



AUDIT

OF

UNDP KYRGYZSTAN

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

Report No. 1193

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

From 1 to 12 July 2013, the Office of Audit and Investigations (OAI) conducted an audit of three grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) (Project Nos. 77629 [Malaria], 79839 [HIV] and 77368 [TB]) managed by the UNDP Country Office in Kyrgyzstan (the Office) as the Principal Recipient. The audit covered all relevant activities during the period from 1 January 2012 to 31 May 2013. During the period reviewed, the Office recorded Global Fund-related expenditures totalling \$11.86 million. This was the first OAI 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*. These Standards require that OAI plan and perform the audit to obtain reasonable assurance on the adequacy and effectiveness of the governance, risk management and control processes. The audit includes reviewing and analysing, on a test basis, information that provides the basis for the conclusions and audit results.

Audit rating

OAI assessed the Office's management of Global Fund grants as **satisfactory**, which means "Internal controls, governance and risk management processes were adequately established and functioning well. No issues were identified that would significantly affect the achievement of the objectives of the audited entity." Ratings per audit area and sub-areas are summarized below:

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
1. Governance and strategic management				
1.1 Organizational structure	Satisfactory			
1.2 Staffing	Satisfactory			
1.3 Cooperation and coordination with Country Coordinating Mechanism and other stakeholders	Satisfactory			
1.4 Capacity building and exit strategy	Satisfactory			
2. Programme management				
2.1 Project approval and implementation	Partially Satisfactory			
2.2 Conditions precedent to disbursement and special conditions	Satisfactory			
2.3 Monitoring and evaluation	Satisfactory			
2.4 Grant closure	Not Applicable			
3. Sub-recipient management				
3.1 Selection, assessment and contracting	Satisfactory			
3.2 Funding	Satisfactory			
3.3 Reporting	Partially Satisfactory			
3.4 Oversight and monitoring	Satisfactory			
3.5 Audit	Satisfactory			

Audit Areas	Not Assessed/ Not Applicable	Unsatisfactory	Partially Satisfactory	Satisfactory
4. Procurement and supply management				
4.1 Procurement of health products	Satisfactory			
4.2 Quality assurance of health products	Partially Satisfactory			
4.3 Procurement of other goods and services	Satisfactory			
4.4 Supply management (inventory, warehousing and distribution)	Partially Satisfactory			
4.5 Asset management	Satisfactory			
4.6 Individual contractors	Satisfactory			
5. Financial management				
5.1 Revenue and accounts receivable	Satisfactory			
5.2 Expenditures	Satisfactory			
5.3 Reporting to the Global Fund	Satisfactory			

Key issues and recommendations

The audit raised four issues and resulted in four recommendations, all ranked medium (important) priority, meaning "Action is required to ensure that UNDP is not exposed to significant risks. Failure to take action could result in negative consequences for UNDP." These recommendations include actions to address: absence of Headquarters approval of salary supplementation of government officials, weaknesses in Sub-recipient quarterly reporting, inadequate quality assurance of finished pharmaceutical products and weaknesses in stock management and storage conditions.

Management comments and action plan

The Resident Representative accepted all four recommendations and is in the process of implementing them.



Helge S. Osttveiten
Director
Office of Audit and Investigations