THE OFFICE OF THE INSPECTOR GENERAL

The Global Fund to Fight AIDS, Tuberculosis and Malaria

Audit of Global Fund Grants to the Republic of Kazakhstan

Report

GF-OIG-11-004
11 December 2012

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EXECUTIVE SUMMARY

Introduction

1. The mission of the Office of the Inspector General (OIG) is to provide the Global Fund with independent and objective assurance over the design and effectiveness of controls in place to manage the key risks impacting Global Fund-supported programs and operations.

2. As part of its 2011 work plan, the OIG carried out an audit of Global Fund grants to the Republic of Kazakhstan from 11 April to 28 July 2011. The audit covered grants totalling USD 103 million, of which USD 86 million had been disbursed[1]. The Principal Recipients were:

- The Republican Centre for Prophylactics and Control of AIDS of the Government of the Republic of Kazakhstan; and
- The National Centre of TB Problems of the Ministry of Health of the Republic of Kazakhstan.

Overall Conclusion

3. Kazakhstan has made good progress in its response to HIV/AIDS, and Tuberculosis and the PRs' capacity to manage Global Fund grants has grown from 2003 to 2010. Nonetheless, there were still key areas in which the PRs needed to strengthen their capacity to implement Global Fund-supported grant programs.

4. The OIG identified areas for improvement in internal controls particularly around procurement and grant oversight, but also in financial management and service delivery. This report makes recommendations for their mitigation, 12 of which are classified as critical and require immediate action by management, while an additional 18 are rated important.

5. Based on the outcome of this audit, the OIG is not able to give reasonable assurance that that value for money was assured in Global Fund investments and that grant funds disbursed to Kazakhstan were always used appropriately. This report identifies amounts totalling USD 339,582 for RCAIDS and USD 50,496 for NCTP which includes income not credited and expenses not adequately documented at the time of the audit. See Annex 4 for further details. The Global Fund Secretariat should determine whether these amounts should be recovered, by reviewing documents provided by the PRs subsequent to the audit.

6. The OIG also identified amounts totalling USD 745,431 which represent taxes paid but not recovered. The PRs have since provided documentation regarding these reimbursements; however, as this was not provided at the time of the audit, the responsibility for validating this information lies with Global Fund Secretariat.

Oversight

7. There is scope for improvement in the way the Country Coordinating Mechanism (CCM) interprets the Global Fund's CCM guidelines, particularly with respect to membership, Conflict of Interest, and oversight over the PRs. The CCM needs to strengthen its Principal Recipient selection process. There was scope for improvement in the way in which the Global Fund Secretariat managed the Local Fund Agent to ensure that its approach is risk-based and that data for decision-making reported to the Global Fund Secretariat are accurate.

[1] Global Fund website as at 1 April 2011

Financial Management

8. There was scope for improvement in financial management, especially in the accuracy of the data reported in the financial reports to the Global Fund, and the need to recover the taxes paid from the grant funds, given that both Principal Recipients had tax-exempt status.

Procurement and supply management

9. There was extensive scope of improvement in the area of procurement and supplies management. Both PRs should apply all provisions of the national procurement law, which requires a competitive and transparent procurement process to ensure that value for money is obtained for products procured. Both PRs should improve the monitoring of their contracts with suppliers and apply penalty clauses for delay in deliveries, or otherwise adequately justify the reasons for not enforcing those contractual rights. A number of issues have been referred to the OIG Investigations Unit for follow up.

Service Delivery

10. The audit identified a need to improve the uptake of antiretroviral therapy by eligible patients and improve laboratory testing, particularly by providing appropriate equipment at oblast level. Eligible patients should be consistently tested for tuberculosis (as anticipated in the workplan) so that they can begin prevention therapy. The policy environment could be strengthened by developing a comprehensive national strategy for TB control, TB/HIV collaborative activities as well as TB infection control.

11. Barriers to increasing the coverage of opiate substitution therapy constitute a major challenge to the national response to HIV. Current criminal and administrative laws make the effective operation of syringe-exchange programs difficult. Existing epidemiological evidence is alarming in terms of the increasing prevalence of unsafe injecting behaviours in prisons; however, there is limited access to basic HIV prevention measures, particularly sterile syringes and opiate substitution. This is of major concern in light of the upcoming Round 10 grant program (starting in 2012), which includes a strong focus on delivering harm reduction services in prisons. The implementation of this program will be hampered by the current policy environment relating to prisons, if not resolved over the coming two years.[2]

Events Subsequent to the Audit

12. Following the preliminary audit findings and the draft recommendations submitted by OIG to the country at the end of the audit (August 2011), the Global Fund Secretariat, the CCM and the PRs in Kazakhstan addressed a number of findings. The OIG was informed of the following (but has not validated these assertions):

- The CCM Secretariat has introduced the periodic declaration of COI by all of its members;
- The Global Fund Secretariat initiated a re-tender process for LFA services in Kazakhstan in 2012 and a new LFA team has been appointed (PwC);
- The former LFA completed an assessment of the Country and PR risk profile by the end of 2011;

[2] The R10 HIV grant intends to support advocacy work during the first two years of implementation with a focus on an enabling environment. Implementation of harm reduction activities in prisons is envisaged from Year 3 of the program.

- The PR reports that VAT was reimbursed under the TB and HIV grants as follows[3]:
  - Round 6 TB: USD 207,549 for the period 2007 -2012;
  - Round 8 TB: USD 546,609 for the period 2010 – 2012;
  - Round 2 HIV: USD 262,202 for the period 2006 – 2009;
  - Round 7 HIV: USD 77,777 for the period 2009-2010;
- NCTP is currently working with WHO experts on developing a drug management system to form part of the National TB Register;
- Indicators were changed in the Performance Framework for the SSF HIV grant, which consolidates the Round 7 and the Round 10 HIV;
- The National Infection Control Plan for TB has been finalized and submitted for approval to the Ministry of Health;
- The criteria for selecting TB patients for receiving food/hygiene parcels were defined and included in the comments of the Performance Framework for Phase 2 of the Round 8 TB grant;
- In the Performance Framework for the Round 6 TB grant, the indicator related to case detection was replaced by the TB notification rate, so that indicators and targets under the Round 6 and Round 8 grants are aligned. The M&E plan for the Round 6 TB grant was consolidated with the M&E Plan for the Round 8 TB grant, thus aligning the indicators and their measurement;
- The Global Fund Secretariat revised several indicators in the performance framework that were not well defined.

13. This report incorporated feedback and comments from the Country stakeholders and the Global Fund Secretariat insofar as they did not contradict our findings. The Management Action Plan in Annex 5 details the recommended actions to mitigate the risks identified. Where dates for implementation were not provided, we recommend that the Global Fund Secretariat work with the in-country stakeholders to develop appropriate dates for mitigation. In cases where the in-country stakeholders have indicated that actions have already been implemented, the responsibility for ensuring that these actions have been fulfilled lies with the Global Fund Secretariat.

3 The PRs have provided documentation regarding these reimbursements, however as this was not provided at the time of the audit, the responsibility for validating this information lies with Global Fund Secretariat.

MESSAGE FROM THE GENERAL MANAGER

The Global Fund
To Fight AIDS, Tuberculosis and Malaria

10 YEARS OF IMPACT

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07 December 2012

MESSAGE FROM THE GENERAL MANAGER

I would like to thank the Office of the Inspector General for its thorough and insightful work on the audit of Global Fund grants in Kazakhstan.

The audit was conducted from April 11 to July 28, 2011 and covered four grants to Kazakhstan, totalling US$103 million, of which US$86 million had been disbursed by the time of the audit.

Kazakhstan has made good progress in its response to the HIV and AIDS and tuberculosis epidemics. The capacity of the principal recipients to manage Global Fund grants has also grown from 2003 to 2010.

Nonetheless, the audit found scope for improvement in internal controls related to procurement, grant oversight, financial management, and service delivery. To address these challenges, this report presents 30 recommendations.

The audit also identified US$390,078 in expenses not adequately documented and income not credited. Subsequently to the audit, the principal recipients provided additional documents related to that. Based on the documents, the Global Fund Secretariat will determine whether the money should be recovered.

Following the preliminary audit findings and the draft recommendations submitted by the Office of the Inspector General to the country at the end of the audit, in August 2011, the Global Fund Secretariat, the Country Coordinating Mechanism, and the principal recipients addressed a number of the report's findings.

Audit reports by the Office of the Inspector General are an essential form of quality control for the Global Fund. The Office of the Inspector General plays an indispensable role in helping us all achieve our mission of effectively investing the world's money to save lives.

Yours sincerely

MESSAGE FROM THE COUNTRY COORDINATING MECHANISM

Казахстанский союз
людей живущих с ВИЧ

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№ 64
От 26.10.2012

Генеральному Инспектору
ГФСТМ г-ну Джону Парсонсу

Уважаемый господин Джон Парсонс!

Страновой Координационный Комитет (СКК) по работе с международными организациями Республики Казахстан, в лице заместителя Председателя г-на Нурали Аманжолова выражает глубокое уважение и благодарность Офису Генерального инспектора Глобального Фонда и Вам лично, за содействие в реализации грантов ГФСТМ по предотвращению ВИЧ-инфекции, туберкулеза в Республике Казахстан.

Благодаря поддержке ГФСТМ страна внедрила антиретровирусное лечение для людей, живущих с ВИЧ. Казахстан также расширил программы по профилактике ВИЧ-инфекции и охвата заместительной терапией метадоном среди наркопотребителей. Охват всех нуждающихся вновь выявленных больных ТБ был обеспечен на средства ГФСТМ и в настоящее время начаты программы по лечению лекарственно устойчивых форм заболевания.

В ответ на Ваше письмо OIG/JP_12/272 от 19 Октября 2012 г., выражаем признательность за работу по аудиторской проверке реализации грантов Глобального Фонда в нашей стране и за ценные рекомендации, которые будут приняты к сведению и использованы в целях повышения эффективности в области управления и улучшения результатов программной и финансовой деятельности Основных Реципиентов в рамках реализации грантов Глобального Фонда в Казахстане.

Заместитель
Председателя СКК Н. Аманжолов

MESSAGE FROM THE COUNTRY COORDINATING MECHANISM

Official Letterhead)

NGO "Kazakh Union of People Living with HIV/AIDS"
(Almaty city, Kazakhstan)

No. 64
Date: Oct. 26, 2012

Attn.: Inspector General of GFATM
Mr. John Parsons

Dear Mr. John Parsons

The *Country Coordinating Committee of the Republic of Kazakhstan for interaction with international organizations* (the *CCM*), in the name of its vice-chairman – Mr. Nurali Amanzholov, hereby expresses its deep respect and gratitude to the Office of the Inspector General of the Global Fund, and personally to you, for the contribution to implementation of the GFATM grants on prevention of HIV-infection and TB in the Republic of Kazakhstan.

Thanks to the support of the GFATM the country has introduced anti-retroviral therapy for the people living with HIV. Kazakhstan has also expanded the programs for HIV prevention and coverage of drug-users by the methadone substitutive therapy. Besides, the full coverage of all the newly detected TB patients has been ensured through the GFATM grant funds, and as of today there have also been launched the programs for treatment of the drug-resistant forms of TB.

In reply to your Letter No. OIG/JP_12/272 dated October 19, 2012, we are hereby expressing our appreciation and gratitude for the audit mission on the GFATM grants implementation in our country as well as for the valuable recommendations that will certainly be taken into consideration and implemented with a view to increase the efficiency in the field of supervision and improvement of results of the programme-and-financial activities of the Principal Recipients within the frames of the Global Fund grants' implementation in Kazakhstan.

Vice-Chairman of the CCM *(signature and seal)* **N. Amanzholov**

OVERVIEW

Audit Objectives

14. The objectives of this audit were to assess the adequacy and effectiveness of the controls in place to ensure:

- Achievement of value for money from funds spent;
- Accomplishment of programmatic objectives;
- Compliance with Global Fund grant agreements, related policies and procedures, and relevant laws and regulations;
- Safeguarding of grant assets against loss, misuse or abuse; and that
- Risks were effectively managed.

In undertaking this audit an important focus was to identify opportunities to strengthen grant management.

15. The audit looked at the operations of the Principal Recipients (PRs), the Republican Center for Prophylactics and Control of AIDS of the Government of the Republic of Kazakhstan (RCAIDS) and the National Center of Tuberculosis Problems of the Ministry of Health of the Republic of Kazakhstan (NCTP)), their interactions with their Sub-recipients (SRs) and implementing partners, the supply chain for goods and services purchased with the Global Fund grant funds, and the oversight functions of the Country Coordinating Mechanism (CCM), the Local Fund Agent (LFA) and the Global Fund Secretariat.

Audit Scope

16. The audit covered four Global Fund grants to Kazakhstan. The audit sampled transactions from Round 2 to Round 8.

Round No.	Grant Agreement	Principal Recipient (PR)	Grant Amount (USD)	Disbursed Amount (USD)
2	KAZ-202-G01-H-00	RCAIDS	20,288,667	20,288,667
7	KAZ-708-G03-H	RCAIDS	24,560,423	17,714,963
10	KAZ-H-RAC	RCAIDS	7,947,761	3,810,635
6	KAZ-607-G02-T	NCTP	9,114,981	8,365,336
8	KAZ-809-G04-T	NCTP	40,755,079	35,483,523
		TOTAL	**102,666,911**	**85,663,124**

Table 1: Global Fund grants to Kazakhstan audited by the OIG (Source: Global Fund website, 30 March 2011)

17. The Office of the Inspector General (OIG) used the following approaches to conduct its work: Review of grant program documents, monitoring/supervision reports, implementation and procurement plans, examination of supporting documents for grant expenditures, program and financial progress reports as well as discussions with program and financial personnel of relevant grant recipients.

18. In addition to audit tests carried out at the national/central level, the OIG team visited program sites at regional, district and peripheral levels in four regions, at twelve regional centers and 2 regional warehouses. It visited eleven NGOs. During the field visits the OIG team carried out tests and made observations at national and regional hospitals, district

health centers, health posts, as well as at regional and district pharmacies. The OIG team also visited clinical, prevention and patient support programs managed by civil society and community-based organizations and conducted focus group discussions with program beneficiaries.

Prioritization of Audit Recommendations

19. The implementation of all audit recommendations is essential in mitigating risk and strengthening the internal control environment in which the programs operate. The recommendations have been prioritized as follows to assist management in deciding on the order in which recommendations should be implemented:

(a) Critical: There is a material concern, fundamental control weakness or non-compliance, which if not effectively managed, presents material risk and will be highly detrimental to the organization interests, erode internal controls, or jeopardize the achievement of aims and objectives. It requires immediate attention by senior management.

(b) Important: There is a control weakness or noncompliance within the system, which presents a significant risk. Management attention is required to remedy the situation within a reasonable period. If this is not managed, it could adversely affect the organization's interests, weaken internal controls, or undermine achievement of aims and objectives.

(c) Desirable: There is a minor control weakness or noncompliance within the system, which requires remedial action within an appropriate timescale. The adoption of good practices would improve or enhance systems, procedures and risk management for the benefit of the grant programs.

Letter to Management

20. The implementation of all audit recommendations is essential in mitigating risk and strengthening the internal control environment in which the programs operate. Audit findings deemed 'desirable' have been reported separately in a Letter to Management. Though these findings and recommendations may not warrant immediate action, implementation of these recommendations would help to strengthen the overall control environment for Global Fund-supported programs.

OVERSIGHT AND GOVERNANCE

Country Coordinating Mechanism (CCM)

21. The Kazakhstan CCM has 23 members with voting rights, comprising government (ten members), multilateral and bilateral development partners (three), people living with the diseases and NGOs/Community-Based Organizations (ten). At the time of the audit, the academic/educational, religious/faith-based and private sectors were not represented on the CCM.

22. A CCM Secretariat, hosted by the Kazakhstan Union of PLWHA (an SR), was established in April 2011. Going forward, the Secretariat would benefit from developing an annual CCM work plan and a communication strategy for sharing information with stakeholder constituencies and with the general public.

23. The CCM has strengthened its oversight function by appointing an Oversight Committee (May 2011), establishing an oversight plan and conducting its first site visit (June 2011). A number of actions would further strengthen effective CCM oversight of PR activities. This includes clarifying how CCM non-members, including technical officers, participate in oversight and ensuring that oversight includes reviews of PUDRs, PR work plans, monitoring and evaluation plans and annual PR audits.

24. The CCM would benefit from having a governance manual and from expanding its interaction with the LFA by having a CCM representative attend LFA debriefings to the PRs and allowing the LFA to regularly attend CCM meetings as an observer.

25. The CCM developed a Conflict of Interest (COI) policy in 2005. This does not fully meet Requirement 6 of the CCM Guidelines, since it has not been published and does not require periodical declaration of COI by members.

26. At the time of the audit, the CCM did not have in place a documented, transparent process for the nomination of PRs for R6 and R7. There was no documentation of approved PR selection criteria or a scoring system for the evaluation of potential shortlisted PR candidates.

27. PRs and SRs who sit on the CCM have participated in discussions/decisions regarding the nomination of future PRs. For example, MoH employees took part in decisions on budget reprogramming and reallocation, PR selection/recruitment and country proposal development. This represents an actual and perceived conflict since both PRs are departments of the MoH.

28. Resolutions at CCM meetings were passed without the requisite majority.

Recommendation 1 (Important)
In order to ensure compliance with Global Fund requirements, the CCM should:
a) Ensure that periodical declarations of COI are done by all CCM members;
b) Ensure that CCM members with (potential) COI should opt out of decision-making where such conflicts arise; and
c) Develop and apply a transparent process for the nomination of PRs that is based on clearly defined and objective criteria.

Recommendation 2 (Important)
The CCM should:
a) Include members from academic/educational, religious/faith-based and private sector consistencies;

b) Establish a communication strategy for sharing information with stakeholder constituencies and the general public;
c) Establish an annual work plan which should indicate a schedule of CCM meetings, key oversight activities, and important events such as the planned submission of an application for funding, periodic reviews and requests for continued funding;
d) Ensure that all resolutions and decisions are adopted through the vote of the CCM majority; and
e) Ensure that the CCM Secretariat undertakes its tasks and responsibilities independently from structures and influences of PRs and SRs.

Recommendation 3 (Important)
The CCM should prepare a governance manual and an oversight plan. The latter should:
a) Clarify how CCM non-members will engage in oversight activities;
b) Involve technical officers who are not part of the Oversight Committee in oversight;
c) Extend CCM oversight to reviews of PUDRs, PR work plans, monitoring and evaluation plans and annual PR audits; and
d) Clarify CCM interaction with the LFA, e.g., by having a CCM representative attend LFA debriefings to the PRs and having the LFA regularly attend CCM meetings as an observer.

Local Fund Agent (LFA)

29. The LFA plays a crucial part in the Global Fund's system of oversight and risk management at the country level. PricewaterhouseCoopers was the LFA from the inception of the Global Fund grants in Kazakhstan until November 2009, after which the contract was awarded to Crown Agents.

30. There was scope for improvement in the work undertaken by the LFA to ensure effective oversight and assurance that can be relied upon by the Secretariat. At the time of the audit, the LFA had not yet performed a risk analysis to ensure that its reviews (e.g., the PUDR) were undertaken from a risk management perspective and PUDR reviews did not consistently include verification work in high risk areas such as procurement and SR expenditure, or employ a sampling methodology that covered all grant areas. The LFA did not always ensure the availability of sufficient human resources to undertake high quality financial verification or arrange its working papers systematically. In addition, the LFA did not always ensure that errors made by the PR in reporting were mentioned in LFA reviews.

Recommendation 4 (Important)
The Global Fund Secretariat should ensure that the LFA:
(a) Undertakes an assessment of country and PR risks and develops a review plan that ensures coverage of the key risks identified;
(b) Employs sufficient resources on PUDR reviews by considering adding a financial officer who should thoroughly review the PRs' procurements and the transparency of the bidding processes;
(c) Provides adequate training to its staff, in order to improve their knowledge of Global Fund requirements related to the areas of reporting, scope of review, etc.; and
(d) Adopts a sampling methodology during its reviews (PUDR and EFR) by selecting representative samples from each reporting budget line.

Global Fund Secretariat

31. At the time of the audit, the Global Fund Secretariat did not have a standardized system in place that would ensure an accurate and complete coverage of the review undertaken

by LFAs. Each LFA had its own sampling methodologies, testing steps, documents selected for review, working papers and archiving system. This lack of standardization led to the observations specific to the LFA in Kazakhstan outlined above.

32. The Global Fund Secretariat did not have the necessary controls in place to ensure the accuracy of information reported by the PR and LFA or identify when pertinent information was not reported. Examples included:

- Findings related to procurement that had not been reported to the Global Fund; and
- Principal Recipients were paying VAT despite being VAT-exempt.

33. In several instances, disbursements were made by the Global Fund Secretariat where reliance was placed solely on reports from the Local Fund Agent to determine whether Conditions Precedent had not been fulfilled by the PRs, instead of challenging and verifying the information.

Recommendation 5 (Important)
The Global Fund Secretariat should:
a) Endeavor to ensure the accuracy of information submitted by the LFA;
b) Monitor the compliance of PRs with grant agreements, conditions and other Global Fund requirements and ensure regular monitoring of these matters by the LFA;
c) Ensure consistency and agreement between different pieces of documentation on PR compliance; and
d) Ensure that adherence to compliance matters is consistently reflected in disbursement decisions.

GRANT MANAGEMENT

Principal Recipients - Background

The Republican Center for Prophylactics and Control of AIDS of the Government of the Republic of Kazakhstan (RCAIDS)

34. RCAIDS is the PR managing the HIV grants under Rounds 2 and 7. It was established in 2001 under the Prime Minister's Office, and subsequently ratified through an Act of Parliament. RCAIDS was created to coordinate and facilitate the multi-sector HIV/AIDS response and oversee the implementation of the strategic plans and frameworks at national level.

35. RCAIDS has implemented Global Fund grants through 86 SRs, which are either regional AIDS centers or Non-Government Organizations (NGOs). The total amount implemented through SRs since inception of the grants (July 2004) was USD 7,208,533.

Type of Sub-Recipient	Number of SRs	Disbursed Amount (USD)
NGOs	64	4,681,988
Regional AIDS centers	22	2,526,545
TOTAL	**86**	**7,208,533**

Table 2(a): Summary of HIV grants implemented through SRs

The National Center of TB Problems of the Ministry of Health of the Republic of Kazakhstan (NCTP)

36. NCTP is the PR managing TB grants under Rounds 6 and 8. NCTP is responsible for the technical management of TB control throughout Kazakhstan, and is also the clinical center for the entire country. It was created to coordinate and facilitate the multi-sector tuberculosis response and oversee the implementation of the strategic plans and frameworks at a national level.

37. NCTP has implemented Global Fund grant activities through 22 SRs, which are either regional TB centers or NGOs. The total amount implemented through SRs since inception of the first TB grant (May 2007) was USD 2,798,523.

Type of Sub-Recipient	Number of SRs	Disbursed Amount (USD)
NGOs	4	1,527,653
Regional TB centers	18	1,270,870
TOTAL	**22**	**2,798,523**

Table 2 (b): Summary of TB grants implemented through SRs

Institutional capacity

38. At the time of the audit, RCAIDS had drafted an operational ("policies and procedures") manual, covering the general policy framework for financial management, management of procurement, Sub-Recipient management and monitoring and evaluation. This document was still in draft as of July 2011; as were many of the organization's policies and procedures.

39. The operational guidelines at both RCAIDS and NCTP could be strengthened to support the practical implementation of institutional policies and to clarify roles, responsibilities and expectations within the organizations. Specifically, they should cover all aspects of project management in sufficient detail, provide guidance on how to manage conflict of interest in financial and programmatic activities, SR management and include procurement policies and procedures to cover all aspects of the procurement cycle.

Recommendation 6 (Important)
RCAIDS and NCTP should:
a) Finalize and approve (RCAIDS) and update (NCTP) their respective policies and procedures manual to include bank reconciliations, allocation of shared or indirect costs, month-end close procedures, periodic physical verification and disposal of assets, SR management, conflict of interest and periodic data backups;
b) Produce comprehensive procedural guidelines to support practical implementation of the policies set; and
c) Clarify roles, responsibilities and expectations in relation to implementation of the established policies.

Budgetary Control and Reporting

40. Budgetary controls need to be strengthened in the following areas:

- A formal process of monitoring approved budget versus actual should be established. There was no documentation that this took place on a regular basis; and
- Roles and responsibilities with reference to budget execution, feedback on significant variances and corrective actions should be clarified.

41. Inadequate budgetary control has resulted in unbudgeted expenditure of USD 36,781 and expenditure misclassification of USD 59,737. [4]

Recommendation 7 (Critical)
RCAIDS and NCTP should:
a) Strengthen their budgetary control system by:
- *Establishing a review process by activity and budget line;*
- *Formally clarifying budget control roles and responsibilities; and*
- *Documenting the process for communicating significant variances and corrective actions taken.*

b) Establish a process to inform the Global Fund and seek approval in the case of major deviations from budget; and
c) Train financial staff on the reporting required by the Global Fund.

[4] Transactions amounting to USD 9,977 for the RCAIDS and USD 49,761 for the NCTP were charged to the incorrect budget lines.

Bank and Cash management

42. The following observations were made in both PR institutions and should be addressed in an effort to strengthen financial controls:

- A need to have in place a clear segregation of duties with respect to approval and verification of payments, recording of transactions and managing cash-on-hand. For example, the finance manager at RCAIDS was involved in the verification and approval of payments, and recording of transactions and managing cash-on-hand and bank. The program Manager was not formally involved in approval or review of financial transactions;
- A need for a more thorough review of transactions prior to posting them in the accounting system. The audit identified inadequate procedures for review of transactions prior to posting them in the accounting system, for example, transactions amounting to USD 9,977 for the RCAIDS and USD 49,761 for the NCTP were charged to the wrong budget line;
- A need for improved supporting documentation and audit trail for financial transactions. At the time of the audit, the PRs had not established a comprehensive records retention system. Documentation supporting financial transactions are not kept in the same locations as the transaction information;
- A need to segregate and limit access to the accounting system; and
- The TOR for independent auditors should comply with auditing standards.[5]

43. The following issues were noted in a review of a sample of transaction from both PRs:

Description	RCAIDS Exceptions (USD)	NCTP exceptions (USD)
Unbudgeted expenses	36,741	0
Unallowable expenses (taxes and duties)[6]	231,503	513,928
Supporting documents in photocopies	1,510	6,793
Expenses not supported with evidence or original of receipt of goods/services	113,628	473
Transactions not adequately supported	13,065	27,682
No supporting documentation for expenditure	47,489	240
Penalties not deducted for delayed delivery	127,149	15,308
Total	**571,085**	**564,424**

Table 4: Exceptions found during tests of details of samples of transactions[7]

Recommendation 8 (Critical)
In order to strengthen controls in the accounting functions, RCAIDS and NCTP should:

(a) Establish segregation of duties and enhance supervisory review of transactions;
(b) Segregate the access rights to the automated accounting system and ensure access rights are in line with employee job descriptions;
(c) Align its financial records retention practices, preferably with an indexing/referencing system in place to ease sourcing of documentation supporting financial transactions;

[5]The Independent Auditor has been requested to issue an independent opinion and at the same time conduct agreed upon procedures (produce financial reports) which is inconsistent with international auditing standards.
[6] The PRs have provided documentation regarding these reimbursements; however, as this was not provided at the time of the audit, the responsibility for validating this information lies with Global Fund Secretariat.
[7] Note: The exceptions represent actual exceptions from a sample of transactions tested. The actual amount of exceptions is likely to be higher.

(d) Implement the external audit guidelines recently issued by the Global Fund; and
(e) Properly support all expenditures with authorized purchase requisitions, original vendor invoices, evidence of receipt of goods/services, and certification of completion of work.

Recommendation 9 (Critical)
The Global Fund Secretariat should determine whether the amounts documented in Annex 4 should be recovered. For taxes and duties paid identified in Annex 5, the information provided by the PRs after the audit should be validated.

Asset & Inventory Management

44. Assets acquired during Rounds 2 and 7 for RCAIDS and Rounds 6 and 8 for the NCTP were procured by the Program Implementing Units (PIU) and directly transferred to the PR or SR. PIU maintains only disposal/hand over records for these assets. It does not maintain any Asset Register as it has released assets either to PR or SRs.

45. The annual physical verification of assets by PIU was limited to PRs and had not been comprehensively extended to SRs. Due to shortage of staff, only about 6% of the SRs had been monitored (a maximum of six or seven SRs annually out of 86 SRs).

Recommendation 10 (Important)
In order to strengthen fixed asset management, RCAIDS and NCTP should:

(a) Maintain a proper master fixed assets register (FAR) updated with the following: Name and description of the fixed asset, year of acquisition, date of acquisition, inventory number, manufacturers number, actual existence (indication of quantity, cost, obsolesce); and
(b) Increase coverage of physical verification of fixed assets to SRs (RCAIDS).

Human Resources

46. The review of HR management procedures highlighted the following opportunities for improvement:
- The performance appraisal system could be documented in better detail for transparency in decisions concerning promotions, bonuses, benefits, etc. (RCAIDS and NCTP);
- The payroll process could be strengthened by improving linkages with approved posts and by monitoring staff absence and performance (RCAIDS);
- Proper employment contracts should be signed with employees and kept up to date (RCAIDS); and
- The process of identification and selection of trainers should be documented for transparency (NCTP).

Recommendation 11 (Important)
In order to strengthen Human Resources Management procedures, RCAIDS and NCTP should:
(a) Formalize performance appraisal processes and link them with HR decisions, like promotions, bonuses, training and development;
(b) Maintain approved employee contracts for all employees with a clear indication of terms and conditions of the employment acknowledged by employee, including acknowledgement of remuneration (RCAIDS); and
(c) Document the process of selection of trainers and consultants, including clearly specified TORs and deliverables (NCTP).

Management of Sub-Recipients

47. The OIG review of SR management demonstrated that the PRs did not systematically conduct capacity assessments of SRs before selecting them. As a result, SRs were selected with limitations in their financial management capacity.

48. RCAIDS established an evaluation committee from among the representatives of iNGOs to evaluate proposals and select SRs. The evaluation committee based its decision for the selection of SRs predominantly on coverage ratio claimed by the applicants and did not consider the institutional capacities of the SRs.

49. The evaluation committee consisted principally of technical program experts and at the time of the audit lacked financial or operational expertise to assist in the determination of organizational capacity criteria in the selection of SRs.

Recommendation 12 (Important)
To strengthen Sub-Recipient management, RCAIDS should:
(a) Expand SR selection guidelines to include requirements on financial and operational capacity of SRs;
(b) Ensure the SR evaluation committee includes members with organizational, financial and operational skills to assist in the comprehensive selection of SRs; and
(c) Increase the coverage and frequency of financial monitoring of SRs with the consideration of inherent or identified risks pertaining to SRs.

PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

50. The OIG reviewed the systems and functioning of internal controls in the procurement process of both Principal Recipients, which included case reviews of a sample of procurement cases.

Procurement practices and applicable laws

51. The State Law on Procurement of Republic of Kazakhstan is a well-developed document, describing methods, definitions, applicable exceptions and the general approach to effective and efficient procurement in detail. It is in line with international standards and ensures a transparent and competitive procurement process as well as secure value for money for the goods/services procured.

52. However, procurement policies and procedures developed by the PRs and approved by the Global Fund were not fully in line with the State Law on Procurement, thus raising questions regarding the value for money of the goods/services procured under Global Fund grants.

53. According to the procurement policy applied by RCAIDS, open tenders were required for procurement equal to or exceeding USD 300,000 (the corresponding threshold per the State Law is USD 40,000/year in general and approx. USD 20,000/year[8] for procurement of drugs and medical equipment).

Recommendation 13 (Critical)
RCAIDS and NCTP should follow the State Law on Procurement.

Forecasting and quantification

54. RCAIDS and NCTP would have benefitted from using a specialized MIS for forecasting and quantification of needs for ARV drugs, TB drugs and other health products. At the time of the audit, the two PRs used Excel files for procurement data.

55. RCAIDS tracks planned activities and quantities of drugs to be delivered to each region. However, their method requires greater analytical forecasting content, such as expiry dates, new patients enrolled, lead time for delivery, morbidity rates as well as comparison of actual consumption with the forecasted need.

Recommendation 14 (Critical)
RCAIDS and NCTP should develop and use specialized MIS systems for forecasting and quantification.

[8]The Law on Public Procurement allows closed tendering or invitation of a limited number of participants for the contracts below 4,000 MCI/year and the Decree No 1729 below 2,000 MCI/year (MCI = monthly calculation index). One MCI equals to approx. USD 10. In its Procurement Plans for Round 2/Phase 2 and Round 7/Phase 1 the PR mentions closed/limited tendering threshold of 30,000 MCI per contract, which makes it approx. USD 300,000.

Procurement

56. Some of the issues identified by the OIG audit have been referred to the OIG Investigations Unit for follow up.

The Republican Center for Prophylactics and Control of AIDS of the Government of the Republic of Kazakhstan (RCAIDS)

57. Procurement from 2004 to 2010: Competition generated among suppliers for the HIV project was very low with an average of two bidders per tender. In one of the major tenders, the PR had 17 expressions of interest; however, only two bids were received.

58. Review of individual transactions showed areas where improvement was required (see Letter to Management). These included:
- Tenders in which conditions in the bid documents excluded all but one specific supplier;
- Incomplete segregation of duties in the procurement process. In several cases the procurement officer made significant procurement decisions such as evaluation of offers and awards of contracts. The documents maintained did not include all pertinent details, such as the price of awarded or rejected bidder;
- ARV drugs procured were twice as expensive as in neighboring Uzbekistan;
- 100% advance payment had been made without bank guarantees; and
- Acceptance certificates signed by final recipients were generally not dated, thus not committing to a specific delivery date. Calculation of loss or penalties for late delivery was therefore not possible.

59. Procurement after 2010: Since 2010 there has been a major change in PSM, including open advertisements and more competitive procurement. However, the following scope for improvement remained:
- The procurement officer at the time of the audit had not previously held procurement positions. No handover of documents and files concerning the HIV program had been documented;
- Tenders were advertised only in Kazakh language and bidding documents given to potential bidders were only in Russian;
- Technical criteria of bids for health products were evaluated through focus groups and cost was not consistently an evaluation criterion; and
- Performance security (bank guarantee) for implementation of contracts was not mentioned in the contracts.

National Center of TB Problems of the Ministry of Health of the Republic of Kazakhstan (NCTP)

60. The following challenges were identified in the procurement process of the NCTP (see Letter to Management).
- The TB project experienced major loss of electronic data, including correspondence with bidders, contractors and other parties involved in procurement and supply management. Crucial data for judging the transparency of the procurement process were lost;
- Technical specifications for products to be procured were sometimes drafted after offers had been received;
- Specific brands and model names when analyzing equipment to be procured were mentioned, which restricts competition;
- In 2011 two contracts amounting to more than USD 1 million were signed with a company that had been barred by a court order;

- Contracts were awarded to bidders despite insufficient bank guarantees. Sometimes the bank guarantee stipulated in the tender process, 5% of contract value, was reduced to 2% at the time of signing the contract. 100% advance payments were made without bank guarantees;
- Vague technical specifications; and
- Contract conditions were amended in favor of the contractors; for instance, delivery deadlines were extended instead of applying penalties for late delivery.

Recommendation 15 (Critical)
To secure full transparency and competition in procuring products and services, RCAIDS and NCTP should:

(a) Conduct open tendering procedures for products and services as stipulated in the procurement law of Kazakhstan, and only procure products and services using sole sourcing in line with this law;
(b) Advertise open tenders internationally and widely (e.g., in international newspapers, UN Development Business, dgMarket, DevEx, etc.), and apply a consistent language policy for advertisements;
(c) In line with Kazakhstan law, minimize advance payments made and in particular, refrain from paying 100% in advance; and
(d) Establish a procurement archiving system for the safe storage of tender documentation.

Recommendation 16 (Critical)
RCAIDS should:

(a) Mentions price as a selection criterion in its bidding documents;
(b) Clearly informs all potential bidders about selection and evaluation criteria and methods, and does not accept quotations that are not signed or dated; and
(c) Checks prices of products before high-value procurements (above USD 40,000) by comparing prices available in the local market, and reviewing prices in neighboring countries (consult Global Fund website, WHO website).

Recommendation 17 (Critical)
In order to strengthen its capacity to manage procurement contracts, RCAIDS should include the following information in future procurement contracts:

(a) Brand names, manufacturers and countries of origin of drugs;
(b) Performance security clause;
(c) Advance payment rate;
(d) Specific dates of delivery; and that
(e) RCAIDS applies the penalty clause mentioned in the contract in case of delay of delivery by the supplier.

Recommendation 18 (Critical)
RCAIDS should:

(a) Train its current procurement office;
(b) Establish an Evaluation Committee, consisting of procurement professionals and technical experts who are responsible for evaluating bids and quotations and decide who should be awarded a contract; and
(c) Ask the Evaluation Committee to produce an evaluation report for each bid/quotation. The evaluation report should contain the following at a minimum:

- *Brief background information about the need;*
- *Names and positions of external body(ies) engaged as experts for drafting specifications/TORs (if any);*
- *Date of the Request for Procurement;*
- *Date and place(s) of tender announcement;*
- *Requests for clarifications from bidders and responses from the PR;*

- *Date, time and place of bid opening;*
- *Names and positions of individuals present at the bid opening;*
- *Names of the bidders and read out prices of bids;*
- *Information relevant to the technical/financial evaluation of bids or clarifications sought from the bidders;*
- *Names and positions of external body(ies) engaged as experts for evaluating bids/proposals (if applicable);*
- *Results of evaluation and recommendations for contract award, with reasons for the decisions and reference to criteria in the tender documents, including a discussion of any corrected arithmetical errors in the bids;*
- *Special opinions voiced by any member of Evaluation Committee; and*
- *The date of the Evaluation Report, as well as names, positions and signatures of Evaluation Committee members.*

Recommendation 19 (Critical)
NCTP should:
(a) Establishes a bid evaluation system to ensure that the proposals received from suppliers correspond to the bid specifications and conditions;
(b) Calculates its procurement needs/tasks before launching the tender process and includes them in the tender documents;
(c) Clearly mentions detailed technical specifications of its products in the bidding documents;
(d) Stipulates bank guarantees in the bidding documents and does not reduce the bank guarantee amounts for any contractors;
(e) Avoids increasing volumes/prices of products without competition; and
(f) Amends the delivery dates (e.g., by extending the deadlines) and changes payment conditions only in exceptional and well-justified cases.

Quality Assurance

61. No in-country quality control of pharmaceutical products was performed, as required by the Global Fund's QA/QC policy.

Recommendation 20 (Important)
RCAIDS and NCTP should:
(a) Submit a sampling plan and procedure, including the number of lots sampled, the sampling period in terms of storage months, the level of the supply chain at which the collection will be made, and construct a budget for PSM costs; and
(b) Take samples of drugs along the distribution chain and send them to a WHO-prequalified or ISO 17025-certified laboratory for quality control.

PROGRAM REVIEW

62. The audit reviewed the adequacy and effectiveness of the controls in place to ensure that grant monies were spent appropriately. While this did not amount to a technical programmatic evaluation, the audit team reviewed the systems and controls in place to deliver on the grant aims and to ensure that programmatic objectives were being achieved.

HIV

Service Delivery

63. There was scope for improved adherence by RCAIDS to its approved work plan:
- National harm reduction guidelines had not been elaborated;
- Selected NGOs/SRs had not been trained in PLWH social care and ART adherence support; and
- Harm reduction supplies and materials had not been purchased on time, resulting in a six month stock out of syringes, condoms, lubricants, STI medicines, vaccines, test kits and IEC material. This occurred due to a delay in signing the grant agreement between the Global Fund Secretariat and RCAIDS. At the time of the audit, suppliers had been identified and contracts signed.

64. In 2011, Kazakhstan introduced "Salamati Kazakhstan", the 2011-2015 strategic plan for health care delivery in the country. With respect to HIV/AIDS, this plan needed strengthening to ensure an effective national response to HIV/AIDS prevention, treatment and care. At the time of the review, the plan did not specify strategic areas, objectives, main activities, targets or a detailed budget indicating sources of funding and potential funding gaps, thus creating a risk that the national response to HIV/AIDS might be compromised. To mitigate this risk, the MOH had developed a separate detailed two-year implementation plan for HIV/AIDS services in the penitentiary system (a similar plan was being developed for the civil sector). This plan did not specify the amount and source of funding for each activity.

65. At the time of the audit, two short treatment protocols—one for adults and one for children—had been endorsed by the MOH. Two essential ARV drugs were registered in 2010 (Tenofovir and Emtricitabine), which limited treatment options. A full version of the national HIV/AIDS treatment guidelines had not been endorsed.

66. The national STI treatment guidelines endorsed by the MOH did not include the STI syndromic management approach (stipulated in MOH order #295). Standard treatment schedules in these two documents differed, which created a misunderstanding among STI care providers.

67. There was scope for improvement in the policy/legal environment in Kazakhstan, particularly in the context of MARPS. The possession of used syringes, which may test positive for drugs, could be the basis for prosecuting syringe-exchange program (SEP) clients and staff. This was an issue particularly in prisons, where the implementation of SEP was not allowed despite epidemiological evidence of increasing prevalence of unsafe injecting behaviors. This was of major concern in light of the Round 10 grant program, which has a strong focus on delivering harm reduction services in prisons. The implementation of this program will not be possible until adequate policy changes have been introduced in prisons. Methadone had not been registered at the time of the audit.

68. Mandatory HIV testing was common for MARPs. According to the MOH "Algorithm of epidemiological investigation of HIV outbreak", all HIV case contacts should be

identified and tested. The algorithm did not say that this required the informed consent of the person to be tested. Similarly, mandatory registration of STI patients was required in order to access free services in STI clinics. Mandatory disclosure of sexual contacts/partners was also common. According to the new MOH order regulating Dermatology-Venereology service in Kazakhstan, all STI case contacts were subject to mandatory examination. The order did not refer to an informed consent provision.

Recommendation 21 (Important)
In conjunction with technical partners, RCAIDS should*:*

a) *Considers the development of a comprehensive implementation plan for HIV/AIDS services for the civil sector and to improve the plan which exists for the penitentiary sector;*
b) *Facilitates endorsement of the national HIV/AIDS treatment guidelines by the MOH and facilitate registration of methadone in Kazakhstan;*
c) *Reconciles the national STI guidelines with MOH order #295 to ensure a consistent approach with regard to syndromic treatment of STIs;*
d) *Supports policy dialogue on legal reforms to allow the implementation of the grant agreement(s) with respect to SEP and OST; and*
e) *Supports the revision of existing regulations on tracing and testing HIV and STI case contacts to ensure the voluntary nature of clinical examination and testing.*

69. The acceptance of HIV counseling and testing was low among MARPs. Based on focus group discussions, this was due to fear regarding registration, barriers to anonymous testing, as well as a reported absence of routine pre-test counseling.

70. At the time of the audit a concerted effort was ongoing to design a clinical registry for clients. Once operational, this will facilitate clinical management and follow up, particularly for patients currently not fully served.

71. Psycho-Social Counseling (PSC), one of the main strategies implemented by SRs, was not done routinely. There was a need to put in place a standard protocol on the frequency and format of client counseling and include topics such as counseling on TB signs and symptoms.

72. Not all registered PLWH who were receiving services at AIDS centers were screened for TB, particularly those without a *propiska*[9]. Similarly, not all eligible patients were receiving IPT.

73. The audit raised a concern that not all eligible patients were receiving ART. Out of five randomly selected patients at Almaty AIDS Center, four were eligible for ART but were not on treatment. Focus group discussions with PLWH indicated that many patients refused to start treatment due to a fear of ART. There was scope for improved cooperation between AIDS Centers and NGOs working with PLWH to address this.

74. There were limitations to the availability of CD4 and viral load testing due to technical problems with equipment and the short supply of reagents[10]. Not all Oblast AIDS centers had the capacity to measure CD4 count (13 centers) or viral load (5 centers). Drug resistance testing was limited[11], and the national treatment protocol did not include explicit recommendations on HIV drug resistance testing.

[9] The national residency/identification document.
[10] For example, in Pavlodar CD4 counts happened once a year among patients on ART, whereas it should be done once in every six months according to the national protocol.
[11] For example, the Almaty City AIDS Center performed a maximum of eight tests per year.

75. There was scope to improve the functioning of mobile laboratories doing outreach[12]. Mobile laboratory staff would benefit from having SOPs for HIV testing. IDUs, CSWs and MSM in focus groups said that it would be very helpful if rapid testing were done during outreach and not in office settings only.

76. Facilities to improve access to service for patients had scope for improvement. STI case management was provided to MARPs at Friendly Cabinets (FC) functioning either under AIDS centers or run by NGOs. These services were used mostly by CSWs, particularly those from lower socio-economic groups. Utilization of FC services by IDUs and MSM was low.

77. During its field visit reviews, the audit team was alerted by NGO members, their clients (mostly MSM), and CCM members that the perceived quality of condoms purchased and distributed through the Phase 1 of Round 7 grant program was poor. The respondents mentioned small size, dryness, and frequent breakage.

Recommendation 22 (Important)
RCAIDS should:

a) *Advocate for equipping all Oblast AIDS Centers with CD4 and PCR machines and ensures the provision of an adequate supply of reagents for CD4 and viral load testing according to the national protocol;*
b) *Include a recommendation on HIV drug resistance testing in the AIDS national treatment protocol*
c) *Strengthen capacity of reference laboratory staff for HIV drug resistance testing so that it is done among all patients who require it;*
d) *Strengthen local NGO capacity for improving ART initiation and adherence among all PLWH;*
e) *Improve HCT practice by removing barriers to anonymous testing, improving the quality of counseling, and introducing HIV rapid testing at various settings including outreach; and*
f) *Screen for TB all registered PLWH who receive services at AIDS centers, particularly those without a* propiska. *RCAIDS should make sure that all eligible patients receive IPT. This will require improving coordination with the TB program as well as additional training of providers working at AIDS centers.*

Recommendation 23 (Important)
RCAIDS should revise the format of service delivery through Friendly Cabinets based on an evaluation of these units so that their client base is increased.

Training

78. RCAIDS had planned to conduct a two-day training course for 20 outreach workers and 20 PHC professionals on PSC among MARPs. Considering the HIV burden in Kazakhstan, this number of trainees was low and was unlikely to address the national need for trained staff. To fill the gap, RCAIDS used a cascade training approach, but did not consider a training of trainers methodology. Similarly, a peer education approach was employed for training youth, and could be successfully extended to MARP training.

Monitoring and Evaluation

79. The Round 7 HIV/AIDS grant program was fully integrated into the national monitoring system, with only one indicator in the grant performance framework not a national indicator. However, the national HIV/AIDS M&E plan was not up to date at the time of

[12] For example, in Almaty there was just one mobile laboratory at the time of the audit.

the audit, and did not include/define the following: an M&E framework with inputs, outputs, outcomes, and impacts; the process of data flow from different sources into the national M&E system; and the list of information products to be elaborated based on HIV/AIDS M&E data.

80. Greater care needed to be taken to avoid double counting. At the time of the audit, the same group of MARPs in Round 7 were counted twice against the same indicator ("Number and % of MSM currently reached with HIV Prevention Programs") by different SRs.

81. There were no standard indicators used for OST program reporting, particularly for clinical outcomes. Some, NGO outreach workers did not consistently complete or update data registration journals or their client database.

82. The definition and calculation of indicators had scope for improvement. For example, the outcome level indicator "% of young people aged 15-24 who reported using a condom when they last had sexual intercourse" used a different definition at baseline ("last sexual intercourse with a non-regular partner"), than the one used subsequently ("last sexual intercourse with any kind of partner").

83. There was scope for improving process/output indicators to improve the validity of reported data. The following examples illustrate practices that require attention:

- At the time of the audit, the indicator "number and % of CSW currently reached with HIV Prevention Programs" did not include coverage data for CSWs for one of the SRs (Population Services International).
- For the indicator "Number and percentage of most-at-risk populations (CSWs) who received an HIV test in the last 12 months and who know their results", the baseline figure for "percentage" was taken from the BSS report; however, RCAIDS calculated the "number" by multiplying the BSS proportion by the CSW estimated population size, rather than basing it on program implementation data. The same method was used in the corresponding indicators for MSM.
- The Phase 1 actual target reported for the indicator "Number of PLWHA currently receiving care and support services to improve ARV adherence" of 2,015 included those PLWH eligible for but not yet on ART.

84. There was no approved standard protocol of respondent-driven sampling for BSS being conducted among IDUs at the time of the audit. There was significant variation in how this was implemented in practice across all oblasts. The audit noted the following:

- An outreach worker/IDU was participating as second wave respondent; however, outreach workers should not play this role (Pavlodar);
- NGO outreach workers were asked by the AIDS center to bring "HIV negative IDUs" for participation in BSS (Almaty);
- A nurse was asked by the AIDS center to bring 12 IDUs; she had to take IDUs herself by taxi (Almaty); and
- An outreach worker was asked by the AIDS center to bring three IDUs, though he was not involved himself as seed in the first wave, and did not have any coupons to distribute among further respondents (Astana).

85. The AIDS centers were responsible for program implementation and delivering results; at the same time they were responsible for BSS implementation. This created a situation of (potential) conflict of interest with respect to the centers' performance evaluation.

86. There was scope for more fully utilizing in-country partners for technical capacity building, particularly their involvement in the design and implementation of grant programs for SRs under the Global Fund-supported programs.

Recommendation 24 (Critical)
In conjunction with technical partners, RCAIDS should*:*

a) *Consider updating the national M&E plan beyond 2011. The plan format/content should correspond to the best international standards so that it ensures smooth implementation at all levels and contributes to effective national response to HIV/AIDS;*
b) *Review/update the indicators from the national/grant M&E plan to make sure that all indicators are defined clearly and correctly, and that indicators are used consistently at baseline and when calculating the actual results. The PIU M&E unit should conduct a basic quality check of the data reported through national M&E system, before reporting them to the Global Fund; and*
c) *Conduct an independent external evaluation of the HIV surveillance system, including the quality of BSS design and implementation. This should involve all international partners active in this field in Kazakhstan.*

Recommendation 25 (Important)
RCAIDS should improve coordination between all partners to mobilize technical capacity building, so that they better contribute to technical design and effective implementation of the Global Fund-supported programs.

TUBERCULOSIS

Service quality

87. Generally speaking, Kazakhstan was making good progress in scaling up rapid drug resistance testing nationwide. However, at the time of the audit, there was a shortage of rapid drug resistance tests systems, which meant that not all eligible TB patients could be tested as per the national protocol. Rapid drug resistance testing was not done among incarcerated TB patients. There was a need to introduce an external quality assurance system for the TB laboratory network.

88. At the time of the audit, the diagnostic workup of MDR-TB/HIV co-infected patients was not always performed in line with "gold standards". Such patients, both in the penitentiary and civil sectors, were not consistently tested for CD4 and viral load (even though many of them had been consulted by HIV/AIDS clinical consultants).

89. In both civil and penitentiary health facilities eligible TB patients with HIV co-infection did not receive ART. This problem was highlighted in the GLC 2010 country monitoring report, which advised the NCTP to ensure that management of HIV infected TB/MDR-TB patients was better coordinated and that the policy on initiating ART in TB/MDR-TB patients was updated[13]. The report also recommended that adequate infection control measures should be implemented in MDR-TB departments, and that infection control plans should be developed for all TB and particularly MDR-TB facilities. At the time of the audit, these recommendations had not been implemented.

Recommendation 26 (Critical)
NCTP, in conjunction with technical partners, should:

[13] GLC monitoring report, Kazakhstan, 19-22 July 2010.

a) *Procure adequate quantities of rapid drug resistance test kits and makes sure that all TB patients are tested in both civil and penitentiary sectors as per the national guidelines;*
b) *Design and introduces an external quality assurance system for rapid drug resistance testing in laboratories;*
c) *Improve coordination between national TB and HIV/AIDS programs and improves TB/HIV management and control including diagnostic workup of co-infected patients as well as concomitant ART and anti-TB treatment;*
d) *Improve clinical management of side effects of second-line anti-TB drugs as well as clinical management of co-morbidities;*
e) *Monitor the quality of second-line anti-TB drugs through both monitoring of clinical outcomes of patients as well as laboratory testing of quality standards of drugs; and*
f) *Make sure that TB infection control guidelines are available and implemented and that providers are adequately trained.*

Training and IEC

90. There was scope for improvement in the training offered to TB staff. At the time of the audit, a considerable proportion of PHC providers had not been trained in DOTS as projected in the workplan[14]. The Kazakhstan Red Crescent Society (RCS) was scheduled to conduct training in Pavlodar for Oblast TB Center providers on "Counseling of TB patients". In place of the above, RCS conducted two separate trainings on "Interpersonal communication skills" and the "Role of nurses in TB control".

91. The Round 8 program includes quarterly supervision visits by NCTP experts to oblast centers and, jointly with MDR-TB oblast coordinators, to selected districts and facilities to oversee MDR-TB surveillance and case management. There is scope for including on-site technical assistance/on-the-job training as part of these supervision visits.

92. Under Round 6, the RCS has implemented an IEC campaign which was not guided by a documented strategy or plan. The absence of such a plan raised questions about the rationale underlying certain activities, for example, the mass communication events organized in Pavlodar kindergartens for the 2010 World TB Day.

Nutritional support

93. There were no standard criteria for selecting TB patients to receive food/hygiene parcels in the Round 6 and Round 8 grant programs. TB patients without *propiskas* could not get nutritional support, though they could get anti-TB treatment. Patients without a *propiska* often belonged to the most vulnerable groups, with the greatest need for support.

94. Under the Round 8 grant, incarcerated MDR-TB patients were receiving food/hygiene parcels. Given the needs among vulnerable patients who are not in prison, these funds may be better allocated to MDR-TB patients in the civil sector.

Recommendation 27 (Important)
NCTP should:
a) *Implement the DOTS training program in line with the identified need for training; and*

[14] For example, in Pavlodar 158 internists and pediatricians had been identified as requiring DOTS training in 2010, whereas only 89 were trained.

b) Include on-site technical assistance/on-the-job training as part of the supervisory visits to TB grass root facilities.

Supplies

95. Sufficient rapid drug resistance tests systems (Bactec MGIT 960) were stored at Pavlodar Oblast TB Center laboratory to cover the needs of both civil and penitentiary TB facilities in Pavlodar oblast. However, tests were not done among TB patients at Pavlodar TB colony, resulting in a surplus of tests in the central oblast TB laboratory. There is scope for better laboratory coordination between prison health facilities under the Ministry of Justice and facilities under the MOH.

96. SR Oblast TB Centers in the OIG sample often received incomplete shipments of second line anti-TB drugs, both funded by the Global Fund and the state budget. The review of the supplies management system for second-line anti-TB drugs, non-TB drugs and other commodities planned under the Round 6 grant did not take place.

97. The Global Fund grant supports a dedicated vehicle in Pavlodar oblast for collecting sputum samples for rapid drug resistance testing. Despite a carefully elaborated schedule, significant delays (up to one month) in TB diagnosis occur. To avoid this delay, rayon health facilities transport their own sputum samples.

Recommendation 28 (Important)
NCTP should:

a) Develop a management system for monitoring drug stocks at the central and regional levels;
b) Continue strengthening one functional TB laboratory network to make sure that all penitentiary TB facilities are covered with adequate laboratory service; and
c) Reassess the transport modalities for sputum resistance testing.

Grant agreements

98. The grant agreements signed by NCTP with different SRs (e.g., KNCV, Partners for Health) were general in nature and could be improved by including additional detail, for example, the technical deliverables to be produced under the grant.

Recommendation 29 (Important)
NCTP should improve the SR agreement format by including all critical components: scope of work, implementation schedule and M&E plan, which should be detailed enough to ensure smooth grant implementation.

Monitoring and Evaluation

99. At the time of the audit, a number of the M&E modalities in place for the tuberculosis grants could benefit from strengthening. These related to the environment regarding M&E, the quality of indicators in use, and their monitoring. The paragraphs below provide examples.

100. There was no national M&E plan for TB/HIV at the time of the audit, which contributed to a weak national response to co-infection problems. This may have contributed to the finding that the quality of diagnostic and treatment services for TB/HIV patients was not high.

101. There were two separate TB surveillance databases, one for the civil sector and another for the penitentiary system. National reporting required manually combining the data

from both databases. While there was a plan for monitoring PHC facilities, it was not followed in practice (e.g., in Pavlodar Oblast none of the four visits planned for May 2011 took place.)

102. There were very few dedicated TB M&E staff at oblast level – to fill this gap oblast TB center clinical and laboratory staff were engaged in M&E activities. This is related to severe shortage of human resources in TB facilities throughout the country.

103. There was scope for improving the quality of indicators for both Round 6 and Round 8 grants. The following examples illustrate this:

- For the outcome level indicators "Case detection rate" and "Treatment success rate", NCTP took the baseline and target figures from WHO reports, which was not in line with the Round 6 M&E plan, according to which these indicators should have been based on national TB registry data;
- For the Round 8 outcome indicator "Treatment success rate of MDR TB patients" NCTP did not provide baseline or target figures, though the Round 6 MDR-TB pilot project data could have been used for setting the baseline;
- For the Round 6 indicator "Number of PHC medical staff trained in DOTS", the format of presentation of the target "(2,726(648))" was not clear. The comments provided in the PUDR did not add clarity: "Trainings have been conducted by Oblast team of clinical trainers from Oblast TB dispensaries. 33,700 suspected on TB persons have been tested by smear microscopy countrywide in the PHC facilities for reported quarter. 1,930 smear positive patients have been identified";
- The Round 6 indicator "Number of TB patients receiving social support" counted socially vulnerable patients receiving social support in the civil sector only, whereas similar support was also provided to prisoners, which were not included. Per the definition of the indicator, the number of patients should have been reported instead of number of food parcels (which is what the PR reported);
- Round 6 includes the indicator "Number of TB patients receiving Voluntary Counseling and Testing (VCT), including provision of results. At the time of the audit, the data for this indicator were reported on separate paper forms, despite VCT status being available in the electronic data registration system. After reaching the agreed target of 19,140, the NCTP stopped further data capture and reporting on this indicator as the target had been reached;
- For the Round 8 indicator "Number of patients investigated with drug susceptibility testing (DST) to first-line drugs for DR-TB diagnosis using automated MGIT technique", NCTP counted the patients tested with Bactec MGIT 960 tests purchased by both Global Fund grant and state budgets, whereas for other indicators on treatment and training only the results achieved through the Global Fund grant budget were reported. The data for this indicator were reported on paper forms; these could be included in the electronic data registration system. This is true also for the Round 8 indicator "Number of investigations of DST to first line drugs (manual technique)"; and
- For the Round 8 indicator "Number of MDR-TB patients on treatment receiving patient support (education, counseling, incentives and enablers) for better adherence to treatment", should report the number of patients supported rather than the number of food parcels distributed, as per the definition of the indicator.

Recommendation 30 (Important)

NCTP should:

a) In partnership with RCAIDS, develops a national M&E plan, based on international normative standards, for collaborative TB/HIV activities;

b) Ensures that monitoring plans for TB facilities are implemented at local level and results are reported by regional teams in a standard format;

c) Combine the separate TB surveillance databases for civil and penitentiary sectors, so that national indicators are derived in the most accurate and timely manner; and
d) Revise any indicators that are not well defined.