

UNIFIED BUDGET, RESULTS AND ACCOUNTABILITY FRAMEWORK (UBRAF)

FINANCIAL REPORTING

**Interim financial management update for the
2018–2019 biennium for the period 1 January
2018 to 31 March 2019**

Additional documents for this item: Financial report and audited financial statements for the year ended 31 December 2018 (Document: UNAIDS/PCB (44)/19.15).

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

- i. *take note* of the interim financial management update for the 2018–2019 biennium for the period 1 January 2018 to 31 March 2019, 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 to fully fund the 2018-2019 budget of US\$ 484 million.

Cost implications for the implementation of the decisions: none

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I. INTRODUCTION

1. This document presents interim financial management information on the 2018–2019 biennium for the period 1 January 2018 to 31 March 2019. The presentation at the 44th meeting of the Programme Coordinating Board will include financial information up to 31 May 2019. 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 2018–2019 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 (UBRAF) 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 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 to review and further develop the Results and Accountability Framework of the 2016–2021 UBRAF.
4. At its 40th meeting in June 2017, the Programme Coordinating Board approved the 2018–2019 budget and the revised resource mobilization and allocation model. It approved an annual core budget of US\$ 184 million and distribution of US\$ 140 million to adequately resource the UNAIDS Secretariat; allocation of US\$ 22 million to be distributed among the eleven Cosponsors and a further allocation of US\$ 22 million to Cosponsors at country level in the form of country envelopes to leverage joint action in the Fast-Track countries and in support of populations in greatest need in other countries.
5. It also approved the allocation of additional resources in the form of supplemental funds totaling US\$ 58 million (US\$ 43 million for the Cosponsors and US\$ 15 million for the Secretariat) to address particular epidemic and country contexts, thus bringing the total resources to the level of a fully funded Unified Budget, Results and Accountability Framework (US\$ 484 million for 2018–2019 biennium).

Funds made available for the 2018–2019 biennium

6. During the year ended 31 December 2018, revenue totaling US\$ 188.8 million was made available towards the Unified Budget, Results and Accountability Framework. In addition to the above, US\$ 14.4 million from seven governments was made available towards year 2019 of the UBRAF. Table 1 (below) provides the details of revenue attributed towards the 2018–2019 Unified Budget, Results and Accountability Framework during the period 1 January 2018 to 31 March 2019.

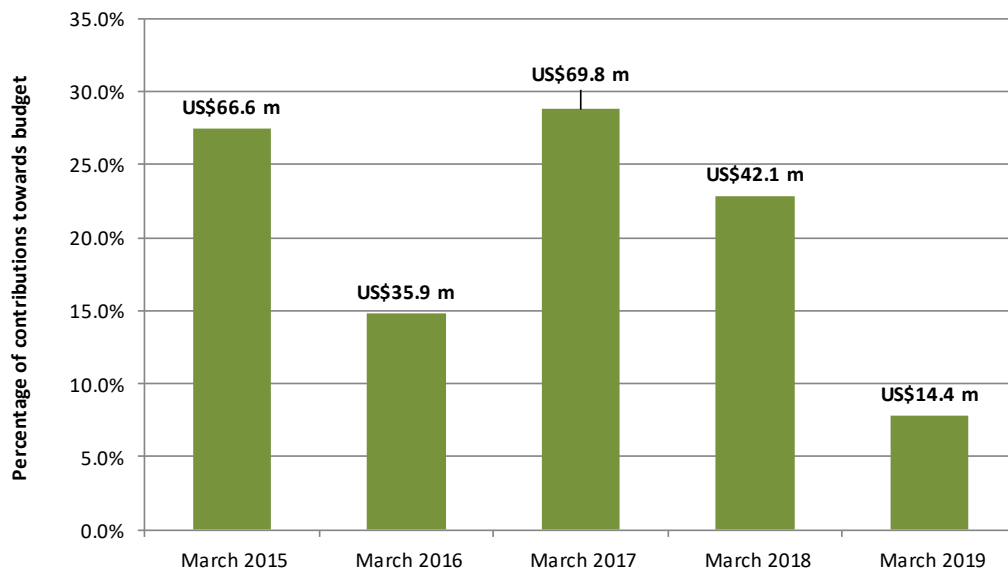
Table 1
Unified Budget, Results and Accountability Framework—details of revenue for the period 1 January 2018 to 31 March 2019 (in US dollars)

Voluntary contributions	Funds made available the 2018-2019 Unified Budget, Results and Accountability Framework		
	2018	2019	Total
Governments			
Andorra	71 532		71 532
Australia	3 640 777	3 529 412	7 170 189
Belgium	3 529 412		3 529 412
Belgium Flanders	843 644		843 644
Canada	3 770 739		3 770 739
China	250 000		250 000
Denmark	6 243 172		6 243 172
France	490 798	455 063	945 861
Germany	5 889 167	473 934	6 363 101
Ireland	2 777 778		2 777 778
Japan	600 000	600 000	1 200 000
Kazakhstan	50 000		50 000
Liechtenstein	25 075		25 075
Luxembourg	5 194 139		5 194 139
Monaco	185 415	34 247	219 662
Netherlands	23 310 023		23 310 023
New Zealand	708 717		708 717
Norway	16 579 518		16 579 518
Poland	39 270		39 270
Portugal	116 550		116 550
Russian Federation	500 000		500 000
Sweden	35 388 374		35 388 374
Switzerland	10 471 204		10 471 204
Thailand	102 180	100 000	202 180
United Kingdom of Great Britain & Northern Ireland	18 758 471	9 179 927	27 938 398
United States of America	45 000 000		45 000 000
Sub-total	184 535 955	14 372 583	198 908 538
Other			
Miscellaneous	226 958		226 958
Sub-total	226 958	0	226 958
Total operating revenue	184 762 913	14 372 583	199 135 496
Finance revenue	4 021 575		4 021 575
TOTAL	188 784 488	14 372 583	203 157 071

7. *Figure 1* (below) compares the funds made available by 31 March of each year towards the Unified Budget, Results and Accountability Framework in 2015, 2016, 2017, 2018 and 2019. The funds listed below were made available by 31 March of each year of the biennium. A total amount of US\$ 14.4 million has been made available for year 2019 of the 2018–2019 Unified Budget, Results and Accountability Framework representing only 7.8% of the annual core budget of US\$ 184 million, which is far less than the amount made available for the same period in 2018 of US\$ 42.1 million or 22.9% of the annual approved core budget of US\$ 184 million.
8. This highlights the need for donors who have already made commitments to pay the outstanding amounts, and for those donors who have not yet done so to pledge and pay their contributions to UNAIDS for 2019 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 2015 to 2019



III. FUNDS EXPENDED AND ENCUMBERED UNDER THE 2018–2019 UNIFIED BUDGET, RESULTS AND ACCOUNTABILITY FRAMEWORK

9. During 2018, a total of US\$ 172.1 million was expended against the core budget of US\$ 368 million approved for the 2018-2019 Unified Budget, Results and Accountability Framework. In addition to the above amount, US\$ 83.8 million was expended and encumbered (including transfers to Cosponsor) during the period 1 January to 31 March 2019. Together that represented a total amount of US\$ 255.9 million, which corresponded to a financial implementation rate of 69.5%.
10. The total expense and encumbrance for the implementation of the activities contained in the Unified Budget, Results and Accountability Framework were distributed as follows:
- US\$ 88 million was transferred to the Cosponsors and
 - US\$ 158.6 million was expended and US\$ 9.3 million encumbered for Secretariat activities and staff costs.

11. Table 2 provides details of the 2018–2019 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 2018 to 31 March 2019.

Table 2
2018–2019 Unified Budget, Results and Accountability Framework approved core budget, expense and encumbrances for the period 1 January 2018 to 31 March 2019 (in US dollars)

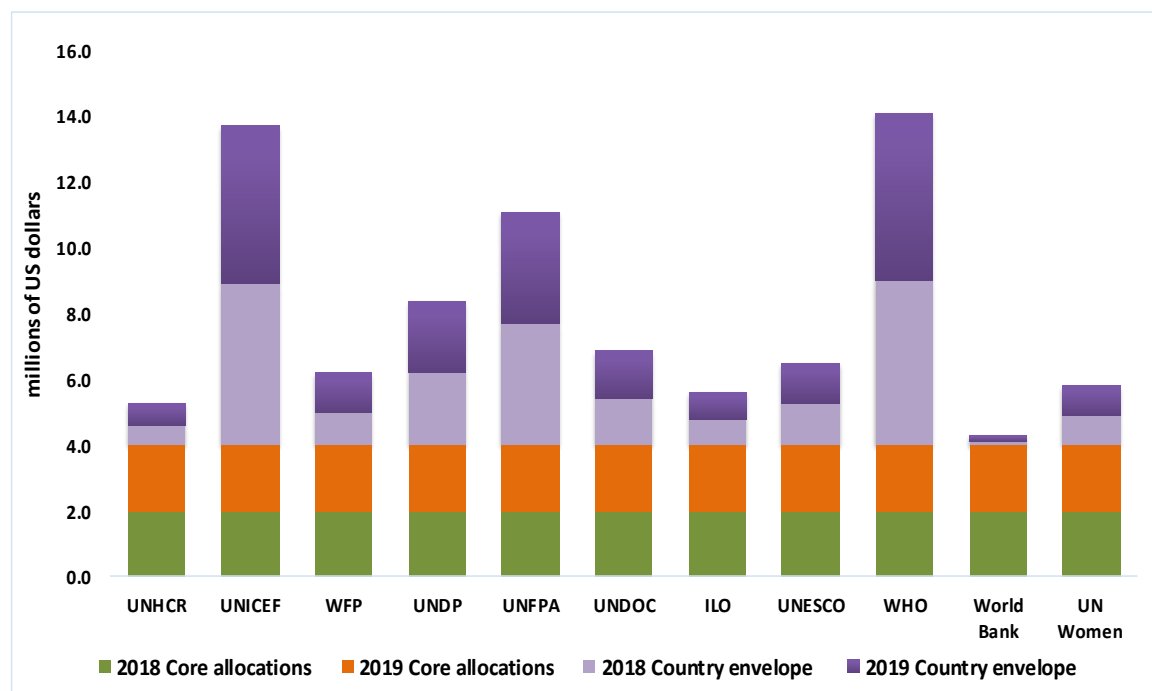
	2018-2019	Expense	Expense	Encumbrances ^{a/}	Total	Balance	Percentage implementation	
	Approved core budget	2018	2019					
	(a)	(b)	(c)	(d)	(e) = (a + b + c)	(f) = (a-e)	(g) = (e / a)	
I. Result Areas								
1	HIV testing and treatment	24 170 732	12 085 366	12 085 366	24 170 732	0	100.0%	
2	Elimination of Mother To Child Transmission	7 788 396	3 894 198	3 894 198	7 788 396	0	100.0%	
3	HIV prevention among young people	14 372 834	7 186 417	7 186 417	14 372 834	0	100.0%	
4	HIV prevention among key populations	14 370 888	7 185 444	7 185 444	14 370 888	0	100.0%	
5	Gender inequality and GBV	9 473 078	4 736 539	4 736 539	9 473 078	0	100.0%	
6	Human rights, stigma and discrimination	7 520 198	3 760 099	3 760 099	7 520 198	0	100.0%	
7	Investment and efficiency	4 207 992	2 103 996	2 103 996	4 207 992	0	100.0%	
8	HIV and health services integration	6 095 882	3 047 941	3 047 941	6 095 882	0	100.0%	
Total Cosponsors		88 000 000	44 000 000	44 000 000	-	88 000 000	100%	
II. Core Functions								
1	Leadership, advocacy and communication	67 661 000	31 248 875	7 351 428	3 899 732	42 500 035	25 160 965	62.8%
2	Partnerships, mobilization and innovation	60 158 000	27 259 179	5 986 903	1 183 028	34 429 109	25 728 891	57.2%
3	Strategic information	31 775 000	13 551 591	3 552 920	1 334 732	18 439 243	13 335 757	58.0%
4	Coordination, convening & country implementation support	64 844 000	29 329 522	6 552 694	1 678 630	37 560 846	27 283 154	57.9%
5	Governance and mutual accountability	55 562 000	26 743 517	7 080 233	1 171 726	34 995 476	20 566 524	63.0%
Total Secretariat		280 000 000	128 132 684	30 524 178	9 267 847	167 924 709	112 075 291	60.0%
Grand Total		368 000 000	172 132 684	74 524 178	9 267 847	255 924 709	112 075 291	69.5%

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

Funds transferred to Cosponsors

12. As at 31 March 2019, a total amount of US\$ 88 million has been transferred to the Cosponsors. This represents 100% of the Cosponsors' share of the 2018-2019 biennium core budget. US\$ 4 million has been transferred to each of the eleven Cosponsors to cover their core activities and a further US\$ 44 million has been transferred to Cosponsors at country level in the form of country envelopes.
13. The country envelopes were established for seventy-one countries through a process which entailed engagement of the Cosponsor at all levels to reach consensus on the formula, process, deliverables and allocations. (Annex I provides details of funds transferred to Cosponsors at country level for 2018 and 2019).
14. Figure 2 illustrates the new, dynamic and differentiated resource allocation model and provides information on the proportion of funds transferred to each individual Cosponsor.

Figure 2
Funds transferred to Cosponsors as at 31 March 2019



Funds expended and encumbered against the Secretariat budget

- During 2018, a total of US\$ 128.1 million was expended for Secretariat activities and staff costs against the Secretariat core budget of US\$ 280 million approved for the 2018-2019 Unified Budget, Results and Accountability Framework. In addition to the above amount, US\$ 30.5 million was expended and US\$ 9.3 million encumbered for Secretariat activities and staff costs during the period 1 January to 31 March 2019. Together that represented a total amount of US\$ 167.9 million, which corresponded to a financial implementation rate of 60%.

IV. FUND BALANCE

- The nature of UNAIDS as a voluntary funded programme requires a fund balance which serves as a 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.
- 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. Furthermore, at its 36th meeting held in Geneva from 30 June – 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 UNAIDS biennial budget.

18. As at 31 December 2018, the net fund balance of the UBRAF stood at US\$ 95.6 million or 19.7% of the biennial budget¹ (compared to US\$ 81.7 million or 16.8% as at 31 December 2017 and US\$ 79.8 million or 16.5% as at 31 December 2016). This is below the approved minimum level of 22% (or US\$ 107 million) of the biennial budget as approved by the Board in June 2015.
19. 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 through initiatives and measures put in place to reduce costs and increase cost-effectiveness and efficiency has managed to increase the fund balance by US\$ 13.9 million during 2018.
20. As highlighted under paragraph 16, the fund balance of the Unified Budget, Results and Accountability Framework is the Joint Programme's working capital. It enables the transfer of funds to the Cosponsors at the beginning of each year and enables the Joint Programme to operate without interruption.
21. To guarantee the continued smooth operations of the Joint Programme, it is imperative that additional resources are mobilized in order to replenish the fund balance to its minimum level of US\$ 107 million as approved by the Programme Coordinating Board.

V. Staff-related liabilities

22. UNAIDS staff-related liabilities are determined by professional actuaries. As per the actuarial studies as at 31 December 2018, the total staff-related liabilities amounted to US\$ 143.1 million (US\$ 162.9 million as at 31 December 2017). Of this amount, US\$ 118.7 million or 83% is funded; the remaining balance of US\$ 24.4 million or 17% was unfunded (as detailed in *Table 3* below).

Table 3

Staff-related liabilities as at 31 December 2018 (in millions of US dollars)

	Actuarial requirement end 2018	Accrued end 2018					(Under)/Over provision
		Funded	Appropriation from UBRAF in 2012	Appropriation from UBRAF in 2013	Appropriation from UBRAF in 2014	Total Accrued	
After Service Health Insurance (ASHI)	124.3	68.7	13.9	5.0	6.2	93.8	(30.5)
Annual leave	7.1	6.3	2.2	0.4	0.5	9.4	2.3
Terminal payments	10.8	10.1	3.9	0.8	0.3	15.1	4.3
Special account for compensation	0.9	-	0.0	0.2	0.2	0.4	(0.5)
Total	143.1	85.1	20.0	6.4	7.2	118.7	(24.4)

23. 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.

¹ In addition to the expense of US\$ 172.1 million in 2018 under the 2018–2019 UBRAF, US\$ 3.6 million was encumbered during 2018 (representing firm commitments of goods and services to be delivered in 2019). As a result, the net fund balance as at 31 December 2018 under the UBRAF to cover 2019 UBRAF activities was US\$ 95.6 million (US\$ 99.2 million less US\$ 3.6 million reserved for 2018 encumbrances).

24. In view of the continuing financial challenges and given that the fund balance is still below its minimum approved level of US\$ 107 million, the Executive Director has decided not to transfer additional funds from the fund balance to cover staff-related liabilities for the time being pending the recovery of the current financial situation and the replenishment of the fund balance.
25. As at 31 December 2018, 83% of UNAIDS staff-related liabilities were funded, which puts UNAIDS in a relatively good position compared to most UN agencies, who have 20-60% of their staff-related liabilities funded.

VI. Building Renovation Fund

26. 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 Board, the Executive Director has decided to put aside US\$ 0.43 million in 2019 for the Building Renovation Fund, which is the same amount as in the last seven years.

[Annex follows]

Annex I

**2018 Country Envelopes: Details of funds transferred to Cosponsors at country level
(in US dollars)**

Region	Country	UNHCR	UNICEF	WFP	UNDP	UNFPA	UNODC	ILO	UNESCO	WHO	World Bank	UN WOMEN	Total	
Asia and Pacific	Bangladesh		45 000			40 000				65 000			150 000	
	China				55 000			65 000	59 000	61 000		60 000	300 000	
	India		240 000		120 000	100 000	150 000	100 000	100 000	190 000			1 000 000	
	Indonesia		60 000			40 000	105 000	55 000		165 000		75 000	500 000	
	Malaysia	70 000			30 000					50 000			150 000	
	Myanmar		50 000	110 000		50 000	30 000		30 000	30 000			300 000	
	Pakistan				50 000	75 000	50 000			125 000			300 000	
	Papua New Guinea		50 000				25 000			50 000		75 000	200 000	
	Philippines		90 000			100 000	100 000	80 000		180 000			550 000	
	Thailand		70 000			50 000					30 000		150 000	
Viet Nam		33 000					51 000			129 000		87 000	300 000	
Total Asia and Pacific		70 000	638 000	110 000	405 000	430 000	466 000	220 000	189 000	1 045 000	30 000	297 000	3 900 000	
Europe	Belarus		41 000		29 500	54 500				25 000			150 000	
	Kazakhstan		67 000				67 000		16 000				150 000	
	Kyrgyzstan		36 000			50 000	40 000		24 000				150 000	
	Moldova		50 000			54 000				46 000			150 000	
	Tajikistan		65 000			10 000	37 000			38 000			150 000	
	Ukraine		100 000			45 000	65 000			90 000			300 000	
	Uzbekistan		50 000				100 000						150 000	
Total Europe		-	409 000	-	29 500	213 500	309 000	-	40 000	199 000	-	-	1 200 000	
East and South Africa	Angola		100 000		90 000	45 000				65 000			300 000	
	Botswana		45 000		72 000	50 000			40 000	46 000	25 000	22 000	300 000	
	Eswatini			60 000		90 000			50 000	100 000			300 000	
	Ethiopia			28 000		56 000	56 000		56 000	112 000		20 000	400 000	
	Kenya	51 350	78 200	51 350	79 900	70 000	70 000	60 000	74 900	64 300			600 000	
	Lesotho		88 200	30 000	32 600	55 100			36 900	57 200			300 000	
	Madagascar		72 000		44 000	45 000		8 000	8 000	43 000			220 000	
	Malawi	20 000		60 000	60 000	100 000	20 000		30 000	70 000		90 000	450 000	
	Mozambique		220 100		299 800	220 100		77 900		282 100				1 100 000
	Namibia		95 000		40 000	100 000				35 000	30 000			300 000
	Rwanda		92 000			97 000				91 000				280 000
	South Africa		297 000		80 000	131 000	90 000			70 000	297 000	65 000	70 000	1 100 000
	South Sudan	15 000		30 000		53 000				30 000	80 000			208 000
	Tanzania		225 000		30 000	58 000	35 000	155 000	55 000	87 000	20 000	35 000		700 000
Uganda		120 000	70 000	80 000	100 000		50 000	20 000	80 000		80 000		600 000	
Zambia		125 000			95 000	125 000			80 000	125 000			550 000	
Zimbabwe		50 000	45 000	115 000	55 000		40 000	40 000	50 000		55 000		450 000	
Total East and South Africa		158 350	1 607 500	374 350	1 023 300	1 420 200	396 000	390 900	625 800	1 679 600	110 000	372 000	8 158 000	
Latin America and Caribbean	Argentina				52 000	41 000				87 000			180 000	
	Brazil		90 000		100 000	115 000			95 000				400 000	
	Colombia				35 000	60 000				60 000		25 000	180 000	
	Cuba		40 000			50 000				60 000			150 000	
	Dominican Republic		36 000	28 000	22 000	28 000	28 000			28 000			170 000	
	Ecuador		50 000			50 000				50 000			150 000	
	Guatemala		26 000	18 000		24 000		10 000	19 000	38 000		17 000	152 000	
	Haiti		75 750		41 000	68 000			35 000	80 250			300 000	
	Jamaica		65 000		30 000	55 000				100 000		50 000	300 000	
	Peru		42 500			51 000			24 000	32 500			150 000	
Venezuela	44 000	68 500			52 000				85 500			250 000		
Total Latin America and Caribbean		44 000	493 750	46 000	280 000	594 000	28 000	10 000	173 000	621 250	-	92 000	2 382 000	
Middle East and North Africa	Egypt		30 000				100 000			20 000			150 000	
	Iran	50 650	54 100			59 150	55 250			80 850			300 000	
	Somalia			55 000	40 000	55 000							150 000	
	Sudan		48 000							152 000			200 000	
Total Middle East and North Africa		50 650	132 100	55 000	40 000	114 150	155 250	-	-	252 850	-	-	800 000	

Annex I continued

Region	Country	UNHCR	UNICEF	WFP	UNDP	UNFPA	UNODC	ILO	UNESCO	WHO	World Bank	UN WOMEN	Total
West and Central Africa	Benin		34 450	28 000	28 000					59 550			150 000
	Burkina Faso	20 000	50 000	30 000	26 000	20 000				30 000			176 000
	Burundi		42 000	15 000			32 000			46 000		15 000	150 000
	Cameroon	20 000	75 000	20 000	20 000	50 000		30 000	30 000	75 000		30 000	350 000
	Central African Republic	35 800	62 600	40 300	17 900	44 700				40 300		22 400	264 000
	Chad	20 000	100 000	20 000		80 000			20 000	60 000			300 000
	Côte d'Ivoire	20 000	60 000	20 000	15 000	85 000		10 000	30 000	60 000			300 000
	Democratic Republic of Congo	50 000	75 000	35 000	35 000	20 000			35 000	50 000			300 000
	Equatorial Guinea		45 000		20 000	45 000				40 000			150 000
	Gabon		37 500			37 500			37 500	37 500			150 000
	Ghana		60 000		60 000	60 000			60 000	60 000			300 000
	Guinea Conakry		65 000	25 000	25 000	75 000				30 000			220 000
	Liberia	20 900	21 400	21 950	22 200	20 500			20 150			22 900	150 000
	Mali		130 000			70 000				100 000			300 000
	Niger	35 000	75 000	40 000									150 000
	Nigeria		300 000		50 000	165 000	50 000	140 000		345 000		50 000	1 100 000
	Republic of Guinea-Bissau		67 000	30 000		35 000				24 000			156 000
Republic of the Congo	15 000	40 000	20 000	15 000	35 000				51 000			176 000	
Senegal		40 000						40 000	70 000			150 000	
Sierra Leone		199 300	108 700									308 000	
Togo		64 500		40 000	45 500							150 000	
Total West and Central Africa		236 700	1 643 750	453 950	374 100	920 200	50 000	180 000	272 650	1 178 350	-	140 300	5 450 000
Grand Total		559 700	4 924 100	1 039 300	2 151 900	3 692 050	1 404 250	800 900	1 300 450	4 976 050	140 000	901 300	21 890 000 ^(a)

^(a) In addition to the above amount, a total of US\$ 100,000 was agreed to be transferred to IOM country offices (Guatemala for US\$ 18,000 and South Sudan for US\$ 92,000) in consultation with the respective UN Country Teams

Annex II

**2019 Country Envelopes: Details of funds transferred to Cosponsors at country level
(in US dollars)**

Region	Country	UNHCR	UNICEF	WFP	UNDP	UNFPA	UNODC	ILO	UNESCO	WHO	World Bank	UN WOMEN	Total
Asia and Pacific	Bangladesh		50 000			50 000				50 000			150 000
	China				63 500			61 000	57 500	54 500		63 500	300 000
	India		240 000		120 900	121 000	150 000	79 000	100 000	189 100			1 000 000
	Indonesia		60 500			63 700	99 800	60 000		123 800		92 200	500 000
	Malaysia	50 000			50 000					50 000			150 000
	Myanmar		30 000	140 000		50 000	20 000		30 000	30 000			300 000
	Pakistan	30 000			45 000		80 000		20 000	125 000			300 000
	Papua New Guinea		75 000				25 000			75 000		25 000	200 000
	Philippines		90 000			100 000	100 000	80 000		180 000			550 000
	Thailand		50 000			50 000					50 000		150 000
Viet Nam			32 000				63 000			120 000		85 000	300 000
Total Asia and Pacific		80 000	627 500	140 000	429 400	409 700	492 800	200 000	207 500	997 400	50 000	265 700	3 900 000
Europe	Belarus		47 700		21 300	41 600				39 400			150 000
	Kazakhstan		62 000		11 000		62 000		15 000				150 000
	Kyrgyzstan		36 000		21 000	40 000	29 000		24 000				150 000
	Moldova		50 000		30 000	46 000				24 000			150 000
	Tajikistan		65 000			10 000	37 000			38 000			150 000
	Ukraine		57 000		58 600	43 100	56 700	40 100		44 500			300 000
	Uzbekistan		50 000				100 000						150 000
Total Europe		-	367 700	-	141 900	180 700	284 700	40,100	39 000	145 900	-	-	1 200 000
East and South Africa	Angola	30 000	50 000		60 000	45 000				115 000			300 000
	Botswana		110 000			85 000		30 000		35 000	30 000	10 000	300 000
	Eswatini		150 000			60 000			30 000	60 000			300 000
	Ethiopia	72 000		30 000		20 000	56 000		20 000	172 000		30 000	400 000
	Kenya	26 400	71 700	71 700	71 700	71 700	71 700	71 700	71 700	71 700			600 000
	Lesotho		88 200	30 000	32 600	55 100			36 900	57 200			300 000
	Madagascar		60 000	16 000	44 000	40 000		12 000	8 000	40 000			220 000
	Malawi	30 000	75 000	45 000	60 000	75 000	20 000		20 000	60 000		65 000	450 000
	Mozambique		203 300	70 600	261 500	209 900		90 400	50 300	214 000			1 100 000
	Namibia		65 000	30 000	20 000	70 000	50 000		45 000	20 000			300 000
	Rwanda	30 000	72 800	31 300		73 700				72 200			280 000
	South Africa		298 000		49 200	145 300	52 000	30 000	50 400	365 000	60 000	50 100	1 100 000
	South Sudan	30 000	35 000	30 000	15 000	40 000			35 000	115 000			300 000
	Tanzania	30 000	195 000	30 000	40 000	55 000	35 000	110 000	60 000	60 000	20 000	65 000	700 000
Uganda	30 000	98 400	70 000	80 500	90 800		50 000	20 000	80 000		80 300	600 000	
Zambia		125 000			95 000	125 000		80 000	125 000			550 000	
Zimbabwe		65 000	45 000	105 000	50 000		45 000	40 000	50 000		50 000	450 000	
Total East and South Africa		278 400	1 762 400	499 600	839 500	1 281 500	409 700	439 100	567 300	1 712 100	110 000	350 400	8 250 000
Latin America and Caribbean	Argentina				52 000	41 000				87 000			180 000
	Brazil		85 000		115 000	110 000			90 000				400 000
	Colombia				32 100	64 400				72 800		10 700	180 000
	Cuba		39 400			50 000				60 600			150 000
	Dominican Republic		36 000	28 000	22 000	28 000	28 000			28 000			170 000
	Ecuador		50 000			50 000				50 000			150 000
	Guatemala		26 000	18 000		24 000		10 000	19 000	38 000		17 000	152 000
	Haiti		69 600		32 100	58 800			32 100	67 400		40 000	300 000
	Jamaica		50 000		120 000	50 000				30 000		50 000	300 000
	Peru		42 500			51 400			24 000	32 100			150 000
Venezuela	50 300	56 700			52 000				91 000			250 000	
Total Latin America and Caribbean		50 300	455 200	46 000	373 200	579 600	28 000	10 000	165 100	556 900	-	117 700	2 382 000
Middle East and North Africa	Egypt		45 000				60 000			45 000			150 000
	Iran	52 000	21 400			50 800	65 300			110 500			300 000
	Somalia			55 000	40 000	55 000							150 000
	Sudan		33 000		30 000	30 600				106 400			200 000
Total Middle East and North Africa		52 000	99 400	55 000	70 000	136 400	125 300	-	-	261 900	-	-	800 000

Region	Country	UNHCR	UNICEF	WFP	UNDP	UNFPA	UNODC	ILO	UNESCO	WHO	World Bank	UN WOMEN	Total	
West and Central Africa	Benin		40 200	21 700	22 200	23 400				42 500			150 000	
	Burkina Faso	20 000	50 000	30 000	26 000	20 000				30 000			176 000	
	Burundi		42 000	15 000		32 000				46 000		15 000	150 000	
	Cameroon	30 000	100 000	30 000	10 000	20 000		20 000	20 000	100 000		20 000	350 000	
	Central African Republic	35 800	62 600	40 300	17 900	44 700				40 300		22 400	264 000	
	Chad	20 000	40 000	20 000	20 000	60 000			20 000	120 000			300 000	
	Côte d'Ivoire					115 000				185 000			300 000	
	Democratic Republic of Congo	35 000	80 000	35 000	35 000	35 000			35 000	35 000		10 000	300 000	
	Equatorial Guinea		30 000		20 000	20 000				80 000			150 000	
	Gabon		37 500			37 500			37 500	37 500			150 000	
	Ghana		60 000		60 000	60 000			60 000	60 000			300 000	
	Guinea Conakry		60 000		50 000	65 000				45 000			220 000	
	Liberia	20 900	21 400	22 000	22 200	20 500			20 100			22 900	150 000	
	Mali		130 000							170 000			300 000	
	Niger	35 000	75 000	40 000									150 000	
	Nigeria		252 500				202 000	100 600	150 100		344 500		50 300	1 100 000
	Republic of Guinea-Bissau		67 000	30 000			35 000			24 000			156 000	
	Republic of the Congo	20 000	35 000	25 000	30 300	35 400				30 300			176 000	
	Senegal		45 000					25 000		30 000	50 000		150 000	
	Sierra Leone		200 000	108 000									308 000	
Togo		46 500	22 500	38 000	43 000							150 000		
Total West and Central Africa		216 700	1 474 700	439 500	351 600	868 500	125 600	170 100	222 600	1 440 100	0	140 600	5 450 000	
Grand Total		677 400	4 786 900	1 180 100	2 205 600	3 456 400	1 466 100	859 300	1 201 500	5 114 300	160 000	874 400	21 982 000 ^(a)	

^(a) In addition to the above amount, a total of USD 18,000 was agreed to be transferred to IOM country office in Guatemala in consultation with the respective UN Country Teams

Annex III



June 2019

Report of the Internal Auditor for 2018

2. The Office of Internal Oversight Services (IOS) of the World Health Organization transmits herewith its annual report for the year 2018 for the information of the Programme Coordinating Board (PCB) of the Joint United Nations Programme on HIV/AIDS (UNAIDS).

OBJECTIVE AND SCOPE

3. 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.

4. 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.

5. 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 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 2018. IOS modified this agreed plan of work during 2018, further to subsequent request from UNAIDS management to focus on country offices (UCO/Cameroon and UCO/DRC). These requested changes met the criteria for identification of auditees per the IOS audit risk assessments.

7. At the conclusion of each assignment, IOS prepared a detailed report and made recommendations to management, designed to help manage risk, maintain controls and implement effective governance within the Secretariat. In accordance with common practices across United Nations Agencies, IOS uses a four-tier rating system for its overall conclusions on audits, namely (1) Satisfactory; (2) Partially satisfactory, with some improvement required; (3) Partially satisfactory, with major improvement required; and (4) Unsatisfactory.

8. In 2018, no audit was found to be “satisfactory”, two audits were found to be “partially satisfactory” with improvement required in some areas and four were found to be “partially satisfactory” with major improvement required in some areas. A comparison of the overall findings in 2018 and 2017 highlighted an increase in the number of audits deemed “partially satisfactory” with major improvement required in some areas. This reflects a deterioration in the overall findings

compared to the prior year's results. However, it should be noted that as agreed with UNAIDS management the audit plan included offices with high risk areas. The main findings from IOS reports issued in 2018 are summarized hereafter.

AUDITS

Headquarters and cross-cutting functions

9. **Agreements for Performance of Work at UNAIDS (Audit Report No. 18/1153):** The audit found that the overall effectiveness of risk management and control processes in the use of Agreements for Performance of Work (APW) for procurement of services at UNAIDS, was partially satisfactory with some improvement required.

10. Based on available documentation, for the sample of purchase orders selected for review, in all cases we found internal control deficiencies related to compliance with UNAIDS rules; however, in most cases these deficiencies were related to moderate levels of risk. The main issues encountered related to: retroactivity of contracts (35% of cases); insufficiently detailed budgets (58%); insufficient number of quotes received (42%); and contracts not timely signed and dated (48%). We also noted that key supporting documentation for these transactions were not systematically uploaded in the ERP/ECM (52%).

11. Control deficiencies with a high level of residual risk which needed to be rectified promptly were found relating to non-compliance with rules and regulations in the following areas: (i) weaknesses in the competitive bidding process and justifications for sole sourcing; (ii) one APW which exceeded the cumulative value of US\$ 200 000 was not referred to the Contracts Review Committee (CRC) and three APWs which exceeded the cumulative value of US\$ 100 000 were not referred to the Programme Review Committee (PRC), as required.; and (iii) prior to the ERP enhancement in June 2018, there were no built-in system controls to avoid that the same individual can initiate and solely approve transactions and the audit noted that during the audit period, 28 Purchase Orders for a total amount of US\$ 102 000 have been initiated and solely approved by the same individual.

Regional Support Teams

12. **UNAIDS Regional Support Team for Eastern and South Africa, Johannesburg (Audit Report No.18/1158):** 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, with some improvement required. In its role, we noted that there had been a positive shift in the RST, moving towards being a regional network-oriented unit to provide direct support to the UCOs, which was highly welcomed by the UCOs. However, further strengthening is required especially in formalizing the monitoring of issues identified in the individual UCOs where there is a need to adopt a more systemic approach.

13. Control deficiencies with a high level of residual risk which needed to be rectified promptly were found in the following areas:

(a) Control environment and tone at the top: The audit noted that declaration of interest (i.e. DOI forms) are not being completed by all staff involved in procurement activities.

(b) Compliance with rules and regulations: (i) Adjudication reports for contract awards have not been approved in a timely manner leading to fait accompli situations; (ii) Spot checks of supporting documentation justifying the expenditure related to PFA and DFC have not been conducted, as required.

(c) Achievement of objectives: (i) Insufficient competition in the bidding processes to ensure that the organization obtains best value for money; and (ii) time consuming process to review and clear publications, which in turn delays their issuance.

(d) Safeguarding of assets: There was a lack of segregation of duties for critical functions in the areas of procurement of goods and services, and finance (i.e. cash management and payments processing).

Country Offices

14. **Country Office in the Democratic Republic of Congo, Kinshasa (Audit Report No. 18/1140):** The audit found that the overall effectiveness of risk management and control processes in the areas of administration and finance of the UCO was partially satisfactory with major improvement required. Internal control deficiencies with a high level of residual risk which needed to be rectified promptly were found in the following areas:

(a) Safeguarding of assets: (i) the fixed assets register was not up-to-date and contained omitted items and multiple assets had to be disposed of; and (ii) inadequate security over the UCO's assets and staff as the current premises do not comply with the security standards.

(b) Compliance with rules and regulations: (i) Follow-up and action taken on previous mission reports recommendations were not monitored; (ii) contracts which exceeded the cumulative value of US\$ 200 000 were not systematically referred to the Contracts Review Committee (CRC) and PFAs which exceeded the cumulative value of US\$ 15 000 were not referred to the Programme Review Committee (PRC), as required; and (iii) controls over vehicle usage and maintenance were not adequate and required significant strengthening.

(c) Effectiveness and efficiency: (i) An internal rotation policy for national posts (between the UCO and sub-office locations) should be implemented as working conditions differ significantly between locations and to help promote the learning of the UCO staff; and (ii) inadequate control over DFC/PFA expenditure, travel and private usage of UCO resources (i.e. vehicles and telecommunications).

(d) Reliability and integrity of financial information: The activity budget of the UCO needed to be reviewed in order to ensure that the UCO would be able to adequately support the Government for priority activities. Considerations should be given to redeploy funds that can be saved through cost-saving initiatives in operations (e.g. rent).

15. Country Office in Haiti, Port-au-Prince (Audit Report No. 18/1146): The audit found that the overall effectiveness of risk management and control processes in the areas of administration and finance of the UCO was partially satisfactory, with some areas requiring major improvement. Control deficiencies with a high level of residual risk which needed to be rectified promptly were found in the following areas:

(a) Control environment and tone at the top: The audit noted several examples of inconsistent application of UNAIDS rules and regulations in a number of areas including monitoring of driver overtime, use of UNAIDS official vehicles, approval of uncertified sick leave and reimbursement of incidental expenditures. The UNAIDS Country Director (UCD) was not sufficiently familiar with the Staff Rules and the UNAIDS field operations manual. This inconsistency in decisions may lead to reputational risks for the Organization and does not foster a culture of compliance with internal controls.

(b) Compliance with rules and regulations: contracts which exceeded the cumulative value of US\$ 200 000 were not referred to the Contract Review Committee (CRC), and contracts which exceeded the cumulative value of US\$ 100 000 were not referred to the Programme Review Committee (PRC) in a timely manner, as required.

- (c) Effectiveness and efficiency: (i) key positions have not been filled in a timely manner; (ii) outstanding unpaid invoices have been identified with several vendors; (iii) inadequate controls over DFC/PFA expenditure, ERP workflow and private usage of UCO resources (e.g. vehicles); and (iv) lack of a local host agreement with the Government.
- (d) Reliability and integrity of financial information: Outstanding payments due from the CCM amounting to US\$ 84 000 have not been obtained and the current Memorandum of Understanding (MOU) does not reflect the actual practice of subsidizing the CCM secretariat by the UCO.
- (e) Safeguarding of assets: Inadequate security over the UCO's assets and staff, as key deficiencies identified by the security assessment have not been addressed.

16. Some of the recommendations require action by HQ and the Regional Support Team (RST) such as: (i) compliance of field staff with UNAIDS rules and regulations; (ii) recruitment of key vacant posts; (iii) lack of monitoring of ERP access rights; and (iv) the modification of MOU with the CCM.

17. **Country Office in Cameroon, Yaounde (Audit Report No. 18/1151):** The audit found that the overall effectiveness of risk management and control processes in the areas of administration and finance of the UCO was partially satisfactory, with major improvement required. Control deficiencies with a high level of residual risk which needed to be rectified promptly were found in the following areas:

- (a) Control environment and tone at the top: The audit noted several examples of inconsistent application of UNAIDS rules and regulations in administrative areas including handling of petty cash, employment of individuals without contracts, driver overtime, and use of UNAIDS official vehicles. This may lead to reputational risks for the Organization and does not foster a culture of compliance with internal controls. The segregation of duties was also found to be inadequate in areas such as procurement and fleet management.
- (b) Compliance with rules and regulations: Contracts which exceeded the cumulative value of US\$ 100 000 were not referred to the Programme Review Committee (PRC), as required.

(c) Achievement of objectives: (i) inadequate controls over DFC/PFA expenditure; and (ii) lack of appropriate internal communication within the office staff, which led to a deteriorated work environment that impacts the efficiency of operations.

(d) Safeguarding of assets: The fixed assets register had not been appropriately updated.

18. Some of the recommendations also required action by HQ and the Regional Support Team (RST) such as: (i) revision of the outdated information note on Delegation of Authority; (ii) lack of a clear resource mobilization strategy, leading to lost funding opportunities; and (iii) internal missions to the UCO that require a better coordination, clear terms of reference, and a systematic follow-up on the implementation of the related recommendations.

19. **Country Office in Maputo, Mozambique (Audit Report No. 18/1159):** The audit found that the overall effectiveness of risk management and control processes in the areas of administration and finance of the UCO was partially satisfactory, with major improvement required. Control deficiencies with a high level of residual risk which needed to be rectified promptly were found in the following areas:

(a) Control environment and tone at the top: The audit noted that recommendations from previous management wellness missions (e.g. “working with dignity and integrity”) have not been implemented at the time of the audit.

(b) Achievement of the organization’s strategic objectives: Staff involved in procurement are not required to submit declaration of interest forms, which could lead to potential risks for the organization.

(c) Compliance with rules and regulations: (i) the contract for the rental of the premises, which exceeded the cumulative value of US\$ 200 000 was not referred to the Contract Review Committee (CRC), as required; (ii) information in adjudication reports did not reflect appropriately the selection process, and documentation supporting the decisions in the adjudication report were not readily available upon request.

(d) Effectiveness and efficiency: a key position had not been filled in a timely manner.

(e) Reliability and integrity of financial information: Award balances have not been appropriately monitored which has led to activities that could not be implemented as planned.

(f) Safeguarding of assets: (i) lack of segregation of duties in the area of procurement which leads to the situation that the UNAIDS Country Director (UCD) initiates, processes and approves transactions; and (ii) discrepancies in the fixed assets register have not been followed up and updated.

GOOD PRACTICES

20. IOS also noted the following good practices:

- donors and strategic partners expressed their appreciation for the good collaboration for the data quality review;
- In DRC, sub-offices were established in order to make a difference in a vast country with high HIV prevalence; where it is important to be present in most affected areas with minimal operational costs;
- The efforts to renegotiate/retender with vendors for recurring services such as Internet services or rent has led to reductions in monthly rate payments; and
- The transition by the RST to focus on strengthening the support and information sharing with UCOs, with high level of responsiveness to UCO needs, has been well received by UCO's.

INVESTIGATIONS

21. During 2018, 14 new reports of alleged misconduct were referred to IOS for review and consideration (see Table 1).

Table 1. Summary of reports of concern, by type, for the period 2016–2018

Types of reports of concern	2016	2017	2018
Fraud	3	1	4
Failure to comply with professional standards	2	0	6
Harassment	2	0	1
Sexual harassment	1	0	1
Sexual exploitation and abuse	0	0	0
Retaliation	0	0	2
Total	8	1	14

22. The reports of concern are subject to the Office of Internal Oversight Services standard intake committee review process to assess the nature of the allegations and the need for a full investigation or to refer the matter to management for follow-up. In relation to the 14 matters reported during 2018 (referred to in Table 1 above), four cases of reported fraud are under investigation. Of the six cases of alleged failure to comply with professional standards and

mismanagement three were in progress. A third case of suspected mismanagement was closed following the preliminary review, which found the matter to be unsubstantiated and the remaining two cases were completed in early 2019 and were found to be substantiated. During 2018, the Office also supported UNAIDS management in the review and investigation of allegations of harassment and sexual harassment, (respectively one case each). The Office has since completed the related investigations of the two cases and found insufficient evidence to support the allegations and they were closed as unsubstantiated. A number of matters received in 2018 related to the decision to reopen the 2016 case of alleged sexual harassment and as agreed, were referred to the United Nations Office of Internal Oversight Services for further consideration and are currently under investigation.

23. In accordance with standard procedures, once the investigations are completed the related investigation report is normally forwarded to the UNAIDS Executive Director for consideration of the findings, and action on any related disciplinary or other measures, as applicable.

FOLLOW-UP AND IMPLEMENTATION

24. 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.

25. Since the prior report, as of 30 May 2019, IOS was able to close one audit (16/1046). There are four long outstanding audits, for which IOS has not received an update recently (12/895, 14/968, 15/997, 16/1008) and three for which no initial response has been obtained (16/1035, 17/1110, 17/1121). For all other audits, responses have been received in 2019 (see Annex 1 for the detailed status). PFA indicated that the follow up on implementation was not as effective as in previous years due to lack of resources.

26. In considering further progress on implementation of audit recommendations, we note that recurring issues have been reported in the following areas suggesting that UNAIDS require adopting a more “holistic approach” to achieve sustainable improvements in some high risk areas, as follows:

- Regular review of user access rights to ERP and update the required access rights as a shared responsibility between HQ and field 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 verification;
- Insufficient internal coordination between Headquarters, Regional Support Teams and Country Offices resulting in inefficiencies in administrative procedures which negatively impact programme implementation;
- There is no strategic business plan for RSTs and each RST performs different responsibilities, this would benefit from improved coordination; and
- Monitoring procedures for organizational learning require improvement as we identified several instances of a lack of follow up of the recommendations of field missions conducted by HQ and RST staff.

MAIN OPERATIONAL RISKS AND OPPORTUNITIES FACING UNAIDS

27. Reputational risks have increased with the outcome of investigations that have been recently conducted. Internal and confidential information has been disclosed to the public and therefore could negatively impact the image of the Organization with donors and member states.

28. Several Country Directors were subject to investigations conducted by IOS in 2018. In addition, IOS has received numerous informal complaints from staff during audit missions. An ongoing concern of staff is the transparency in HR and management processes. UNAIDS initiatives to proactively reach out to those responsible for managing staff operating in the field are welcomed in order to address the increased number of cases of abuse of power, misconduct, harassment and mismanagement reported in 2018.

29. IOS has shared these concerns by UNAIDS staff but also welcomed initiatives that have been launched under the management action plan as a result of the consideration of the recommendations of IEP report.

30. IOS develops an annual risk assessment in order to prepare the plan of work. UNAIDS has developed a risk register (Internal Control Framework self-assessment checklist), that has been reviewed by the external auditors. The auditors identified that the registers need further refinement to include all important management processes and that the self-assessment requires a management

validation process. IOS will closely monitor this process and when the checklist is at a mature state will consider including the results in the preparation of the annual audit risk assessment.

ACTION BY THE PROGRAMME COORDINATING BOARD

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

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