

ORGANIZATIONAL OVERSIGHT REPORTS REPORT OF THE EXTERNAL AUDITOR

Action required at this meeting – the Programme Coordinating Board is invited to:
Accept the External Auditor Report for the financial year ended 31 December 2019;

Cost implications for decisions: none

**Republic of the Philippines
COMMISSION ON AUDIT
Quezon City**



**Report of the External Auditor
to the Programme Coordinating Board
on the Financial Operations of the
Joint United Nations Programme on HIV/AIDS
(UNAIDS)**

**For the Financial Year Ended
31 December 2019**

**REPORT OF THE EXTERNAL AUDITOR
TO THE PROGRAMME COORDINATING BOARD
ON THE FINANCIAL OPERATIONS OF THE
JOINT UNITED NATIONS PROGRAMME ON HIV/AIDS (UNAIDS)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

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ACRONYMS

ASHI	After Service Health Insurance
COSO	Committee of Sponsoring Organization of the Treadway Commission
DFC	Direct Financial Contribution
ERM	Enterprise Risk Management
ICF	Internal Control Framework
IPSAS	International Public Sector Accounting Standards
MAP	Management Action Plan
ORF	Operating Reserve Fund
PCB	Programme Coordinating Board
PMR	Performance Monitoring Report
SIC	Statement on Internal Control
UBRAF	Unified Budget, Results and Accountability Framework
UCD	UNAIDS Country Director
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV/AIDS
USSA	UNAIDS Secretariat Staff Association
WHA	World Health Assembly
WHO	World Health Organization
3LoDs	Three Lines of Defense

EXECUTIVE SUMMARY

Introduction

1. This Report of the External Auditor on the audit of the financial statements and operations of the Joint United Nations Programme on HIV/AIDS (UNAIDS) is issued pursuant to Regulation XIV of the Financial Regulations of the World Health Organization (WHO).
2. This is the eighth and final report to the Programme Coordinating Board (PCB) by the Chairperson of the Commission on Audit of the Republic of the Philippines who was appointed in May 2011 by the Sixty-fourth World Health Assembly (WHA) as the External Auditor of the WHO for the financial periods 2012-2015 and by the Sixty-eight WHA for the financial periods 2016-2019.
3. Since the beginning of our audit in 2012, there have been transformative changes and improvements in UNAIDS as a result of myriad recommendations that have been made around governance, oversight and accountability. Considerable efforts were placed by the Organization at risk management and internal control across all aspects of its operations so that UNAIDS emerge stronger and best placed to end AIDS by 2030. Recently, UNAIDS has finally issued its first Statement on Internal Control (SIC) which is Management's declaration of its approach to, and responsibility for, governance, risk management and internal control itself. In addition, the financial statement reporting has matured, with International Public Sector Accounting Standards (IPSAS) requirements being considered and implemented, along with an embedded culture of planning as a way of working.

Overall result of the audit

4. We have audited the financial statements of UNAIDS in accordance with the Financial Regulations and in conformity with International Standards on Auditing issued by the International Auditing Assurance Board.
5. We commend UNAIDS Management for preparing quality financial statements which warranted the issuance of an unmodified opinion for eight years, since the adoption of the IPSAS in 2012. For 2019, after comprehensive audit, we issued an unmodified audit opinion on the Organization's financial statements for the financial year ended 31 December 2019. As such, we are of the opinion that the financial statements present fairly, in all material respects, the financial position of UNAIDS for the financial year ended 31 December 2019, the results of its financial performance, the changes in net assets/equity, the cash flows and the comparison of budget and actual amounts in accordance with the IPSAS.

Summary of key findings

6. We recognize the adoption by the UNAIDS of management tools and policies that enhanced accountability and transparency in its operations during the term of our mandate as External Auditor. These include implementation of: (a) IPSAS as financial reporting framework; (b) Risk Management Policy; (c) Management Accountability Framework; (d) Internal Control Framework (ICF) including the issuance of SIC; (e) Procurement Policy; and (f) Human Resource Policy.
7. We also recognize UNAIDS' effort in resource mobilization initiative that despite the decrease in other voluntary contributions amounting to USD 3.10 million, they were able to register an increase in government voluntary contributions of USD 11.69 million which resulted

in a net increase of USD 8.58 million in voluntary contributions from USD 214.61 in 2018 to USD 223.19 million in 2019.

8. We also noted that finance revenue increased by USD 2.09 million or 41 percent from USD 5.13 million in 2018 to USD 7.22 million in 2019 attributed by the significant increase in interest earnings of USD 2.3 million during the financial year.

9. We further recognize the measures being undertaken by UNAIDS by developing an online travel planning system and dashboard and integrated with the existing UNAIDS' applications to improve efficiency gains and cost savings in travel expenditures. The new travel planning platform will be launched for use in the Q2 Year 2020.

10. Finally, we identified areas where mechanisms over UNAIDS' governance could be better improved. The UNAIDS could enhance and improve its performance monitoring and reporting system under the 2016-2021 Unified Budget, Results and Accountability Framework (UBRAF) and effectively assess the adequacy of its actions in addressing the priorities and well-being of its staff.

Summary of recommendations

11. The following audit recommendations which are discussed in detail in this report were provided to the Secretariat to further improve governance over its functions and operations:

- a. revisit and enhance the progress tracking, rating and conventions in reporting achievements to ensure that the criteria and required processes established for the purpose are applied uniformly at the country level;**
- b. enhance alignment between the upcoming 2018-2019 PMR and the UNAIDS 2018-2019 Workplan and Budget by linking country targets' progress to the UBRAF indicator set in addition to the latest Global Indicator data;**
- c. ensure that future reporting efforts are supported by well-established data collection and review process to ensure that information is better managed;**
- d. reconcile ratings and achievements provided in the PMR with that of the UNAIDS Transparency Portal to warrant the accuracy and reliability of information provided to stakeholders; and**
- e. push forward the implementation of the MAP especially on the areas where there is less progress, to address, among others, the staff priority issues and concerns identified in staff surveys, with the end view of achieving the vision of a healthy, equitable and enabling workplace for all UNAIDS staff.**

Implementation of External Auditor's Recommendations in Prior Year

12. We reviewed the action taken on the audit recommendations provided in the 2018 External Auditor's Report and noted that all of the five audit recommendations, or 100 per cent, were fully implemented. We commend Management for the immediate action/s on and recognizing the value of our audit recommendations.

A. MANDATE, SCOPE AND METHODOLOGY

Mandate

13. The Chairperson of the Commission on Audit of the Republic of the Philippines was appointed by the World Health Assembly as the External Auditor of the WHO and its non-consolidated entities for the financial periods 2016-2019.

Scope and objectives

14. Our audit included an assessment of UNAIDS' compliance with WHO Financial Regulations and legislative authority. The primary objectives of the audit were to provide an independent opinion on whether:

- a. the financial statements presented fairly the financial position of UNAIDS as at 31 December 2019, the results of its financial performance, the changes in net assets/equity, the cash flows, and the comparison of budget and actual amounts for the financial year ended 31 December 2019 in accordance with IPSAS;
- b. the significant accounting policies set out in Notes to the financial statements were applied on a basis consistent with that of the preceding financial period; and
- c. the transactions that have come to our notice or that we have tested as part of the audit, in all significant respects, complied with the Financial Regulations and legislative authority.

15. Moreover, the audit intends to provide independent assurance to the Governing Body, to increase transparency and accountability in UNAIDS, and to support the objectives of UNAIDS' work through the external audit process.

Methodology and auditor's responsibilities

16. We conducted our audit in accordance with the International Standards on Auditing. These standards require that we plan and perform an audit to obtain reasonable assurance that the financial statements are free from material misstatements.

17. The Risk-based Audit Approach was adopted in the audit of the financial statements. This approach requires the conduct of risk assessments of material misstatements at the financial statements and assertion levels based on an appropriate understanding of the entity and its environment including its internal control.

18. The auditor's responsibility is to express an opinion on the financial statements based on an audit. An audit is performed to obtain reasonable assurance, not absolute assurance, as to whether the financial statements are free from material misstatement including those caused by fraud or error.

19. We also carried out a review of UNAIDS operations with regard to Financial Regulation 14.3 which required the External Auditor to make observations with respect to the efficiency of the financial procedures, the accounting system, the internal financial controls, and in general, the administration and management of the entity's operations.

20. Further, the objective of the audit is to provide independent assurance to the Governing Body, to add value to the UNAIDS' financial management and governance, and to support the objectives of UNAIDS' work through the external audit process.

21. We continued to report audit results to UNAIDS Management in the form of management letter containing detailed observations and recommendations. The practice provides a continuing dialogue with Management.

B. RESULTS OF AUDIT

22. The present report covers matters that, in the opinion of the External Auditor, should be brought to the attention of the PCB of UNAIDS. The recommendations provided to Management are designed to support the objectives of UNAIDS' mandate, and to improve and add value to UNAIDS' financial management and governance.

1. Good practices implemented by UNAIDS during our mandate as External Auditor

23. We recognize and commend the UNAIDS Secretariat for bringing about important management tools, systems and policies, and implemented the recommended measures resulting in our audits that will enhance accountability, transparency, and improve operating efficiency and effectiveness within the Organization. All were adopted during the term of our mandate as External Auditor from 2012 to 2019.

a. IPSAS as financial reporting framework

24. The UNAIDS has successfully implemented IPSAS for financial accounting and reporting starting 2012. Before its implementation, we reviewed the WHO IPSAS accounting policies to ensure that they are aligned with the IPSAS promulgated by the IPSAS Board. The UNAIDS received unmodified opinion for the eight-year period that we audited its financial statements. IPSAS improves comparability, harmonization, transparency and accountability in financial reporting of United Nations (UN) system organizations. The major benefits to UNAIDS include: (i) use of best practices to bring comparability and transparency; (ii) improved senior management decision making; (iii) increased transparency; (iv) annual audits and reporting; and (v) enhanced financial and resource stewardship.

b. Risk Management Policy

25. In 2013, a Risk Management Policy was developed in response to our recommendation that UNAIDS develop one taking off from the initial advices of Deloitte Consulting, and pursue the implementation of a structured Enterprise Risk Management (ERM) to effectively manage risks. A Governance Model and Terms of Reference of a Risk Management Committee were also prepared and shared with the staff. UNAIDS continued to pursue the implementation of structured ERM approach to effectively manage risks and a road map was established outlining the proposed implementation of ERM in UNAIDS.

c. Management Accountability Framework

26. We laud UNAIDS Secretariat for finalizing a structured Management Accountability Framework that is designed to complement the UBRAF and the organization's results-based management approach which underline UNAIDS's commitment to a culture of accountability and transparency. The framework also took into consideration the key elements and

recommendations for an overall robust framework that have been made by the UN Joint Inspection Unit.

d. Internal Control Framework (ICF) and SIC

27. The UNAIDS finalized the ICF and its supporting tools to provide reasonable assurance on the attainment of the objectives relating to the operations, reporting and compliance with or adherence to applicable policies, rules and regulations of UNAIDS. The ICF was developed based on the Committee of Sponsoring Organization of the Treadway Commission (COSO) model of internal control which sets out five inter-related components on internal control and the principles that are required to have an integrated and effective internal control system. It also incorporated the Three Lines of Defense (3LoDs) concept of the Institute of Internal Auditors.

28. We commend Management for finally issuing the SIC to support the 2019 financial statements which serves as its accountability and guidance document that communicates the state of internal control in UNAIDS, affords the Executive Director an opportunity to make assertions on the soundness of internal control pervading within the entity, and enables the decision makers and oversight bodies to make meaningful assessments of the assurances contained therein.

e. Procurement Policy

29. In 2015, UNAIDS finalized and formally adopted its Procurement Manual that encompassed and codified all relevant and applicable procurement guidelines to be observed and applied by all across the Organization. Procurement training was provided across the Secretariat, including regional workshops for field staff, to ensure that major changes/new processes which came into force with the introduction of the Procurement Manual were adequately disseminated.

30. Further enhancements to the Procurement Manual to address the recommendations in the area of direct financial contributions and consultancy contracts were likewise introduced in 2018, specifically on the aspect of prerequisite contractor performance and capacity assessment of implementing partners.

f. Human Resource Policy

31. UNAIDS made improvements in 2016 and 2017 to address our recommendations in the area of human resources. Emphasis was made on the full implementation and monitoring of its performance management policies and system to ensure that staff at all levels have the knowledge and competencies required to deliver the Organization's core advocacy. Guidance on tools and managerial strategies was provided to all supervisors to address underperformance of staff. Further, UNAIDS has updated its succession planning process which is embedded in its Human Resource Strategy as well as UNAIDS policies on recruitment, mobility and staff development, for the effective continuity of the Organization as a whole.

2. Audit of financial statements

32. In the audit of UNAIDS for the financial year 2019, recommendations were made to improve the presentation and disclosure requirements in compliance with IPSAS which all were considered by Management. We recognize the commitment and professionalism of UNAIDS Management and Finance staff to sustain the preparation of IPSAS-compliant financial statements. We concluded that the financial statements present fairly, in all material respects, the financial position of UNAIDS for the financial year ended 31 December 2019, the results of its financial performance, the changes in net assets/equity, the cash flows, and the comparison of

budget and actual amounts in accordance with IPSAS. Hence, we issued an unmodified opinion on the financial statements.

3. Overall financial performance

33. The audited financial statements of UNAIDS reflect a total deficit of USD 3.32 million for the year, as shown in the Statement of Financial Performance (Statement II). This is a 132 percent decrease from that of the previous year's total surplus of USD 10.41 million.

34. Total revenue for 2019 amounted to USD 230.41 million, broken down as follows: USD 223.19 million from voluntary contributions and USD 7.22 million from finance revenues. Although there was an increase of USD 10.68 million in total revenue from previous year's USD 219.74 million, total expenses in 2019 amounted to USD 233.73 million, which increased by 12 percent from previous year's USD 209.33 million, due to the significant increase in transfers and grants to counterparts and contractual services in the total amount of USD 20.58 million.

35. Total current assets amounted to USD 279.01 million while total current liabilities reached USD 44.08 million; thus, registering a comfortable liquidity ratio of 6.33. The increase in the current liabilities from USD 27.06 million in 2018 to USD 44.08 million in 2019 is significantly due to the recognition of deferred revenue resulting from pledges which are due within one year from the reporting date. Cash and cash equivalents held by WHO for the account of UNAIDS at the beginning of the year amounted to USD 162.79 million but decreased to USD 157.18 million at the end of the year.

36. On the other hand, net assets/equity as reflected in the Statement of Changes in Net Assets/Equity (Statement III) show an increase of USD 19.82 million or 12 percent from USD 166.29 million in 2018 to USD 186.10 million in 2019, as a result of the USD 23.14 million actuarial gains under After Service Health Insurance (ASHI) and Special Fund for Compensation which were transferred directly to net assets/equity and USD 3.32 million deficit during 2019.

37. The Operating Reserve Fund (ORF) which was established by the PCB in June 1996 remained at USD 35 million at the end of 2019. This fund can be used to finance the implementation of the UBRAF pending receipt of core contributions. With the ORF, the continued operation of UNAIDS is relatively secure.

4. After service health insurance (ASHI)

38. The defined benefit obligations of UNAIDS for ASHI as at 31 December 2019 stood at USD 118.6 million (USD 124.3 million as at 31 December 2018), of which USD 83.4 million is funded, resulting in net unfunded liability of USD 35.2 million. These were determined by professional actuaries based on personnel data and experience on payments as provided by WHO.

39. In accordance with IPSAS 39 (Employee Benefits), the actuarial gain of USD 24.1 million was transferred directly to net assets/equity in 2019 and an additional accrual of USD 3.7 million was charged to staff costs in the Statement of Financial Performance.

40. It should be noted that while the ASHI actuarial study reflects an unfunded liability of USD 35.2 million as at 31 December 2019, following the PCB decision at its 30th meeting (held in June 2012) to fully fund the organizational staff-related liabilities from the fund balance, a total of USD 25.1 million has so far been attributed towards funding the ASHI liability.

Therefore, the unfunded ASHI liability as at 31 December 2019 stood at USD 10.1 million (i.e. USD 35.2 million as per actuarial study less the funding of USD 25.1 million).

5. Implementation of the 2016-2021 UBRAF

41. The UBRAF is UNAIDS instrument to operationalize the UNAIDS Strategy and achieve the vision of ending AIDS. The 2016-2021 UBRAF, adopted by UNAIDS PCB in October 2015, is the first multi-agency results and accountability framework to be adopted under the 2030 Agenda for Sustainable Development.

42. Reporting on the UBRAF aims to demonstrate the catalytic role of the UBRAF, the added value of the Joint Programme and its effectiveness. An annual Performance Monitoring Report (PMR) is the primary tool used to report to the PCB on results against the UBRAF. It includes a narrative highlighting the Joint Programme's contributions, progress against indicators, expenditures, case studies, and key evaluation findings.

43. Under the Joint UN Plan targets reporting, the UNAIDS Country Director (UCD) and/or country focal point (or person designated by the UCD) is responsible for coordinating with the Joint UN Team and completing the targets reporting. *Reports against targets should be written with care as they will be included in the country pages of the UNAIDS Transparency Portal (<https://open.unaids.org>).*

44. At regional level, the UNAIDS Regional Support Team directors and their designates are the regional focal points. As such, they are responsible for leading the regional reporting process to produce the Regional summary report and the Regional Joint Team Capacity. The focal points are expected to collate inputs from the regional Joint UN Team members.

45. The status of achievements of set targets for 2018-2019 is rated based on the following:

- *Reached – The target is achieved;*
- *On track – If the current trend continues, the target will be reached; and*
- *Not on Track – The target will not be reached.*

Varying progress assessment mechanisms at country level

46. The main purpose of performance monitoring is to track progress according to defined criteria, milestones and targets, to adjust plans and activities, as necessary, and to demonstrate the results and effectiveness of the Joint Programme. An integrated approach is used to collect data and feedback to optimize reporting, reduce the reporting burden and ensure a streamlined approach to performance monitoring.

47. To guide Joint UN Teams on AIDS at country level on the use of 2016-2021 UBRAF output indicators, the UBRAF Indicator Guidance was developed. Guidance to countries as they complete indicators *ensures that data between countries is as coherent and comparable as possible*. Additionally, the guidance covers performance indicators that relate to UNAIDS Secretariat organizational functions.

48. Data extracted from the 2018 PMR presented to the PCB on its 44th meeting on 25-27 June 2019, showed that out of the 29 Fast-Track targets prioritized by the Regional UN Joint Teams, one was considered to be “reached”, 10 were “on track”, another 10 were “not on track”, seven were “within reach” and one has “slow progress”.

49. As noted in the 2018 PMR, ratings such as “*within reach*” and “*slow progress*” were indicated which are not included in the rating conventions in the Joint Programme Guidance 2018-2019 Reporting. Also, three targets were rated “*not available*” with explanation that the indicator could not be measured or difficult to measure.

50. Our inquiry with concerned personnel disclosed that for assessing the target status, each Joint UN Team has its own system/mechanism based on its knowledge of the country, nature of epidemic, the response by the government and its partners and the Joint UN Team’s contribution to the HIV response.

51. As UNAIDS builds the information on UBRAF implementation with the view of incorporating these in the final report for the biennium 2018-2019, we deem it necessary that a clear and uniform context for performance measurement be founded to provide a better control across the whole performance monitoring scheme. We believe that to ensure a more effective reporting of the progress on the achievements of the targets and to mitigate the risk of bias brought about by varying assessments, the PMR needs to provide clearer basis in rating each target as reached, on track and not on track.

52. We recommended that Management revisit and enhance the progress tracking, rating and conventions in reporting achievements to ensure that the criteria and required processes established for the purpose are applied uniformly at the country level.

Reportable information within the scope of the reporting period

53. Our review of the 2018 PMR showed that some information provided in the Regional and Country Reports are achievements in 2017. The inclusion of these information in the 2018 PMR does not provide a complete picture of the Joint Programme’s progress and achievements against the UBRAF in 2018 as they relate to 2017, hence the information is not fully aligned.

54. Management commented that the 2017 reference data under the “Remarks” column by the six regions and two countries in the 2018 PMR Regional and Country Reports are the latest global AIDS indicator data at the time of the preparation of the 2018 PMR from April to May 2019. The 2018 global indicator data became available only in July 2019 through the UNAIDS Global AIDS Update, *Communities at the centre*.

55. It is worth mentioning that achievements on set targets for 2018 should be measured based on UBRAF indicator set which presents the Joint Programme’s best efforts to capture credible and high-quality data reflecting progress against each of the UBRAF outputs and reported in the 2018 PMR.

56. We recommended that Management:

- a. enhance alignment between the upcoming 2018-2019 PMR and the UNAIDS 2018-2019 Workplan and Budget by linking country targets’ progress to the UBRAF indicator set in addition to the latest Global Indicator data; and**
- b. ensure that future reporting efforts are supported by well-established data collection and review process to ensure that information is better managed.**

Inconsistencies in the progress status

57. UNAIDS's Information Disclosure Policy explicitly outlines its commitment to making programmes and operations information available to the public. UNAIDS recognizes that there is a positive correlation between a high level of transparency through information sharing and public participation in UNAIDS-supported activities.

58. The UNAIDS transparency portal has been designed to enable public access to information about the Organization's activities strategy results areas, countries, and regions, accompanied by budgetary and donor information. The portal is regularly updated and improved.

59. A comparison between the data provided in the 2018 PMR and the transparency portal was undertaken, and we noted that there were inconsistencies in progress status in the country report for India.

60. Management commented that the discrepancies occurred because of the last-minute change introduced by the India Joint Team before the 44th meeting of the PCB. The changes were not reflected in the transparency portal due to the late timing of the change request. While due diligence was performed during the preparation of the 2018 PMR package including the quality assurance processes, accommodating this late but significant change request from the Joint Team and its government partners resulted in this oversight.

61. Since the transparency portal is accessible to the public, utmost care should be observed in reporting UNAIDS' accomplishments in the transparency portal to ensure information integrity.

62. We therefore recommended that Management reconcile ratings and achievements provided in the PMR with that of the UNAIDS Transparency Portal to warrant the accuracy and reliability of information provided to stakeholders.

6. Staff survey and Management Action Plan (MAP)

63. The foremost aim of conducting a staff survey is to find out the factors that drive staff to perform their best or otherwise. It is important to establish sync between what top management offers and what staff expect or vice versa.

64. A regular survey with action items, follow-up, coaching and leadership involvement is the key. As a matter of fact, a strong staff survey program should be a built-in function to any organization - one that is repeated and acted upon on a regular interval. Similarly, underscoring the importance of measuring the impact and effectiveness of the policy/interventions as a result of the survey.

65. The UNAIDS through the UNAIDS Secretariat Staff Association (USSA) started conducting an annual survey in 2011 via an anonymous online survey. The surveys conducted generated empirical data that help USSA understand the experiences and concerns of its members, and to focus its efforts on being responsive to their priority issues. Since then, the USSA has reported annually to the PCB on staff views, reported experiences and priorities as per the survey findings.

66. At PCB's meeting in June 2019, the UNAIDS Secretariat presented to the PCB an updated MAP which sets out a desired future state whereby UNAIDS Secretariat is a healthy, equitable and enabling workplace for all staff members; UNAIDS and its workforce are

accountable, transparent, respectful and diverse; and staff members are professionally fulfilled by the results of their efforts.

67. Implementation of the MAP is ongoing. It is expected that the MAP will continue to evolve as implementation proceeds, incorporating lessons learnt from within and beyond UNAIDS.

68. Moving forward, it is imperative that concrete actions are taken to satisfy all staff that promises on paper are being translated into real improvements in organizational culture.

69. **We recommended that Management push forward the implementation of the MAP especially on the areas where there is less progress, to address, among others, the staff priority issues and concerns identified in staff surveys, with the end view of achieving the vision of a healthy, equitable and enabling workplace for all UNAIDS staff.**

C. DISCLOSURES BY MANAGEMENT

Administrative waivers, amounts written off, ex-gratia payments and cases of fraud

70. For the year ended 31 December 2019, UNAIDS represented no administrative waivers, amounts written off or ex-gratia payments and that the financial statements are not materially misstated as a result of fraud, and that all known information in relation to fraud, or presumptive fraud, affecting the entity's Financial Statements had been disclosed.

D. IMPLEMENTATION OF EXTERNAL AUDIT RECOMMENDATIONS

71. We validated the implementation of External Audit Recommendations contained in the 2018 audit report and noted the implementation of all audit recommendations; thereby registering a 100 per cent implementation. We recognize the prompt action by Management on the recommendations.

E. ACKNOWLEDGMENT

72. We wish to express our appreciation for the cooperation and assistance extended to our staff by the Executive Director, Deputy Executive Director, the Director of Planning, Finance and Accountability, and the members of their team.

73. We also wish to express our appreciation to the PCB for their support for and interest in our work as External Auditor from 2012-2019.

**COMMISSION ON AUDIT
REPUBLIC OF THE PHILIPPINES
External Auditor**

8 April 2020
Quezon City, Philippines

Annex A

**IMPLEMENTATION OF EXTERNAL AUDIT RECOMMENDATIONS
IN PRIOR YEAR**

No.	Recommendation	External Auditor's Validation
ICF Self-Assessment		
1	Reinforce ICF self-assessment checklist by integrating the specific points of focus for Principles 4 and 12 and ensure the completion by all heads of offices of an evidence-based self-assessment internal control checklist, conduct validation of these completed checklists, and pursue the issuance of SIC in 2019.	<p>Implemented</p> <p>ICF self-assessment checklist was further enhanced with the integration of specific points of focus for Principles 4 and 12.</p> <p>Heads of offices have completed the ICF checklists using the online platform which supported the 100 per cent completion rate and validation of submissions.</p> <p>Management has already issued its first SIC for the financial year 2019.</p>
Travel Management		
2	Strongly implement effective travel planning in its international staff duty travels to facilitate early travel arrangements, thereby achieving efficiency gains and cost savings in travel expenditures.	<p>Implemented</p> <p>An online travel planning system was developed and integrated with existing UNAIDS' applications and dashboard which allows for electronic approval, as well as, facilitates recording and reporting on travel plans. It has also been designed to highlight non-compliant requests and facilitate generation of monitoring analysis data.</p> <p>An online dashboard has also been developed to provide real time and historical travel costs that will provide managers with more information on which they can base travel plan approvals.</p> <p>Testing of the new travel planning platform is ongoing and will be launched for use on all staff travels in the Q2 2020.</p>
3	Adopt a robust review process by the Travel Exceptions service on the application of policies on exceptional	Implemented

No.	Recommendation	External Auditor's Validation
	<p>approvals for late travel arrangements before a Travel Request is cleared, to ensure full compliance with travel policies and improve the quality control on travel management.</p>	<p>To ensure a robust travel review process and to improve quality control on travel management, Management has come up with updated checklist -the Travel Requests Quality Check that reflects the steps in the review of the travel request and provides clearer guidance on travel policies and decisions.</p> <p>It includes more specific references to policies, to include policies on Travel Exceptions; and to ensure specific management review and action required for exceptional approval for late travel requests.</p>
Direct Financial Contribution (DFC)		
4	<p>Develop feedback support to the information provided by the Ageing Report Summary Analysis, by ensuring that a mechanism is available for responsible officers to provide additional information relating to status reporting and monitoring of follow-up actions.</p>	<p>Implemented</p> <p>A new DFC ageing monitoring dashboard has been developed that provides feedback on overdue DFCs and the status of each deliverable. It can be filtered by specific needs of user and can be configured to send automated reminders regarding overdue items to which who are responsible for.</p>
5	<p>Develop guidelines that will factor proper segregation of duties, as well as the extent of discretionary inputs, into defining the responsibilities to be performed by the responsible officers for DFC agreements, in order to increase reliability in the assurance processes used to measure acceptable project/activity implementation.</p>	<p>Implemented</p> <p>Guidance Note 2-2020 dated 07 February 2020 (Changes to Supporting documentation for Non-Commercial and Commercial Contracts) was issued which included revision of clearance form for Final Reports for Non-Commercial contracts that factors in assurance activities and segregation of duties to increase reliability in the assurance processes used to measure acceptable project/activity implementation.</p> <p>The following templates have also been revised to include reporting on assurance activities, to wit: (a) Justification Memorandum, and (b) Program Review Committee submission form.</p>

No.	Recommendation	External Auditor's Validation
		The requirement for assurance activities are applicable to all DFC contracts.