

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT
OF
UNDP TAJIKISTAN

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

Report No. 1414
Issue Date: 12 March 2015

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

The UNDP Office of Audit and Investigations (OAI), from 27 October to 7 November 2014, conducted an audit of three grants from the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) (Project Nos. 72835 [TB], 72826 [HIV], and 72827 [Malaria]) managed by UNDP Tajikistan (the Office) as the Principal Recipient. The audit also covered Project No. 38886, a support project funded by UNDP core resources. 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 2013 to 30 September 2014. The Office recorded Global Fund-related expenditures totalling \$20 million. The last audit of the Office's Global Fund-related activities was conducted by OAI in 2010.

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 **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." This rating was mainly due to inadequate storage conditions for finished pharmaceutical products, and weak asset and inventory management.

Key recommendations: Total = 4, high priority = 1

The four recommendations aim to ensure the following: (a) achievement of the organization's strategic objectives (Recommendation 1); (b) effectiveness and efficiency of operations (Recommendations 2 and 3); and (d) safeguarding of assets (Recommendation 4).

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:

Weak inventory management and inadequate storage conditions (Issue 3)

A review of inventory and stock management processes along with site visits to the main warehouse and storage facilities identified several weaknesses. For example, there were discrepancies between the stock log and actual inventory counts as well as between product serial numbers and the serial numbers indicated in the stock management software, and one instance where the first-expiry first-out method was not used to handle expired products. Additionally, there were instances where finished pharmaceutical products were not stored properly and were not stored in accordance with WHO guidelines.

Recommendation: Implement standard operating procedures relating to the stock and inventory management of finished pharmaceutical products by coordinating with the national implementing partner, and improve storage conditions at the various facilities to be in accordance with WHO guidelines.

Management comments and action plan

The Resident Representative accepted all of the recommendations 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 this report) have been discussed directly with management and actions have been initiated to address them.



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