue 4)

OAI audit Report No. 2055 (28 February 2020) included the recommendation to ensure the timely distribution of assets to beneficiaries. The implementation of the recommendation remained in progress.

The status of the recommendation was as follows:

- 3,088 assets purchased under HSS and Malaria grants for \$14.4 million were transferred to the Government in June 2018. At the time of the audit, 940 assets (totalling \$1 million) had yet to be distributed by the Government.
- The assets included a transfer of 139 vehicles, which were in use by the Government but had UNDP registration numbers. While the government ministry approved the transfer of the vehicles, the Office had yet to follow up on removal of the UNDP registration numbers.
- The Global Fund assets were managed by the National Medical Supply Fund, an independent government entity. As of 2021 year-end, a total of 325 HIV and TB assets purchased between 2011 and 2017 totalling \$204,000 had not been distributed.

Recommendation: The Office should further strengthen asset management by: (a) ensuring that the relevant government ministry remove the UNDP registration plates for the 139 vehicles; and (b) in coordination with the National Medical Supply Fund, reconcile the TB and HIV Grants asset in-stock records and expedite their distribution.

In relation to the distribution of assets to beneficiaries, the corresponding recommendation 5 (b) was included in OAI Report No. 2055 of 28 February 2020 and remains in progress.

Implementation status of previous OAI audit recommendations: Report No. 2055, 28 February 2020.

Total recommendations: 5

Implemented: 2

In progress: 3


The pending recommendations pertain to delays in grant and project closure, weaknesses in Sub-recipient contracting and monitoring, and inadequate controls over asset management (Issue 4). Their implementation is in progress.



Management comments and action plan

The Resident Representative accepted all of the 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.

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