



AUDIT

OF

UNDP UZBEKISTAN

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

Report No. 1500
Issue Date: 5 November 2015

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 3 to 13 August 2015, conducted an audit of one grant from the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) (Output No. 80864 [HIV]) managed by UNDP 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 the Global Fund-related activities of the Office from 1 January 2014 to 30 June 2015. The Office recorded Global Fund-related expenditures of approximately \$10.5 million. The last audit of the Office's Global Fund-related activities was conducted by OAI in 2013.

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 delays in receiving funds from the Government, and challenges in project implementation through Sub-recipients.

Key recommendations: Total = 4, high priority = 2

The four recommendations aim to ensure the following: (a) achievement of the organization's strategic objectives (Recommendations 1 and 2); (b) compliance with legislative mandates, regulations and rules, policies and procedures (Recommendation 3); and (c) 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. All high (critical) priority recommendations are presented below:

Delays in receiving funds from the Government (Issue 1)

At the time of the audit, the Government had not disbursed the remaining \$1 million to procure antiretroviral treatments (ARTs), which was due in October 2014. The delay could result in stockouts of ARTs in December 2015.

Recommendation: The Office should continue coordinating with the Government and the Global Fund Secretariat to accelerate the disbursement of funds by the Government, and set up a contingency plan to manage the anticipated stockout of antiretroviral treatments in the affected regions.

Challenges in project implementation through Sub-recipients (Issue 2)

The review of project implementation through Sub-recipients disclosed that targets were partially achieved due to the non-endorsement of Sub-recipients, delays in the disbursements of funds and their receipt by Sub-recipients, delays by the Sub-Recipients in the submission of quarterly reports, and delays in the liquidation of advances dues to incomplete information about the reported expenditure.

Recommendation: The Office should improve project implementation through Sub-recipients by: (a) collaborating with the Government to ensure that the endorsement process and bank transfers are completed timely; and (b) providing refresher training to the Sub-recipients to ensure all expenditures are adequately supported and significant budget variances are adequately explained in the quarterly report.

Implementation status of previous OAI audit recommendations: Report No. 1241, 19 March 2014.

Total recommendations: 3

Implemented: 3

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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