

UNITED NATIONS DEVELOPMENT PROGRAMME
Office of Audit and Investigations



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AUDIT

OF

UNDP TAJIKISTAN

GRANT FROM THE GLOBAL FUND

Report No. 2005
Issue Date: 29 August 2018

Report on the Audit of UNDP Tajikistan Grants from the Global Fund Executive Summary

The UNDP Office of Audit and Investigations (OAI), from 9 to 20 July 2018, conducted an audit of three grants from the Global Fund (Output Nos. 38886 [CMM], 85259 [HIV], and 85258 [HIV]), managed by UNDP Tajikistan (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, risk management, staffing and performance management, capacity development and transition strategy);
- (b) programme management (project approval and implementation, monitoring and evaluation, grant closure);
- (c) Sub-recipient management (selection, assessment and contracting, financial and programmatic activities);
- (d) procurement (quantification and forecasting, procurement of health products, quality assurance of health products, individual contractors, procurement of other goods and services), supply management (inventory, warehousing and distribution), and asset management; and
- (e) financial management (revenue and accounts receivable, expenses, reporting to the Global Fund, Fund Administrator Role).

The audit covered the Global Fund-related activities of the Office from 1 January 2017 to 31 May 2018. The Office recorded Global Fund-related expenses of approximately \$13 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 **partially satisfactory/some improvement needed**, which means, "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." This rating was mainly due to weaknesses in quality control testing, and in the management of damaged and expired pharmaceutical products.

Key recommendation(s): Total = 3, high priority = 2

The three recommendations aim to ensure the following: compliance with legislative mandates, regulations and rules, policies and procedures (Recommendations 1, 2 and 3)

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:

Weaknesses in quality
control testing
(Issue 2)

A risk-based test plan was developed for the 2016-2017 and 2018 periods, which detailed items to be tested upon arrival in the country. The plan did not document which products should be tested throughout the supply chain defining also location and timing of picking up the samples.

The test plan as devised was not adhered to as no products were tested upon arrival in the Country.

No tests were performed in 2017-18 for products at the health centres which had the weakest storage conditions, and which would warrant more frequent testing.

Recommendation: The Office should strengthen its quality control testing by including all relevant information into the testing plan; and testing products upon arrival in the Country and throughout the supply chain using a pre-qualified or ISO certified laboratory.

Weaknesses in
damaged and expired
pharmaceutical
products management
(Issue 3)

There was no functional system (process) to ensure that damaged and expired pharmaceutical products were tracked and collected from peripheries to the Central Warehouse. While the audit received some records showing some drugs had expired and had been moved to the entity responsible for destruction, it was not possible to determine the total expired quantity. As such, it was not possible to determine if the expired quantity exceeded the two percent acceptable expiry threshold established by the guidelines. In addition, the Office had no control over the tracking and handling of expired products.

Recommendation: The Office should improve controls over expired medicines by establishing and implementing procedures to keep track of expired products; periodically assessing variance of expired products against an established threshold; and determining a mitigating cause when expired products exceed threshold.

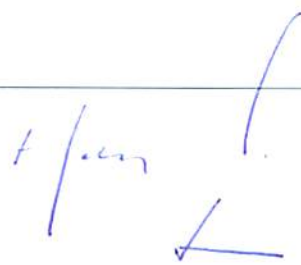
Implementation status of previous OAI audit recommendations: Report No. 1414, 12 March 2015

Total recommendations: 4
Implemented: 4

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.

Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.



Helge S. Ostveiten
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