

FINANCIAL REPORTING

**Interim financial management
update for the 2016–2017 biennium
for the period 1 January 2016 to 31
March 2017**

Additional documents for this item: Financial report and audited financial statements for the year ended 31 December 2016 (Document: UNAIDS/PCB(40)/17.7).

Action required at this meeting – the Programme Coordinating Board is invited to:

- i. *take note* of the interim financial management update for the 2016–2017 biennium for the period 1 January 2016 to 31 March 2017, including the replenishment of the Building Renovation Fund;
- ii. *encourage* donor governments to make multi-year contributions and release their contributions towards the 2016–2021 Unified Budget, Results and Accountability Framework as soon as possible; and
- iii. *urge* UNAIDS, pursuant to decision 6.8 of the 37th PCB meeting, to continue expanding its donor base and *encourage* new donors to make contributions towards the full funding of the 2016–2021 Unified Budget, Results and Accountability Framework.

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I. INTRODUCTION

1. This document presents interim financial management information on the 2016–2017 biennium for the period 1 January 2016 to 31 March 2017. The presentation at the 40th meeting of the Programme Coordinating Board will include financial information up to 31 May 2017. The accounts and operations of UNAIDS are subject to continuous examination and review by both internal and external auditors of WHO.

II. THE UNIFIED BUDGET, RESULTS AND ACCOUNTABILITY FRAMEWORK FOR THE 2016–2017 BIENNIUM

Approved Budget and Workplan

2. At its 37th meeting in October 2015, the Programme Coordinating Board approved the 2016–2021 Unified Budget, Results and Accountability Framework with a core budget of US\$ 484.8 million for the 2016–2017 biennium (the same level as for the previous four biennia), and distribution of US\$ 310.2 million to be managed by the Secretariat and US\$ 174.6 million to be allocated among the eleven Cosponsors. The Board also requested the submission of a revised and more prioritized Unified Budget, Results and Accountability Framework for approval at the 38th meeting of the Programme Coordinating Board.
3. At its 38th meeting in June 2016, the Programme Coordinating Board approved the final, prioritized and more detailed 2016–2021 Unified Budget, Results and Accountability Framework based on the recommendation of the Programme Coordinating Board working group on the development of the 2016–2021 Unified Budget, Results and Accountability Framework.

Funds made available for the 2016–2017 biennium

4. During the year ended 31 December 2016, revenue totaling US\$ 180.4 million was made available towards the Unified Budget, Results and Accountability Framework. In addition to the above, US\$ 69.8 million was made available during the period 1 January 2017 to 31 March 2017 which together represented total revenue of US\$ 250.1 million for the period under review. Table 1 (below) provides the details of revenue attributed towards the 2016–2017 Unified Budget, Results and Accountability Framework during the period 1 January 2016 to 31 March 2017.

Table 1

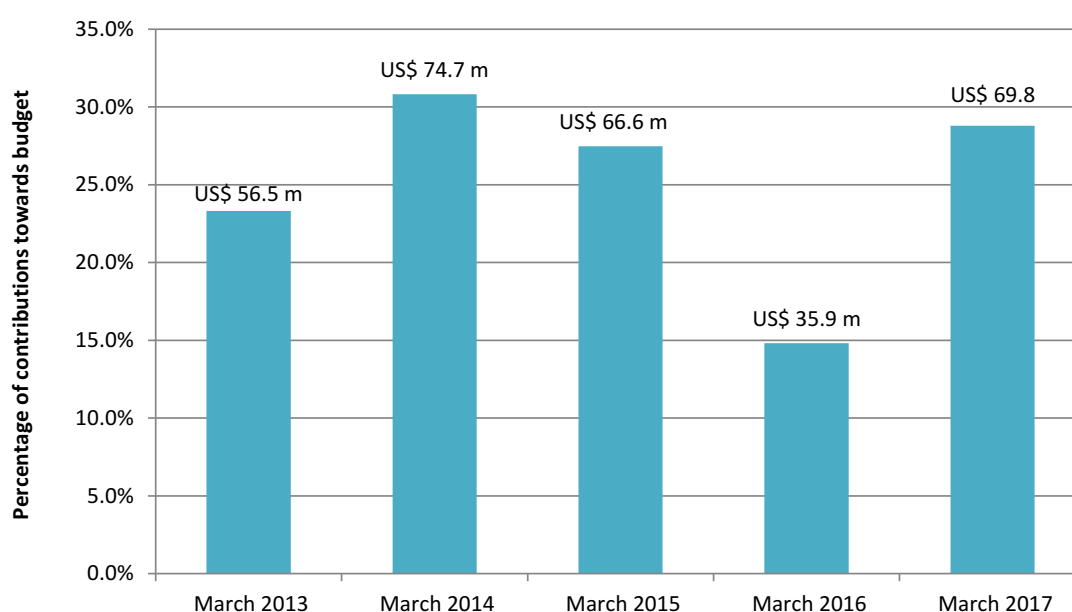
Unified Budget, Results and Accountability Framework—details of revenue for the period 1 January 2016 to 31 March 2017 (in US dollars)

Voluntary contributions	Funds made available towards the 2016-2017 Unified Budget, Results and Accountability Framework		
	2016	2017	Total
Governments			
Andorra	33 296		33 296
Australia	3 427 266		3 427 266
Belgium	4 424 779		4 424 779
Belgium - Flanders	843 644	843 645	1 687 289
Canada	3 869 427	3 724 138	7 593 565
China	150 000		150 000
Czech Republic	41 237		41 237
Denmark	4 418 210	4 331 504	8 749 714
France	445 931		445 931
Germany	2 192 331	2 776 700	4 969 031
Ghana	100 000		100 000
Ireland	2 894 849	2 561 366	5 456 215
Israel	10 000		10 000
Japan	650 000	600 000	1 250 000
Kazakhstan	50 000		50 000
Liechtenstein	25 907		25 907
Luxembourg	4 960 981		4 960 981
Mali	168 014		168 014
Monaco	167 598	32 017	199 615
Netherlands	22 346 368	19 210 245	41 556 613
New Zealand	1 038 781	693 963	1 732 744
Norway	16 867 862	15 210 015	32 077 877
Poland	29 960		29 960
Portugal	109 289		109 289
Russian Federation	500 000	500 000	1 000 000
Sweden	31 645 525		31 645 525
Switzerland	11 847 412	10 010 010	21 857 422
Thailand	100 014	97 700	197 714
Turkey	40 000		40 000
United Kingdom of Great Britain & Northern Ireland	18 750 000	9 179 927	27 929 927
United States of America	45 000 000		45 000 000
Sub-total	177 148 681	69 771 230	246 919 911
Other			
Miscellaneous	445 244		445 244
Sub-total	445 244	-	445 244
Total operating revenue	177 593 925	69 771 230	247 365 155
Finance revenue	2 784 217		2 784 217
TOTAL	180 378 142	69 771 230	250 149 372

5. *Figure 1* (below) compares the funds made available by 31 March of each year towards the Unified Budget, Results and Accountability Framework in 2013, 2014, 2015, 2016 and 2017. A total amount of US\$ 69.8 million has been made available for 2017 (of the 2016–2017 Unified Budget, Results and Accountability Framework), representing 28.8% of the annual budget. This compares favourably to the amount made available for the same period in 2016 and is consistent with the amount made available during similar periods in previous years. It should be noted, however, that out of the US\$ 69.8 million made available as at 31 March 2017, US\$ 52 million or 74.5% was only made available during March 2017. This highlights the need for donors, who have made commitments, to pay the outstanding amounts, and for those donors who have not yet made commitments to pledge and pay their contributions to UNAIDS for 2017 in full.

Figure 1

Comparison of revenue made available as at 31 March of each year towards the Unified Budget, Results and Accountability Framework from 2013 to 2017



III. FUNDS EXPENDED AND ENCUMBERED UNDER THE 2016–2017 UNIFIED BUDGET, RESULTS AND ACCOUNTABILITY FRAMEWORK

6. During 2016, a total of US\$ 180.8 million was expended and encumbered against the budget of US\$ 484.8 million approved for the 2016–2017 Unified Budget, Results and Accountability Framework. In addition to the above amount, US\$ 54.1 was expended and encumbered (including transfers to Cosponsors) during the period 1 January 2017 to 31 March 2017. Together that represented a total amount of US\$ 234.9 million, which corresponded to a financial implementation rate of 48.5%.
7. The total expense and encumbrance for the implementation of the activities contained in the Unified Budget, Results and Accountability Framework were distributed as follows: for Cosponsors US\$ 62.3 million was transferred and US\$ 3.2 million encumbered (figure 2 provides information on the proportion of funds transferred to each individual Cosponsor); and US\$ 165.5 million was expended and US\$ 3.9 million encumbered for Secretariat activities and staff costs.

8. Table 2 provides details on the 2016–2017 Unified Budget, Results and Accountability Framework approved core budget, expense and encumbrances, broken down by result areas and the Secretariat core functions for the period 1 January 2016 to 31 March 2017.

Table 2

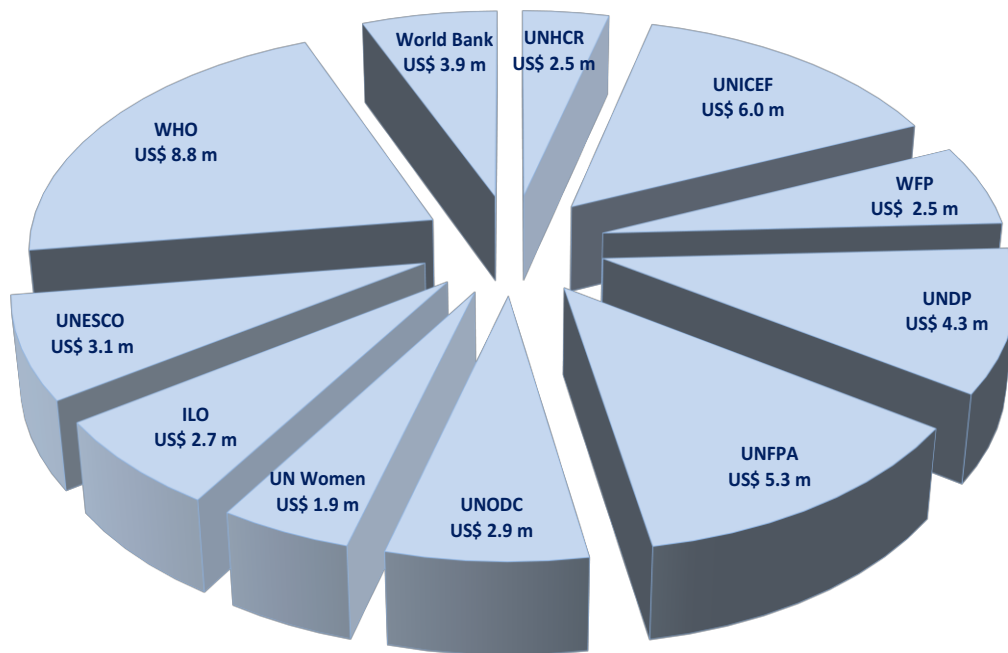
2016–2017 Unified Budget, Results and Accountability Framework approved core budget, expense and encumbrances for the period 1 January 2016 to 31 March 2017 (in US dollars)

	2016-2017 Approved core budget	2016 Expense	2017 Expense	Encumbrance ^{a/}	Total	Balance	Percentage implementation
	(a)	(b)	(c)	(d)	(e) = (b + c + d)	(f) = (a - e)	(g) = (e / a)
I. Result Areas							
1 HIV testing and treatment	51 245 000	12 726 485	5 135 728	1 218 385	19 080 598	32 164 402	37.2%
2 Elimination of Mother To Child Transmission	9 260 000	2 314 800	1 170 000		3 484 800	5 775 200	37.6%
3 HIV prevention among young people	27 410 000	6 897 538	3 071 302	358 820	10 327 660	17 082 340	37.7%
4 HIV prevention among key populations	26 802 000	6 932 210	3 057 520	414 610	10 404 340	16 397 660	38.8%
5 Gender inequality and GBV	18 214 000	4 494 997	2 070 432	174 405	6 739 834	11 474 166	37.0%
6 Human rights, stigma and discrimination	13 054 000	3 260 338	1 480 905	183 750	4 924 993	8 129 007	37.7%
7 Investment and efficiency	10 906 000	2 726 486	819 238	544 005	4 089 729	6 816 271	37.5%
8 HIV and health services integration	17 709 000	4 297 146	1 869 875	256 025	6 423 046	11 285 954	36.3%
Total Cosponsors	174 600 000	43 650 000	18 675 000	3 150 000	65 475 000	109 125 000	37.5%
II. Core Functions							
1 Leadership, advocacy and communication	84 218 000	37 525 668	7 995 399	1 235 091	46 756 158	37 461 842	55.5%
2 Partnerships, mobilization and innovation	54 216 000	21 708 426	4 598 789	730 762	27 037 977	27 178 023	49.9%
3 Strategic information	47 088 000	20 647 359	4 923 302	820 430	26 391 091	20 696 909	56.0%
4 Coordination, convening & country implementation support	57 140 000	24 455 913	4 976 238	628 984	30 061 134	27 078 866	52.6%
5 Governance and mutual accountability	67 558 000	32 775 644	5 901 234	501 412	39 178 290	28 379 710	58.0%
Total Secretariat	310 220 000	137 113 011	28 394 962	3 916 679	169 424 651	140 795 349	54.6%
Grand Total	484 820 000	180 763 011	47 069 962	7 066 679	234 899 651	249 920 349	48.5%

^{a/} Encumbrances representing firm commitment for goods and/or services which have not yet been delivered

Figure 2

Funds transferred to Cosponsors as at 31 March 2017



IV. FUND BALANCE

9. As a voluntary funded programme, UNAIDS requires a fund balance that serves as working capital to initiate and implement activities at the beginning of each year, pending receipt of firm pledges/contributions. To ensure continuity of activities from one year to the next, including allocating funding to Cosponsors, a sufficient fund balance at the end of each year is necessary to ensure the smooth start-up and implementation of the Unified Budget, Results and Accountability Framework in the following year/biennium.
10. At its 26th meeting held in Geneva from 22–24 June 2010, the Programme Coordinating Board approved a maximum level for the Unified Budget, Results and Accountability Framework net fund balance equivalent to 35% (i.e. US\$ 170 million) of the UNAIDS core biennial budget. The decision to set the maximum level at 35% was based on the following key factors:
 - a) The nature and timing of donor contributions;
 - b) The role of UNAIDS Secretariat in funding Cosponsors' work plans; and
 - c) The payment of salaries and other costs in the Secretariat budget.
11. Based on the request of the Programme Coordinating Board at its 34th meeting in July 2014, the Secretariat conducted an analysis to determine the appropriate lower-level threshold for the net fund balance and reported to the Programme Coordinating Board at its 36th meeting.
12. At its 36th meeting, held in Geneva from 30 June to 2 July 2015, the Programme Coordinating Board established the minimum level for UNAIDS net fund balance

equivalent to 22% of the UNAIDS biennial budget (i.e. US\$ 107 million of the approved budget for 2016–2017).

13. As at 31 December 2016, the net fund balance of the Unified Budget, Results and Accountability Framework stood at US\$ 79.8 million or 16.5% of the biennial budget.¹ This is below the approved minimum level of 22% (or US\$ 107 million) of the biennial budget as approved by the Programme Coordinating board in June 2015.
14. It should be noted that although the net fund balance of the Unified Budget, Results and Accountability Framework is lower than the approved minimum level, the Secretariat, despite difficult circumstances, has managed to maintain the net fund balance at almost the same level as in 2015. This was achieved through the initiatives and measures put in place to reduce costs and to increase cost-effectiveness and efficiency, including the repositioning exercise and the transfer of 50% of the Cosponsors allocations for 2016.
15. As highlighted in paragraph 9, the fund balance of the Unified Budget, Results and Accountability Framework represents the Joint Programme's working capital. It enables both the transfer of funds to the Cosponsors at the beginning of each year and the interruption-free operation of the Joint Programme. Given the level of the fund balance and the amount forecasted to be mobilized during 2017 from existing donors (i.e. US\$ 165 million against the approved budget of US\$ 242.4 million for 2017), the Executive Director recommended the same level of funding to the Cosponsors in 2017 as in 2016, i.e. 50% of their core budget allocation for 2017. This was endorsed by the Programme Coordinating Board at its 39th meeting in December 2016.
16. To guarantee the continued smooth operation of the Joint Programme, it is imperative that additional resources are mobilized in order to replenish the fund balance to its lower level corresponding to 22% of the budget approved by the Programme Coordinating Board.
17. Furthermore, the need to mobilize additional resources was recognized at the 37th meeting of Programme Coordinating Board in October 2015, at which the Board urged "intensification of resource mobilization efforts and full funding of the 2016–2021 UBRAF to fund the Joint Programme, while noting the necessity to ensure that the UNAIDS Secretariat is sufficiently funded to secure its core functions to implement the Fast Track approach and the 2016–2021 Strategy". The Board also acknowledged current efforts, and encouraged all Cosponsors to continue to strengthen their role in resource mobilization in support of their programmatic contributions to the Joint Programme (decision 6.8).

V. Staff-related liabilities

18. UNAIDS staff-related liabilities are determined by professional actuaries. As per the actuarial studies as at 31 December 2016, the total staff-related liabilities amounted to US\$ 129.1 million (US\$ 126.6 million as at 31 December 2015). Of this amount,

¹ In addition to the expense of US\$ 179.8 million in 2016 under the 2016–2017 Unified Budget, Results and Accountability Framework, US\$ 2.7 million was encumbered during 2016 (representing firm commitments of goods and services to be delivered in 2017). As a result, the net fund balance as at 31 December 2016 under the Unified Budget, Results and Accountability Framework to cover 2016 Unified Budget, Results and Accountability Framework activities was US\$ 79.8 million (US\$ 82.5 million less US\$ 2.7 million reserved for 2016 encumbrances).

US\$ 104.6 million or 81% is funded; the remaining balance of US\$ 24.5 million or 19% was unfunded (as detailed in *Table 3* below).

Table 3

Staff-related liabilities as at 31 December 2016 (in millions of US dollars)

	Actuarial requirement end 2016	Accrued end 2016					Under provision
		Funded	Appropriation from UBRAF in 2012	Appropriation from UBRAF in 2013	Appropriation from UBRAF in 2014	Total Accrued	
After Service Health Insurance (ASHI)	108.7	56.6	13.9	5.0	6.2	81.7	(27.0)
Annual leave	7.7	5.6	2.2	0.4	0.5	8.7	1.0
Terminal payments	12.1	8.8	3.9	0.8	0.3	13.8	1.7
Special account for compensation	0.6	-	0.0	0.2	0.2	0.4	(0.2)
Total	129.1	71.0	20.0	6.4	7.2	104.6	(24.5)

19. At its 30th meeting (held in June 2012), the Programme Coordinating Board endorsed the Executive Director's recommendation to fully fund the organizational staff-related liabilities from the fund balance.
20. In view of the financial challenges, and given that revenue from existing donors for 2017 is projected at 70% to 75% of the approved core Unified Budget, Results and Accountability Framework of US\$ 242.4 million, the Executive Director decided not to transfer additional funds from the fund balance to cover staff-related liabilities for the time being, pending recovery of the current financial situation and replenishment of the fund balance.
21. It should be noted that in 2011, UNAIDS unfunded staff liabilities stood at 46% and in the period 2012–2014, staff-related liabilities were funded from the fund balance in accordance with the decision of the Programme Coordinating Board. As at 31 December 2016, 81% of UNAIDS staff-related liabilities were funded, which puts UNAIDS in a relatively good position compared to the average of UN agencies, most of which have 20–60% of their staff-related liabilities funded.

VI. Building Renovation Fund

22. At its 30th meeting in June 2012, the Programme Coordinating Board endorsed the Executive Director's recommendation to establish a Building Renovation Fund. It also approved the annual replenishment of the fund for an amount equivalent to the accumulated depreciation of the UNAIDS building (or such other amount as might be determined by the Programme Coordinating Board). In line with the decision of the Programme Coordinating, the Executive Director has decided to put aside US\$ 0.43 million in 2017 for the Building Renovation Fund, which is the same amount as in the previous five years.

[Annex follows]

Annex I



May 2017

Report of the Internal Auditor for 2016

1. The Office of Internal Oversight Services (IOS) of the World Health Organization transmits herewith its report for the year 2016 for the information of the Programme Coordinating Board (PCB) of the Joint United Nations Programme on HIV/AIDS (UNAIDS).

OBJECTIVE AND SCOPE

2. IOS provides an independent and objective assurance and advisory activity, which is designed to add value to and improve the operations of UNAIDS. Work is conducted in accordance with the International Professional Practices Framework promulgated by the Institute of Internal Auditors. The standards provided by the Institute have been adopted for use throughout the United Nations system and provide independent, authoritative guidance designed to ensure an effective oversight function. Using a systematic and disciplined approach, IOS helps UNAIDS accomplish its objectives by evaluating and improving the effectiveness of processes for risk management, control and governance. IOS is authorized full, free and prompt access to all records, property, personnel, operations and functions within UNAIDS which, in its opinion, are relevant to the subject matter under review.
3. The scope of work was to evaluate whether the framework of processes for risk management, control and governance, as designed and implemented by UNAIDS management, was adequate and functioning in a manner so as to fulfil specific purposes. In particular, IOS assessed that:
 - (a) significant financial, managerial and operating information was accurate, reliable and timely;
 - (b) staff actions complied with UNAIDS and WHO regulations, rules, policies, standards and procedures; and
 - (c) resources were acquired economically, used efficiently, and protected adequately.
4. IOS provides oversight services to UNAIDS in accordance with the Memorandum of Understanding of 9 January 2008 between IOS and UNAIDS.

METHODOLOGY

5. IOS views risk as the possibility of an event occurring that will influence the achievement of objectives. In order to ensure that its available audit resources are focused on the areas of highest risk, IOS uses a risk assessment model. This model supports professional judgments made in the prioritization of the annual plan of work. The model comprises three basic components: (i) the audit universe of the budget centres drawn from the Enterprise Resource Planning (ERP) system (WHO Global Management System (GSM) database); (ii) a set of weighted risk parameters which are applied consistently to obtain a relative risk ranking of entities in the audit universe; and (iii) a further screening against specific risk factors. The risk assessment process incorporates both subjective and objective measures - such as financial exposure, recent changes in staff or systems, and the internal control environment - which determines the relative risk of the auditable areas.
6. The results of the updated audit risk assessment had been discussed with UNAIDS management and a plan of work had been drawn up for the year 2016. IOS modified this agreed plan of work during 2016, further to subsequent request from UNAIDS management to focus on Regional Support Teams (RST WCA and RST AP) and to include an additional Country Office (UCO/Ghana). These requested changes met the criteria for identification of auditees per the IOS audit risk assessments. As a consequence of the changes in priorities, two-crosscutting functional audits (Agreements for Performance of Work and Resource Mobilization) were carried forward to 2017.
7. The main findings from IOS reports issued in 2016 are summarized hereafter.

AUDITS

Headquarters and cross-cutting functions

8. **Field and Remote IT Support (FRS) in Nairobi, Kenya (Audit Report No. 15/1008):**
The audit found that the overall effectiveness of risk management and control processes in the areas of administration and finance at FRS was partially satisfactory and required improvement in some areas. Control deficiencies with a high level of residual risk which need to be rectified promptly were found in the following areas: (a) reporting to management was not prepared on a regular basis and did not contain all essential information needed to identify potential deficiencies in the performance of the helpdesk operations; (b) non-compliance with Service Level Agreements (SLAs) needed to be systematically monitored, documented, analyzed, and followed up. SLAs also require reassessment on a regular basis and eventually modification if applicable; (c) the inventory was not accurate nor complete and discrepancies were found between FRS inventory records and those of UNAIDS headquarters (HQ). Furthermore, donations of equipment were not recorded as such; (d) clarification was required on the IT clearance role in the procurement process for IT equipment/supplies; and (e) a specific user satisfaction survey for the FRS function had not been carried out.

Regional Support Teams and Liaison Offices

9. **UNAIDS Regional Support Team for West and Central Africa, Dakar (Audit Report No.16/1030):**

The audit found that the overall effectiveness of risk management and control processes in the areas of administration and finance of the RST was partially satisfactory and required some improvement in most areas. Control deficiencies with a high level of residual risk which need to be rectified promptly were found in the following areas:

- Integrity of managerial information: (i) Award balances of some UCOs were not monitored proactively by the Regional Focal Points; (ii) There was a lack of systematic filing of supporting technical and financial documentation; (iii) The existence of some assets in the fixed assets register was not in line with the physical inspection.
- Compliance with UNAIDS regulations: (i) Contracts were not being submitted to the Contract Review Committee (CRC) though related thresholds were exceeded; (ii) Official vehicles were used for unofficial purposes without approval; (iii) Procurement procedures were not adhered to, as selection criteria were not applied in a consistent manner or explanations provided were insufficient for sole suppliers, and budgets did not contain the detail required; and (iv) There was a lack of appropriate communication flow, which led to delays in operations.
- Safeguarding of assets: (i) There was a significant backlog of payments (dating back to 2012) to be effected for the telecommunications provider, for which reconciliation and a payment plan was required; (ii) Clearance was required in the elmprest system for all outstanding items (some items dated back 2012); (iii) An appropriate segregation of duties was needed in key finance and procurement functions; and (iv) Obsolete and unused assets required action for disposal.
- Efficiency in the use of resources: (i) Signatories were not properly updated with the bank of the RST; (ii) Funding to conduct activities at UCO/Senegal were insufficient and expenses related to the Country Office were subsidized by the RST; (iii) Improvement opportunities were identified in the communication between HQ, the RST and UCOs.

UNAIDS Regional Support Team Asia and Pacific, Bangkok (Audit Report No. 16/1046):

The audit found that the overall effectiveness of risk management and control processes in the areas of administration and finance of the RST was partially satisfactory and required some improvement in most areas. Control deficiencies with a high level of residual risk which need to be rectified promptly were found in reliability and integrity of managerial information: (i) The existence of some assets in the fixed assets register was not in line with the physical inspection; and (ii) A lack of communication flow and planning between HQ and RST led to a situation where a specific award deadline was approached and a significant amount of funds required last minute action to be utilized, which otherwise would have been lost.

10. In addition, we noted weaknesses in the following areas that require action from RST AP:

- Monitoring of outstanding deliverables for Programme Funding Agreements (PFAs) was not conducted in a timely and consistent manner, and financial statements for PFAs required more detailed information on the use of funds.
- Access rights to the Enterprise Risk Planning (ERP) system granted to staff were not reviewed in a consistent manner.
- Old and obsolete equipment needed to be disposed of in a timely manner.
- Adjustments to workplans were required to reflect the likely new funding situation.

Country Offices

11. Since 1 January 2012, all UCOs use the ERP system provided by WHO. However, the administrative and support services of the United Nations Development Programme (UNDP) are still in use to process payments on behalf of UNAIDS in a few Latin American and Caribbean countries. This is either due to no local WHO support, or to the fact that the WHO Global Service Centre cannot effect payments via standard electronic methods because of local monetary controls.

12. **Country Office in Ghana, Accra (Audit Report No. 16/1035):** The audit found that the overall effectiveness of risk management and control processes in the areas of administration and finance at the UCO were partially satisfactory and required some improvement in most areas. Control deficiencies with a high level of residual risk which need to be rectified related to the following areas:

- Integrity of managerial information: (i) Extrabudgetary funding was not registered and allocated in a timely manner in order to avoid funds being lost; (ii) The performance evaluation process had not been completed or duly followed for more than half of the UCO staff.
- Compliance with UNAIDS regulations: (i) Some individuals working for the UCO did not have a valid contract and/or were not selected in a transparent process; (ii) A host country agreement between the UCO and the Government of Ghana was pending to be signed; (iii) An assessment of office premises did not include all relevant cost details in the budget used as the basis to select the location; and (iv) Procedures for improving goods receipt and recording of imprest transactions needed to be strengthened.
- Efficiency in the use of resources: (i) Monitoring of actions and progress made to implement recommendations identified in previous reviews had not been conducted in a systematic manner.

13. **Country Office in Thailand, Bangkok (Audit Report No. 16/1047):** The audit found that the overall effectiveness of risk management and control processes in the areas of administration and finance at the UCO was partially satisfactory and required improvement in some areas. Control deficiencies with a high level of residual risk which need to be rectified promptly were found in the quality of financial reports and invoices supporting service contracts and PFAs which were insufficient in some cases

to reasonably assess expenditure reported with the planned budget costs. IOS identified additional areas requiring the attention of management:

- Inappropriate advance of cash to staff for petty cash disbursements related to office operations.
- The adjudication reports for service contracts did not make reference to typical market rates in situations of a sole supplier to demonstrate that best value for money was systematically obtained.
- The fixed asset register was not accurate nor complete, as we noted discrepancies between the asset register and the physical inventory records.

INVESTIGATIONS

14. During 2016, seven matters of alleged misconduct were referred to IOS for review. The Office supported UNAIDS management in the review and investigation of two cases of suspected fraud in a UCO and a RST, respectively. In one case the staff member confirmed the investigation findings and in the second case the staff member was unable to provide reasonable justifications for the irregularities. Both staff have since been separated from the Organization. A further two cases of alleged failure to comply with professional standards and mismanagement are currently under investigation. Additionally, in relation to allegations of sexual harassment and harassment, (respectively one and two cases) the Office is currently nearing completion of the related investigations. When the investigation reports will be completed, any related disciplinary or other measures will still be forwarded for consideration by the UNAIDS Executive Director.

FOLLOW-UP AND IMPLEMENTATION

15. IOS monitors the implementation of all its recommendations to ensure either, that action has been taken effectively by management or that senior management has accepted the risk of not taking action. Reporting on and monitoring of each individual audit recommendation is performed with the assistance of a recommendation-tracking database maintained by IOS. Audit recommendations are categorized by risk category, significance and implementation effort.
16. As of 9 May 2017, 56.5% of the recommendations contained in previous reports, including those outstanding since 2012, have been satisfactorily addressed and closed, while implementation for a further 20.4% is currently on-going or in progress. In addition, IOS is tracking actions taken for 192 recommendations which require a progress update by the end of June 2017.

OVERALL

17. All audits were found to be “partially satisfactory” with a need for improvement in some or most areas. Good practices were observed in the quality control check function, IT helpdesk and modification of the travel policy.

18. We are satisfied with the continuous progress on implementation of audit recommendations; however, we note that recurring issues have been noted in the following areas requiring a more “holistic approach” to achieve sustainable improvements in these high risk areas:

- Significant backlog in processing payments to suppliers in some offices;
- Non-compliance with procurement procedures with recurring situations where a sole supplier was indicated as the reason for not following a competitive bidding process;
- Discrepancies between the information contained in the fixed assets register and physical inventories;

Lack of internal coordination resulting in inefficiencies in administrative procedures which negatively impact programme implementation between Headquarters, Regional Support Teams and Country Offices.

MAIN OPERATIONAL RISKS AND OPPORTUNITIES FACING UNAIDS

19. The UNAIDS Risk Management process was initiated in 2013. However, the Risk Register is still in draft and has yet to be approved for use and distribution amongst UNAIDS staff, or shared with IOS. This is an essential document for the work of IOS to assess management’s detailed assertions of risk. UNAIDS management informed IOS that it is planned to issue the document in the second half of 2017.

20. The funding situation of UNAIDS has changed since some major donors have reduced their contributions due to budget reasons and the refugee situation in Europe. UNAIDS senior management encouraged staff to identify new ways to mobilize funds and a repositioning was conducted in 2016. In order to identify weaknesses and opportunities in the process of mobilizing funds, IOS will review the resource mobilization function at UNAIDS as part of its 2017 plan of work.

ACTION BY THE PROGRAMME COORDINATING BOARD

22. The Programme Coordinating Board is invited to take note of this report.

[End of document]