



AUDIT

OF

UNDP TURKMENISTAN

GRANTS FROM THE GLOBAL FUND

Report No. 1832
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Report on the Audit of UNDP Turkmenistan Grants from the Global Fund Executive Summary

The UNDP Office of Audit and Investigations (OAI), from 22 May to 2 June 2017, conducted an audit of two grants from the Global Fund (Output Nos. 75647 [TB] and 100807 [TB], managed by UNDP Turkmenistan (the Office), as the Principal Recipient. The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

- (a) governance and strategic management (organizational structure, staffing, capacity development and exit strategy);
- (b) programme management (project approval and implementation, monitoring and evaluation, grant closure);
- (c) Sub-recipient management (selection, assessment and contracting, funding, reporting, oversight and monitoring);
- (d) procurement and supply management (qualification and forecasting, procurement of health products, quality assurance of health products, procurement of other goods and services, supply management [inventory, warehousing and distribution], asset management, individual contractors); and
- (e) financial management (revenue and accounts receivable, expenditures, reporting to the Global Fund).

The audit covered the Global Fund-related activities of the Office from 1 January 2016 to 31 March 2017. The Office recorded Global Fund-related expenditures of approximately \$2.5 million. The last audit of the Office's Global Fund-related activities was conducted by OAI in 2014.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

Overall audit rating

OAI assessed the Office's management of the Global Fund grants as **satisfactory**, which means "The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/ area."

Key recommendations: Total = 2, high priority = 0

The audit did not result in any high (critical) priority recommendations. There are two medium (important) priority recommendations, which means "Action is required to ensure that UNDP is not exposed to risks. Failure to take action could contribute to negative consequences for UNDP." These recommendations include actions to address weaknesses within monitoring and evaluation activities and delays in liquidating advances and quarterly reporting by Sub-recipients.

The two recommendations aim to ensure the following: (a) effectiveness and efficiency of operations (Recommendation 1) and (b) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendation 2).

Implementation status of previous OAI audit recommendations: (Report No. 1410, 26 December 2014).

Total recommendations: 4

Implemented: 4

Management comments and action plan

The Resident Representative accepted both recommendations and are in the process of implementing them. Comments and/or additional information provided have been incorporated into the report, where appropriate.

Issues with less significance (not included in this report) have been discussed directly with management and actions have been initiated to address them.



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I. Profile of Global Fund grants managed by UNDP Turkmenistan

Since 2010, UNDP has been the Principal Recipient of Global Fund grants in Turkmenistan (the Country).

Grant No.	Output No.	Description	Start Date	End Date	Budget (in \$'000)	Funds Received as of 31 March 2017 (in \$ '000)	Implementation Rate %	Expenditures as of 31 March 2017 (in \$ '000)	Global Fund Rating
TKM-910-G01-T	000756 47	Purposeful strengthening of qualified services for diagnosis and treatment of TB	01-Oct-15	30-Jun-16	1,773	1,314	132	2,339 (payment includes commitments from previous periods)	B1 (Jul – Dec 2014, financially closed)
TKM-T-UNDP	001008 07	Ensuring universal access to high-quality diagnosis and treatment of drug-resistant tuberculosis (DR-TB) in Turkmenistan	01-Jul-16	30-Jun-18	4,089	1,695	19	776	A2
Totals					5,862	3,009		3,115	

II. Audit results

Satisfactory performance was noted in the following areas:

- Governance and strategic management: The organizational structure and capacity building strategy were found to be adequate.
- Procurement and supply chain management: The procurement of both pharmaceutical and non-pharmaceutical products was found to be satisfactory. The area of asset management was found to be adequate.
- Financial management: the audit of payments through verification of a sample of payment vouchers did not lead to reportable issues regarding the reliability and integrity of financial and operational information.

OAI made two recommendations ranked medium (important) priority.

Low priority recommendations were discussed directly and agreed upon with the Office and are not included in this report.

Medium priority recommendations:

- Strengthen monitoring and evaluation activities (Recommendation 1).
- Strengthen controls in liquidating advances and quarterly reporting (Recommendation 2).

The detailed assessment is presented below, per audit area:

A. Programme management

1. Monitoring and Evaluation

Issue 1 Weaknesses within monitoring and evaluation activities

According to the 'UNDP Programme and Operations Policies', project monitoring is a key activity in measuring programme results at various levels to provide a basis for accountability and informed decision-making.

The Office had developed a yearly monitoring plan which included visits to each region, and several joint visits to be completed with the government counterpart. The monitoring reports prepared by the Office included a list of issues and recommendations. The following weaknesses were identified:

- The three monitoring reports reviewed included recommendations but no system was in place to document the actions required to address issues identified, persons responsible, and the implementation timeframe.
- Systemic issues identified during monitoring visits were not shared in writing with the government counterpart. These issues included: low detection rate of drug resistance TB cases (recorded in three locations); timely registration of detected TB cases recorded in two locations); and improving accuracy of TB documentation (recorded in four locations).
- The standard monitoring checklist had not been revised since 2010. It had to be updated to include steps related to the detection, treatment, and reporting of drug resistant TB cases. The Office management was in preliminary discussions with a donor to provide additional funding to revise the national monitoring and evaluation guide and checklists.

The Office management confirmed that all issues were being discussed verbally with the government counterpart following each visit, and that the Directorate of Infectious Diseases was aware of the systemic issues and often completed the monitoring visits jointly with the Office. Following the audit mission, the Office revised the monitoring documentation procedures to include details of actions agreed, persons responsible, and implementation timeframes.

The lack of a documented follow-up process may result in issues identified during monitoring not being addressed in a timely manner.

Priority	Medium (Important)
Recommendation 1:	
The Office should strengthen monitoring and evaluation activities by:	
(a) collating and sharing systemic issues with the government counterpart; and	
(b) in cooperation with the government counterpart, updating the standard monitoring checklist to include detection, treatment, and reporting of drug resistant TB cases.	
Management action plan:	
The Office will undertake the following:	

- (a) Develop a special tool in the form of a summary table to be filled in after each monitoring visit. This will include key findings, responsible people to follow up/ implement, and timelines. The summary will be used by the Office to document that the issues are shared and followed up. Project already started compiling the summaries.
- (b) The Office is in preliminary discussions with the World Health Organization Office to include the revision of the Monitoring & Evaluation guide and its checklists. An exchange of letter or formal minutes of the agreement will be uploaded as evidence.

Estimated completion date: December 2017

B. Sub-recipient management

1. Reporting

Issue 2 Delays in liquidating advances and quarterly reporting by Sub-recipients

According to the agreement signed with the Global Fund, UNDP as Principal Recipient may work with other organisations and engage them as Sub-recipients in the implementation of the Global Fund programme. UNDP is accountable for and must report on Sub-recipient funds, activities and risk management.

Two Sub-recipients must submit programmatic and financial reports explaining variances between approved and actual expenses 30 respectively 15 days after each quarter. Each quarter, the Office must reconcile financial advances with the progress made and if needed define corrective actions.

The following control weaknesses were noted:

(i) Delays in liquidating advances

For three of the six advances reviewed there were between five and seven months of liquidation delays. The delays were due to, among other things, the time to complete the internal verification of payments.

(ii) Delays in and incomplete quarterly reporting

For five out of nine quarterly reports from the two Sub-recipients, there were delays ranging from 10 to 55 days. In addition, the reports of one of the Sub-recipients excluded explanations for significant budget variances.

Office management explained that delays were caused by challenges in the collection of data. The Office acknowledged that it should ensure that reports are submitted according to agreed timelines. The Office did not share management letters with Sub-recipients on issues noted during the reporting period.

Delays in liquidating funds may directly impact project implementation as the next advance of funds will also be delayed. Late submission in Sub-recipient reporting may impact the quality and timeliness of Principle Recipient reporting to the Global Fund Secretariat. Furthermore, by not formally communicating with the Sub-recipients on the weaknesses identified in their reports, the Office may not be able to take the required follow-up actions to improve the Sub-recipients implementation capacity.

Priority	Medium (Important)
Recommendation 2: The Office should strengthen controls in liquidating advances and quarterly reporting by: <ul style="list-style-type: none"> (a) ensuring close follow-up with each Sub-recipient for submission of quarterly reports and liquidation of advances within the stipulated timeframe; (b) requesting Sub-recipients to provide a narrative description for significant budget variances; and (c) issuing a management letter describing weaknesses and providing recommendations in relation to the Sub-recipient reports. 	
Management action plan: The Office will undertake the following: <ul style="list-style-type: none"> (a) Ensure close follow-up with each Sub-recipient for reports and advances to be liquidated within the stipulated timeframe during the grant closure in 2018. For regular quarterly reporting, the close follow up mechanism is already there. (b) Preparing narrative descriptions for significant budget variances to be immediately introduced. (c) Issue management letters starting second quarter of 2017. Estimated completion date: December 2018	

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Satisfactory** The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Some Improvement Needed** The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Major Improvement Needed** The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.
- **Unsatisfactory** The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **High (Critical)** Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to risks. Failure to take action could contribute to negative consequences for UNDP.
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.