



**AUDIT**

**OF**

**UNDP UZBEKISTAN**

**GRANTS FROM THE GLOBAL FUND TO FIGHT**  
**AIDS, TUBERCULOSIS AND MALARIA**

**Report No. 1241**  
**Issue Date: 19 March 2014**

## Report on the audit of UNDP Uzbekistan Grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria Executive Summary

The UNDP Office of Audit and Investigations (OAI), from 14 to 25 October 2013, conducted an audit of two grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) (Project Nos. 61668, 64003, and 70898, all relating to HIV) managed by the UNDP Country Office in Uzbekistan (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 all Global Fund-related activities of the Office during the period from 1 January 2012 to 30 September 2013. During the period reviewed, the Office recorded Global Fund-related expenditures totalling \$14.7 million. This was the first audit of the Office's Global Fund-related activities.

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 Global Fund grants as **partially satisfactory**, which means "internal controls, governance and risk management processes were generally established and functioning, but needed improvement. One or several issues were identified that may negatively affect the achievement of the objectives of the audited entity."

**Key recommendations:** Total = 3, high priority = 1

For high (critical) priority recommendations, prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP. The high (critical) priority recommendation is presented below:

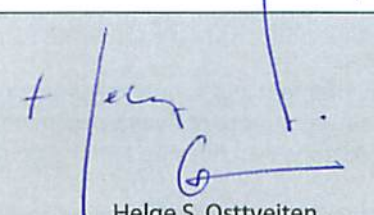
Ineffective stock management of health products (Issue 3)	The Office had not established an appropriate stock management monitoring system to ensure that at least minimal quantities of health products were available at each "trust point" location. Also, there was no effective reporting system in place to ensure early detection and corrective action when trust points were without stocks of health products.
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Recommendation: (a) Further build the Sub-recipient's capacity, particularly with regard to demand-based distribution of health products; (b) in collaboration with the Sub-recipient, review the in-country supply chain and inventory management systems relating to health products to ensure the availability of health products at each trust point; and (c) improve the reporting on health products by the Sub-recipient for better monitoring of stock levels at each trust point.

#### Management comments and action plan

The Resident Representative accepted all the recommendations in the areas of programme management, quality assurance of health products, and supply management and is 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 the report) have been discussed directly with management and actions have been initiated to address them.



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