



THE OFFICE OF THE INSPECTOR GENERAL



The Global Fund to Fight AIDS, Tuberculosis and Malaria

Audit of Global Fund Grants to the Kyrgyz Republic

Annexes

GF-OIG-09-012
2 October 2012

Audit of Global Fund Grants to the Kyrgyz Republic

Annex 1: Recommendations and Management Action Plan

Audit area	Recommendations	Response and action	Responsible entity	Date of completion
	Republican AIDS Center			
Quality of services provided	<p>Recommendation 1 (High priority) <i>The RAC should consider increasing HIV testing of MARPs. One strategy to address this may be to introduce rapid test kits for NGOs and private clinics. Within the framework of NGO sub-recipient programs, special emphasis should be given to promoting HIV testing among MARPS by setting relevant targets and selecting relevant indicators to track progress with regard to HIV testing among MARPs.</i></p>	<p>Increase in HIV-testing among the key population groups is the primary objective of “AIDS” RC. The expected results of the new “Den-Sooluk” program for 2012-2017 include the following: “The percentage of those people, especially from the key population, who took the test and know their test results is 80%”. UNDP, as a new Principal Recipient, has planned the purchase of HIV express-tests (blood testing). Besides, the negotiations are carried out regarding the purchase of other test-systems (saliva testing).</p>	<p>Ministry of Health “AIDS” RC</p>	

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	Republican AIDS Center			
	<p>Recommendation 2 (High priority)</p> <p>(a) The RAC should ensure that testing is done according to the national protocol; alternatively, the protocol should be revised to correspond with actual practice. The RAC should clarify the strategy for testing children less than 18 months of age</p>	<p>In the KR the laboratory blood testing of babies under the age of 18 months, based on the epidemiological and clinical indications, is carried out in compliance with the HIV-testing algorithm approved by the Order No. 202 of the Ministry of Health of the Republic of Kyrgyzstan. According to Clause 5 of this Order: “...babies born to HIV-infected women are examined using the PCR (Polymerase Chain Reaction) method – in 2 and 6 months after birth, and the IFA, (Immunofluorescent Assay) method – in 12 and 18 months after birth”.</p>	<p>Ministry of Health “AIDS” RC</p>	
	<p>(b) The RAC should consider simplifying HIV testing procedures. E.g., blood should preferably be collected only once in an adequate quantity so that the same specimen is used at all necessary levels, including central, for confirmation.</p>	<p>This recommendation will be hard to follow. The blood samples of one person are examined three times (two HIV-tests using the IFA method for quantitative detection of antibodies, and one HIV-test using the IFA method for qualitative detection). This stage uses one blood sampling. If the result of those three examinations is positive, immunoblot confirmation is required. In such case the second blood sample is taken with identification of the person who submitted a blood sample.</p>	<p>UNDP</p>	

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	Republican AIDS Center			
	<p>(c) The RAC should consider decentralizing laboratory services so that HIV confirmatory tests are undertaken at the regional level. This is especially important in hard to reach regions like Osh.</p>	<p>Decentralization of laboratory services has been already provided. HIV-testing, at the district level, is carried out by the AIDS-diagnosing laboratories at the territorial hospitals; testing at the regional level is carried out by the AIDS-diagnosing laboratories at the regional AIDS centers; HIV-testing at the municipal level is carried out by the AIDS-diagnosing municipal laboratories at the AIDS municipal centers; and testing at the republican level is carried out by the reference laboratory of “AIDS” RC.</p> <p>The process of final confirmation of HIV-diagnosis using the immunoblot has also been decentralized according to your primary recommendations. It is implemented on the basis of the reference laboratory of “AIDS” RC and the regional AIDS center of Osh, which serves three southern regions (Osh, Jalalabad and Batken regions) and Osh city.</p>		
	<p>(d) The RAC should conduct training in VCT for all providers working at service delivery points at FMC, friendly clinics, AIDS Centers, and SSED.</p>	<p>It is an absolutely proper recommendation. “AIDS” RC staff is always ready for trainings. This question will be negotiated with the new Principal Recipient represented by UNDP.</p>		

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	Republican AIDS Center			
	(e) Consideration should be given to refining the counseling process so that, to the extent possible, pre- and post-test counseling is undertaken by the same person.	It is a good recommendation, which we endeavor to implement. This principle is followed by the medical examination departments at AIDS centers, and we have to ensure the implementation of the principle at other institutions too. However, in this case, much will depend on the personnel policy of the Ministry of Health. Nowadays we have a big percent of medical brain drain.		
	Recommendation 3 (high priority) Consideration should be given by RAC to defining special procedures and rules for health care facilities for storing/accessing/using patients' confidential data in accordance with national policy	The intradepartmental working group has been created. The group should elaborate the special procedures and regulations for prevention and treatment facilities in the sphere of storage and usage of patients' confidential information, in 3 months. This procedure will be formalized by the order of the Ministry of Health.	"AIDS" RC	

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	Republican AIDS Center			
	<p><i>Recommendation 4 (significant priority)</i> In future proposals, RAC should consider including training for all doctors and health service providers working at FMC service delivery points in HIV matters, initiation of ART and clinical follow up of AIDS patients receiving ARV treatment. The RAC should also improve infection control practices in healthcare facilities through provision of necessary materials and equipment as well as training of providers on effective infection control measures.</p>	<p>The issues of training for all the physicians and medical service providers, working in health care facilities in respect of AIDS matters, were specified in the working plans of “AIDS” RC and the Ministry of Health. It also applies to the improvement of infectious control practice at the health care facilities. This issue is seriously investigated by the Center of Infectious Control at the “Profilakticheskaya medicina” (“Preventive Medicine”) Scientific Production Association of the Ministry of Health of the KR.</p>	<p>Ministry of Health “AIDS” RC Center of Infectious Control at the “Profilakticheskaya medicina” Scientific Production Association</p>	
	<p><i>Recommendation 5 (high priority)</i> The HIV Center and the MOH should give consideration to timely initiation of ARV treatment and clinical follow up of patients at the regional level. This calls for improving the technical capacity of regional AIDS centers especially in the Southern Oblasts as a priority.</p>	<p>The integration of AIDS service activities on ART continues at the regional levels, however it is a long process. It should be noted that this integration is slow. Everything depends on the local experts in regions. This problem is being solved in the Osh region, based on the example of two FMCs in Nookat district, where the local infectiologists treat patients. A special attention is paid to this issue by the AIDS Center and the Ministry of Health of the KR. This problem is also controlled by the development partners in the frames of semiannual reviews of the public health reform.</p>	<p>Ministry of Health “AIDS” RC Regional and district FMCs</p>	

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	Republican AIDS Center			
	<p><i>Recommendation 6 (high priority)</i></p> <p>(a) The RAC Center and the MOH should consider promoting proper management of OIs including TB. The PR should ensure that the appropriate types and quantities of drugs for management of OIs are available at facilities</p> <p>(b) The HIV Center should promote routine assessment of PLWHA for STIs as well as treatment of STIs at friendly clinics.</p>	<p>The “AIDS” RC’s dispensary department staff works hard on this issue in cooperation with the specialists of the Republican Infectious Hospital and the National Phthisiology Center. The medicines for treatment of OIs should be supplied by the new Principal Recipient represented by UNDP at the request of “AIDS” RC.</p> <p>“AIDS” RC and NGOs are working on this issue in close collaboration with friendly clinics and the Republican Dermatovenerology Center. The work is carried out.</p>	<p>“AIDS” RC</p> <p>Republican Dermato-venerology Center</p>	
	<p><i>Recommendation 7 (significant priority)</i></p> <p><i>Provider training at maternity hospitals/departments and FMC should include PMTCT. This training should cover amongst other things the promotion of Cesarean Section as an effective method of reducing the risk of mother to child transmission.</i></p>	<p>The possibility of financing these activities should be discussed with the new Principal Recipient, according to this recommendation.</p>	<p>Ministry of Health</p> <p>“AIDS” RC</p> <p>UNDP</p>	

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	Republican AIDS Center			
	<p>Recommendation 8 (High priority)</p> <p>(a) Future programs should give consideration to strengthening palliative home care through: training of FMC providers; supporting the involvement of NGOs, and ensuring adequate supply of medicines needed. Palliative care should take into account the psychosocial needs of the PLWHAs.</p> <p>(b) The RAC should work with the relevant government Ministries to advocate for rights of PLWHAs and work to reform the current legal framework to support the PLWHAs in getting employment.</p>	<p>Two hospices, 10 beds in each (20 beds in overall), were opened on the basis of the Republican Narcology Center and Osh Narcological Dispensary. Such quantity is evidently insufficient. We just begin to encounter the problem of palliative treatment, that is why the quantity of beds will also be insufficient in the future. However, the domiciliary care service is a solution of this situation. A special attention should be paid to this issue which is under the authority of the Republican Narcology Center.</p> <p>“AIDS” RA closely cooperates on this issue with the appropriate ministries, non-governmental organizations, donors, and deputies of the Jogorku Kenesh (Supreme Council). The most recent amendments to the KR Law “On HIV/AIDS in the KR” were made and officially approved by the Jogorku Kenesh on May 14, 2011, and signed by the President of the KR on June 14, 2011.</p>	<p>RNC</p> <p>Ministry of Health</p> <p>“AIDS” RC</p> <p>NGOs</p>	

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	<p><i>Recommendation 9 (High priority)</i> The RAC should work with the Ministry of Health to accelerate implementation of national strategies for blood safety. Priority should be given to ensuring that the national blood service is functioning according to the best international standards</p>	<p>“AIDS” RA coordinates the health sector in HIV/AIDS prevention. The blood sampling service is coordinated by the Republican Blood Center at the Ministry of Health of the Republic of Kyrgyzstan.</p> <p>The Republican Blood Center has elaborated a draft Program for blood services development in the Republic of Kyrgyzstan for 2011-2015, taking into consideration the recommendations of the World Bank and CDC, which were provided based on the results of the national services estimation in the sphere of blood safety in Central Asian countries.</p> <p>Draft Program was submitted for consideration to the Ministry of Health, and is currently under the assessment by donor organizations.</p>	<p>Ministry of Health</p> <p>Republican Blood Center</p>	

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	Republican AIDS Center			
<p>Prevention – harm reduction / expansion of access among HRP, prisoners and migrants</p>	<p>Recommendation 10 (high priority)</p> <p>(a) The RAC should consider enhancing the IEC component for IDUs to increase appreciation and subscription to the MST program.</p> <p>(b) The RAC and the MOH should consider conducting regular programmatic review of various prevention programs implemented by NGOs among IDUs (e.g., drop in center, half-way house, residence) as part of the Annual Review requirement provided in the grant agreement.</p> <p>(c) The RAC and the MOH should consider facilitating policy dialogue and advocacy to increase involvement of local governmental structures in the prevention programs so as to improve the social support to MARPs and ensure sustainability.</p>	<p>At the present time the functions of the Principal Recipient of the GFATM grants in Kyrgyzstan were delegated to UNDP. However, “AIDS” RA as well as the Republican Narcology Center and all the other partners, participating in preventive programs and programs on harm reduction, will render all kinds of support and assistance to UNDP.</p> <p>It is important to note that the previous PR has also implemented the obligatory testing of syringes, etc. in the focus groups of the most vulnerable populations. The information materials are mostly elaborated by the community organizations or agencies working with HRP, with attraction of beneficiaries.</p>	<p>UNDP</p> <p>CMCC (Country Multisectoral Coordination Committee)</p> <p>“AIDS” RC</p> <p>Government of the KR</p> <p>Ministry of Health of the KR</p>	

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	<p>Republican AIDS Center</p> <p>(d) The RAC and the MOH should consider facilitating policy dialogue and advocacy to increase involvement of local governmental structures in the prevention programs so as to improve the social support to MARPs and ensure sustainability.</p> <p>(e) The RAC should identify NGOs working among MSM in the penitentiary system.</p> <p>(f) The RAC should facilitate linkage between NGOs and public health facilities to the end that MSM linked to the NGO receive drugs when required.</p>			
<p>Monitoring and evaluation</p>	<p><i>Recommendation 11 (high priority)</i></p> <p>(a) The RAC should improve the quality of indicators by formulating them well and making them more meaningful. The RAC should develop a Unicode database for prevention providers and activities.</p>	<p>At present the functions of the Principal Recipient on the GFATM grants implementation in Kyrgyzstan were delegated to UNDP. "AIDS" RA in its turn is eager to render any support to the PR in fulfillment of these recommendations. The data verification is carried out directly on the site of the projects' implementation by</p>	<p>M&E Department at "AIDS" RA</p> <p>RMIC</p> <p>DSSSES</p>	

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	<p>(b) The RAC should select an appropriate data collection mechanism to improve the validity of measurements. Furthermore, appropriate mechanisms should be put in place to verify the data</p> <p>(c) The RAC should ensure that standard forms and procedures for HIV/AIDS routine case reporting are consistently applied across the country. This should be done through training, and support supervision to epidemiologists and providers involved in HIV/AIDS case reporting at all levels.</p> <p>(d) The RAC should consider engaging independent service providers to implementing the BSS, to detect and eliminate all possible sources of bias and enhance the validity of BSS results.</p>	<p>conducting site visits of the GFATM PIU and “AIDS” RA program specialists. Meetings with service recipients, outreach visits (“spots”, “pits”). Since 2009, the Unified Identification Coding (UIC) has been introduced for the program clients in order to improve the process of monitoring and evaluation of the service providers’ work effectiveness, and to evaluate the actual coverage of vulnerable populations with HIV/AIDS prevention programs. Besides, the new reporting form and clients database system - “MIS” (Management Information System) was introduced for all the grant recipients in order to improve the registration and reporting forms. The MIS shows not only the coverage of one or another vulnerable group of population with HIV/AIDS prevention programs, but also the entire volume of services rendered to the program clients. As of today, the “MIS” client database has been improved, adopted by all the organizations - recipients of the GFATM grants, and now it is successfully operating (Annex 1). Regarding the reporting forms at the centers of AIDS prevention and control, there is a standard monthly reporting form No.4, approved by the</p>		

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	<p>(e) The RAC should consider engaging independent service providers to implementing the BSS, to detect and eliminate all possible sources of bias and enhance the validity of BSS results.</p>	<p>National Statistics Committee. It represents the information on the quantity of people, who took the HIV-testing in the country. This reporting form does not represent the actual information on the dates of testing, however it includes the information on those patients, who have taken the HBsAg and HCV (Hepatitis C Virus) testing. All the tested persons were divided into contingents based on the appropriate codes. At present the Ministry of Health of the KR has elaborated and approved a new reporting form for those persons, who had undergone HIV-testing. The form would represent more detailed information on the tested persons – the contingent code, full name, gender, age, place of residence, consent to VCT and its conducting (date), HIV-testing (date), post-test consultation (date) and names of organizations for redirection of patients. The decree on the new VCT reporting form was distributed among all the appropriate medical institutions. The report with regard to persons, who have undergone HIV-testing in 2011, will be represented based on the form No. 272/u.</p>		

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	Republican AIDS Center			
Institutional organization	<p><i>Recommendation 12 (significant priority)</i></p> <p>(a) The Ministry of Health should strengthen its oversight over the institutions responsible for the implementation of Global Fund-supported programs. Such oversight should cover the respective institutions' strategies, governance matters, operations and overall program performance.</p>	<p>We agree with this recommendation, it is already in the phase of implementation. The Country Coordinating Mechanism has established the special committee on supervision over the grants implementation, and elaborated the plan of supervising activities. However, it is important to mention one more time that UNDP was assigned as the new Principal Recipient, which plans to submit the periodical reports to CCM.</p>	<p>CMCC</p> <p>Ministry of Health of the KR</p> <p>"AIDS" RC</p>	
	<p>(b) Senior management oversight over the utilization of Global Fund grants should be strengthened. As part of its oversight role, senior management meetings should review grant performance, ensure that there are proper controls to safeguard program assets, ensure compliance with the grant agreement and laid down procedures to ensure that targets are met and that impediments to implementation are addressed timeously.</p>	<p>The Ministry of Health of the KR would strengthen the top management supervision over the usage of the Global Fund's grants.</p>		

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	(c) The HIV Center should present periodic reports to its management, the MoH and the CMCC's oversight committee. The reports should provide sufficient detail on the target and actual activities as well as financial performance and audit reports.	"AIDS" RA is a substructural organization of the Ministry of Health. The periodical (quarterly, semiannual and annual) reports are submitted to the Ministry of Health. Besides, the issues on grants implementation and financial information were regularly discussed at the CMCC sessions.		
	<p>Recommendation 13 (high priority)</p> <p>(a) UNDP and RAC should revisit the definition of the roles and responsibilities of each party in the MOU. The role of any fiduciary arrangements should cover monitoring of expenditure against work plans, budgets and PSM plans.</p> <p>(b) In future, the RAC and UNDP should ensure that the terms stipulated in the MOU are complied with. The fiduciary arrangements entered into by the RAC should specify in detail the type and format of reports to be provided to the RAC. These reports should conform to the requirements of reporting to the Global Fund.</p>	<p>At present the functions of the Principal Recipient of the GFATM grants in Kyrgyzstan were delegated to UNDP.</p> <p>In connection with transmission of the Principal Recipient's functions from "AIDS" Republican Center to UNDP, these two recommendations were not discussed.</p> <p>"AIDS" RA will move to a new phase of cooperation with UNDP.</p>	<p>UNDP</p> <p>"AIDS" RC</p>	

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	Republican AIDS Center			
	<p><i>Recommendation 14 (high priority)</i></p> <p>(a) To the extent possible and in line with Global Fund principles, the Center should use national structures, systems and procedures for implementing program activities. In cases where parallel systems (PIU and UNDP arrangement) have been established, these structures should be for a defined period of time with relevant capacity building and transition plans for the eventual transitioning back to national structures. Any skill gaps within the government structure should also be identified and addressed accordingly.</p> <p>(b) A transition plan that identifies the conditions that would need to be met in order to transition programs back to the national structures should be developed. It should have timelines with actions against which progress can be measured and adjustments to the plan made over time as well as an exit strategy. This plan should be monitored by the CCM.</p>	<p>At present the functions of the Principal Recipient of the GFATM grants in Kyrgyzstan were delegated to UNDP. However, UNDP, in accordance with its powers, elaborates the plans of increasing the potential of national structures for subsequent transferring of the programs to these structures.</p>	<p>UNDP</p> <p>“AIDS” RC</p>	

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	Republican AIDS Center			
	<p><i>Recommendation 15 (significant priority)</i></p> <p>(a) The selection of the auditors for the Global Fund-supported programs should follow a transparent process as required by the Global Fund's policies. The audit scope should be in line with the Global Fund guidelines on audit and therefore cover all the expenditure incurred at the PIU.</p> <p>(b) The RAC should consider establishing an internal audit function to review SRs and program implementation in the regions. This will strengthen the internal control environment at the Center and among the SRs where the programs are being implemented.</p>	<p>As mentioned above, the functions of the Principal Recipient of the GFATM grants in Kyrgyzstan were delegated to UNDP. In accordance with this fact, the functions on the external auditor selection as well as the audit scope determination were delegated to UNDP.</p>	<p>UNDP</p>	

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	Republican AIDS Center			
	<p><i>Recommendation 16 (requires attention)</i> The Center should comply with its human resources policies and procedures especially with regard to the recruitment of staff..</p>	<p>All the employees, who have received remuneration for their activities, were directly involved into the implementation of the Global Fund program. Particularly, the medical specialists were hired upon the recommendation of the FPM after the hospital-acquired infection outbreak which took place in the South of the country. These specialists have directly treated HIV-infected patients on a 24-hour basis. Both of the medical specialists are highly trained experts on ART issues who consulted the patients all over the country, in penal system as well. They have received a high rating during the research conducted by UNICEF. Due to the efforts of these specialists, we have achieved much success in increasing the treatment coverage of HIV-infected patients. Antiretroviral therapy is an important part of the GF program, that is why we do not agree that these expenditures do not relate to the program.</p>		
<p>Compliance with the Grant Agreement and legislation of the country</p>	<p><i>Recommendation 17 (high priority)</i> The Center should comply with the conditions stipulated in the grant agreement. This will strengthen the control environment within which Global Fund programs are implemented. Specifically, the Center should:</p>	<p>As mentioned above, the functions of the Principal Recipient of the GFATM grants in Kyrgyzstan were delegated to UNDP. However, it is important to note that according to the acting Fiduciary agreement with UNDP, from the moment of the GFATM grants implementation for HIV/AIDS component, the Grant funds received to the PR's account were transferred to UNDP Fiduciary agent's account</p>		

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	<p>(a) Ensure that proper books of accounts are maintained;</p> <p>(b) Maintain program funds in interest bearing accounts with all interest and program income duly accounted for and used exclusively for program activities</p> <p>(c) Withhold relevant taxes from payments of services in accordance with the relevant government laws; and</p> <p>(d) Insure program assets against loss, as appropriate.</p>	<p>within 3 banking days. During the period of Round 2 Grant implementation, the PR had received the bank interest in the amount of \$161 998 (Annex 5) from UNDP Country Office, which then has been reinvested into the program.</p> <p>Besides, according to the Resolution of the Government, there is a list of international organizations, including UNDP, which receive the reimbursement of the paid VAT from the State. VAT paid from the grant funds is reimbursed from the state budget (often with delays). It should be noted that the funds in the amount of 165 876.23 USD, paid as taxes by the end of 2009, were refunded in full, according to the reports submitted by the PR to UNDP and, accordingly, by UNDP to tax authorities (Annex 8). It should also be mentioned that during the period of implementation of the GF grants, drugs and medical products were mainly purchased, which were initially exempted from VAT payment in the country.</p> <p>All the necessary taxes are deducted from the salary of staff hired for the program implementation, in accordance with the acting legislation. The PIU staff and other consultants pay taxes based on the direct taxation system, i.e. by means of purchasing patents and insurances, which is not prohibited by the legislation of the</p>		

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		<p>KR. This circumstance rises from the fact that the legislation has developed special regulations on taxation of those employees, who work for the international projects.</p> <p>Only the motor vehicles were insured as they are subject to the most risks. The assets and office equipment was not insured as the funds for these items were not budgeted. The Project assets are fully available and in working condition.</p> <p>However, it is necessary to note that this remark is fair. Subsequently "AIDS" RA shall apply to the new PR with the request on appropriation of funds for these aims.</p>		
Financial management	<p><i>Recommendation 18 (significant priority)</i></p> <p>(a) The financial management manual should be revised to take into consideration the role played by the fiduciary agent. Management should revisit the roles undertaken by different staff and ensure that there is sufficient segregation of duties.</p> <p>(b) Periodic reconciliations should be prepared between the records maintained by the Center and those maintained by the UNDP. Differences should be analyzed and resolved.</p>	<p>At present the functions of the Principal Recipient of the GFATM grants in Kyrgyzstan were delegated to UNDP.</p>		

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Procurement and Delivery Management (PDM)	<p><i>Recommendation 19 (significant priority)</i> The Center should identify an appropriately qualified third party procurement agent through a competitive process. The agent should also have clearly defined terms of reference with management retaining oversight and decision making authority over the entire procurement process.</p>	<p>At present the functions of the Principal Recipient of the GFATM grants in Kyrgyzstan were delegated to UNDP, which would carry out all the procurement activities within the frames of the GFATM grants implementation.</p>	UNDP	

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	Republican AIDS Center			
	<p><i>Recommendation 20 (Significant)</i> The Center should enforce adherence to the laid down procurement guidelines. Exceptions should be justified and approved by the management. Specifically,</p> <p>(a) The Center should strive to call for bids for purchases in accordance with the procurement policies and procedures.</p> <p>(b) The bid solicitation process should be strengthened. The Center should provide adequate and consistent information to all prospective bidders to enhance transparency. Advertisements should classify different products into lots.</p> <p>(c) Criteria should be established and complied with.</p> <p>(d) Bid terms should not be changed after the evaluation process without proper justification and the approval of management.</p>	<p>At present the functions of the Principal Recipient of the GFATM grants in Kyrgyzstan were delegated to UNDP, which would carry out all the procurement activities within the frames of the GFATM grants implementation.</p>	<p>UNDP</p>	

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	<p>(e) Penalties for late delivery should be applied to all vendors.</p> <p>(f) The Center should use available resources, e.g., the Global Fund PQR, to ensure that prices obtained from vendors are reasonable.</p>			
	<p><i>Recommendation 21 (high priority)</i></p> <p>(a) The HIV Center should establish a comprehensive electronic management information system for ARVs, other medicines as well as health and laboratory supplies. The Center should also improve its forecasting of drug requirement in order to avoid expiry of drugs in the future.</p> <p>(b) The Center should equip its warehouses with temperature control systems. The PR should distribute non-health products to the final users shortly after delivery and strengthen inventory control systems.</p>	<p>The possibility of financing these activities should be discussed with the new Principal Recipient, according to this recommendation.</p>	<p>“AIDS” RC UNDP</p>	

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Control of the sub-recipients	<p>Recommendation 22 (significant priority) The Center should develop and implement a comprehensive set of guidelines for solicitation, evaluation and contracting of sub-recipients. There should also be internal processes developed for continuous monitoring of sub recipient program implementation and accountability.</p>	<p>As mentioned above, the functions of the Principal Recipient of the GFATM grants in Kyrgyzstan were delegated to UNDP. Thus, selecting, evaluating and signing the contracts with the SRs, as well as monitoring of their activities should be carried out by the new Principal Recipient.</p>	UNDP	
Republican Narcology Center (one of the SRs)	<p>Recommendation 23 (High) The PR should recover the funds (USD 464.28) disbursed to the sub recipient under the contract.</p>	<p>We send you the documents, as the Annex to this section, confirming the distribution of food packages by the sub-recipient, "Parents against drugs" Public Foundation (Annex 21).</p> <p>OIG: A number of documents were submitted in photocopy following the conclusion of the audit. Our understanding is that the Secretariat, with the LFA, will follow up appropriately with the PR and SRs to establish fulfillment of the Recommendations.</p>		
	<p>Recommendation 24 (high priority)</p> <p>(a) The recipient, Master Radosti, should repay the funds (USD 9,799.44) for which no accountability was provided..</p>	<p>Unfortunately this report does not reflect which expenditures are not confirmed by the required documents, in the opinion of the OIG auditors. In our opinion, all the expenditures of the sub-recipient are confirmed by primary documents. We kindly ask you to provide us with the detailed information on this amount, so that we could submit the confirmation documents and</p>		

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Audit area	Recommendations	Response and action	Responsible entity	Date of completion
	Republican AIDS Center			
	(b) Prior to contracting SRs and other recipients, the PR should review the adequacy of controls over its human resources management systems.	<p>explanations. This document encloses the explanatory note of “Master Radosti” PF (Annex 22).</p> <p>OIG: A number of documents were submitted in photocopy following the conclusion of the audit. Our understanding is that the Secretariat, with the LFA, will follow up appropriately with the PR and SRs to establish fulfillment of the Recommendations.</p>		
	<p>Recommendation 25 (High)</p> <p><i>The PR should recover the funds (USD 1,500) disbursed to the sub recipient under the relevant contract.</i></p>	<p>We send you the documents, as the Annex to this section, confirming the distribution of food packages by the sub-recipient, “Matritsa 2005” (“Matrix 2005”) Public Foundation (Annex 23).</p> <p>OIG: A number of documents were submitted in photocopy following the conclusion of the audit. Our understanding is that the Secretariat, with the LFA, will follow up appropriately with the PR and SRs to establish fulfillment of the Recommendations.</p>		

Audit of Global Fund Grants to the Kyrgyz Republic

Audit area	Recommendations	Response and action	Responsible entity	Date of completion
	Republican AIDS Center			
	<p><i>Recommendation 26 (significant priority)</i> The Center should strengthen its supervision of SRs and SSR activities. Reports submitted by SRs should be reviewed critically to ensure that irregularities are identified and corrected.</p>	<p>The main objective of the Project (30-a) was to provide available services to IDUs by creating an innovative model of rendering the complex assistance to IDUs in the format of umbrella-type organization, which included the governmental institutions (Bishkek Mayor's Office, Bishkek Territorial Administration of Mandatory Health Insurance Fund with FMCs, "AIDS" RA, emergency hospital, countryside ambulance department of Budenovka village), non-governmental organizations ("Socium", "Parents against AIDS and drugs - TSADMIR"), initiative groups of drug user communities.</p> <p>In this regard and with the purpose of providing the effective coordination of the above mentioned organizations and groups, continuity of rendering assistance to IDUs and improvement of provided services quality, the consultants were required in these functional subdivisions.</p> <p>The representatives of governmental institutions, who work in the sphere of HIV/AIDS, public health, and are familiar with the system of services provision, have considerable experience and authority in preventing HIV/AIDS, could work as the consultants.</p> <p>With the approval of the General Director of "AIDS" RA, the contract was signed with Mr. Bakiev Erkin Abduvasitovich for providing the HIV/AIDS consulting services, based on the fact that Mr. Bakiev, as an employee of "AIDS" RA, implemented the selection and supervision over the activities of the SR, "Socium" LLC, taking</p>		

Audit of Global Fund Grants to the Kyrgyz Republic

Audit area	Recommendations	Response and action	Responsible entity	Date of completion
	Republican AIDS Center			
		<p>into consideration the professional knowledge and skills of the employee. The contract No. 30-a and 30-b was effective from 01.03.2007 to 28.02.2008 on the terms of part-time employment with the salary of \$100 per month.</p> <p>According to the contract and his functional duties, the consultant had to: render the consultative assistance to the program personnel of “Socium” LLC and functional subdivisions in supporting the program clients; assist in effective cooperation of the FMCs with “AIDS” RA and AIDS Municipal Center; inform health care facilities and the Ministry of Health of the KR about the program; participate in public events (actions, World AIDS Day, International Day against Drug Abuse, etc.); assist in creating the complex model of interaction in HIV/AIDS prevention.</p> <p>During the period of employment, Mr. Bakiev E.A. has rendered the consulting assistance to the personnel or clients of “Socium” LLC by phone or face-to-face;</p> <p>Mr. sites of Kyrgyzstan and 7 sites of Kazakhstan.</p> <p>Mr. Bakiev’s recommendations helped in creating an innovative multidisciplinary model for rendering assistance to the IDUs, IDUs/ PLHIVs; the model was implemented within the frames of the regional project, supported by CAAP/USAID on 5 pilot sites of Kyrgyzstan and 7 sites of Kazakhstan.</p> <p>During the contract period (from 01.03.2007 to 28.02.2008), Mr. Bakiev E.A. has received the salary in the total amount of \$1,860 (payroll reports and copy of ToR are enclosed to Annex 24)</p>		

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Audit Area	Recommendations	Response and action	Responsible entity	Date of completion
	National Centre of Phthisiology			
	<p><i>Recommendation 27 (High priority)</i> NCP management could further improve quality of service for TB diagnosis and care through:</p> <p>(a) Re-training Family Medicine Clinic providers and prison health personnel in TB diagnosis and DOTS strategy</p> <p>(b) Undertaking regular and continuous supervision and quality control for DOTs facilities.</p>	<p>Training for laboratory workers is included in the list of activities under the consolidated grant program managed by UNDP.</p>	<p>UNDP</p>	<p>2011-2013</p>
	<p><i>Recommendation 28 (significant priority)</i></p> <p>The Ministry of Health and NCP should give consideration to supporting adherence of anti-TB treatment through supporting NGOs providing social care as well as nutritional support to TB patients.</p>	<p>Issues of rendering social support to patients are included in the list of activities under the consolidated grant program and Round 9 Grant program managed by UNDP and Project HOPE.</p>	<p>UNDP, Project HOPE</p>	<p>2011-2103</p>
	<p><i>Recommendation 29 (high priority)</i> (a) The PR should give consideration to enhancing identification of chronic TB patients</p>	<p>This section is a part of the National TB4 Program, which is currently under development. Issues of modernization of the electronic tracking system are included in the list of activities under Round 9 Grant program</p>	<p>Project HOPE</p>	<p>2011</p>

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Audit Area	Recommendations	Response and action	Responsible entity	Date of completion
	National Centre of Phthisiology			
	at PHC level so that these patients are promptly referred for MDR-TB testing. The important areas requiring improvement include (i) MDR-TB laboratory capacity in the regions and (ii) coordination between “national MDR-TB consilium” and TB hospitals.	managed by Project HOPE		
	(b) The Ministry of Health and NCP should give consideration to regulating the sale of first line anti TB medicines in pharmacies in order to prevent further development of drug <i>resistant TB</i> .	The issue of free sale of anti-TB drugs has been raised many times by the National TB Program, however, the NPC is not liable for solving this issue. Besides, it should be noted that neither Round 2 Grant nor Round 6 Grant indicates the Program liabilities on this issues. In addition, it should also be considered that the broad -spectrum antibiotics, such as Rifampicin, are used for treatment of other diseases as well.	MoH	
	Recommendation 30 (high priority) (a) Although not funded by existing grants, the MoH should mobilize resources to improve MDR-TB laboratory capacity in order to expedite the diagnosis process. In the event that sputum has to be sent to Bishkek, consideration should be given to air lifting sputum/culture from southern regions to NRL in Bishkek	The Ministry of Health and the NPC carry out the systematic activities in order to attract the resources for upgrading the laboratory component within the frameworks of the National TB Control Program. Considerable assistance in upgrading the laboratories has been rendered within the projects of KfW and ICRC. The issues of transportation of pathology materials are included into the list of activities under the grants programs managed by UNDP and Project HOPE.	UNDP, Project HOPE	2011

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Audit Area	Recommendations	Response and action	Responsible entity	Date of completion
	National Centre of Phthisiology			
	(b) National guidelines and SOPs on infection control should be implemented to minimize the risk of disease transmission. All staff working with TB should receive appropriate training immediately.	The NPC is developing the project on examination of infection control status and preparing the National Guidelines on Infection Control.	NPC	2011
	Recommendation 31 (high priority) (a) The PR should align indicators in the performance framework with the national TB M&E plan.	The M&E Plan is a part of the TB Guidelines developed and approved in 2008. The second edition of the Guidelines was issued in 2009.		
	(b) Data validation systems would assure accuracy as well as capacity building for SRs and SSRs with regard to M&E.	The project activity indicators are determined at the stage of preparing the proposals and approved by the Global Fund after their verification by the LFA. The mechanism of TB data collection and analysis is described in the TB Guidelines of the Republic of Kyrgyzstan. During the last 5 (five) years, at the Annual Public Health Summits the issues in TB control are discussed at the highest level as one of the priority programs of the health care reforms in the Kyrgyz Republic. Such discussions are preceded by review activities during which the Partners and the Government discuss and consider all the aspects of implementation of the National TB Control Program. During the last years it was observed that the TB Service achieved the real success based on all indicators, despite some difficulties.	NPC, UNDP, Project HOPE	2011-2013

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Audit Area	Recommendations	Response and action	Responsible entity	Date of completion
	National Centre of Phthisiology			
Infection Control in Health Care Facilities	<p><i>Recommendation 32 (significant priority)</i></p> <p>(a) Regular review of grant performance at senior management meetings.</p> <p>(b) Presenting detailed periodic reports including audit reports to the Ministry of Health and the CMCC's oversight committee regularly.</p>	<p>All TB-related projects being implemented in the Kyrgyz Republic are coordinated and reviewed by the Coordination Council on TB headed by the Deputy Minister of Health. The NPC Management.</p>	<p>Ministry of Health</p>	<p>Annually</p>
	<p><i>Recommendation 33 (Requires attention)</i></p> <p>(a) Management should ensure that all audit recommendations are implemented in order to strengthen the internal control environment within which grants are implemented.</p> <p>(b) NCP should consider establishing an internal audit function to review SRs and program implementation in the regions.</p>	<p>Based on the results of the audit the Action Plan for elimination of shortcoming has been elaborated and submitted to the MoH and the FPM, Mr. Chernyavsky.</p>	<p>NPC</p>	<p>December, 2011</p>
	<p><i>Recommendation 34 (significant priority)</i></p> <p>The NCP should comply with the conditions stipulated in the grant agreement. This will strengthen the control environment within which Global Fund programs are implemented. Specifically, the</p>		<p>The project was completed on 30.04.2011</p>	

Audit of Global Fund Grants to the Kyrgyz Republic

Audit Area	Recommendations	Response and action	Responsible entity	Date of completion
	National Centre of Phthisiology			
	Center should:			
	(a) Record all income and interest earned from program activities and/or funds. These funds should only be used in accordance with the Global Fund guidelines;	The Program Agreement does not specify the receiving of the preliminary approval of CCM or the Global Fund. Clause 11 of Grant Agreement.		
	(b) Not deposit grant funds in fixed deposit accounts;	There is no such requirement in the Program Agreement. We took it into consideration.		
	(c) Implement systems that track and recover taxes paid so far from the tax authorities;	We took it into consideration.		
	(d) Withhold relevant taxes and social insurance in accordance with the law and submit the amounts withheld to the relevant authorities. All outstanding balances collected so far and not remitted should be paid without fail;	We took it into consideration.		
	(e) Insure program assets against loss as appropriate; and	According to budget		
	(f) Implement the government laws with regard to per diem and salary payments	We took it into consideration.		
	Recommendation 35 (requires attention) (a) The PR should designate a cashier among other non-accounting staff who would then report on the use of funds to the Finance Manager	We took it into consideration.	The project was completed on 30.04.2011	

Audit of Global Fund Grants to the Kyrgyz Republic

Audit Area	Recommendations	Response and action	Responsible entity	Date of completion
	National Centre of Phthisiology			
	for verification and review.			
	(b) To enhance budgetary control, the detailed program budget should be input into the 1C:Accounting software. Payments should be processed against specific budget line items. The finance manager should ensure that payments are charged against the correct budget lines	1C software was installed in 2006.	The project was completed on 30.04.2011	
	Recommendation 36 (Significant) Inter grant borrowing should be prohibited.	The activities on funds borrowing were implemented with the consent and approval of the FPM. Respective correspondence is attached (Annex 12).	UNDP, Project HOPE	
	Recommendation 37 (significant priority) In the absence of support documents, the PR should refund USD 17,703 and Euro 1,465 which is the total of the following amounts:	OIG: A number of documents were submitted in photocopy following the conclusion of the audit. Our understanding is that the Secretariat, with the LFA, will follow up appropriately with the PR and SRs to establish fulfillment of the Recommendations.		
	a) Program funds used for staff incentives USD 1,860;	The amount has not been spent for the NPC's anniversary celebration, but for carrying out the activities according to the Work Plan, Activity 2.4.1. "Annual National Conference on TB Control".		
	b) Program funds advances as loans – USD 7,191 and Euros 1,465;	The expenses were incurred in accordance with the Work Plan and budget of Round 2 Grant. Activity 3.1.2. 'Social support of MDR-TB patients and medical specialists'.		

Audit of Global Fund Grants to the Kyrgyz Republic

Audit Area	Recommendations	Response and action	Responsible entity	Date of completion
	National Centre of Phthisiology			
	c) Lack of accountability for regional meeting – USD 748;	No loans were issued. No dates and payment amounts are indicated in the Report. No proof to this comment has been found.		
	d) Unsupported expenditure for nursing course - USD 558;	All the expenses related to the refurbishment of a pharmacy have been confirmed by proper supporting documents.		
	e) Advances to former program manager that were not accounted for – USD 2,586; and	The laptop has been purchased and used for the work purposes. The difference in amounts has been reimbursed. It has been confirmed by financial documents.		
	f) Funds advanced to consultant – USD 4,760.	Head of the Department in the Administration of the Government of the Kyrgyz Republic was a member of the delegation in accordance with the list approved by the FPM.		
	Recommendation 38 (significant priority) The Center should control the advances to ensure that funds are not lost. Staff with outstanding advance balances should not receive additional travel advances. The Financial Director should recover all outstanding advance balances from the respective staff salaries. These amounts should be recovered from staff.	We took it into consideration. The financial control system provides for the measures for advance payments control.	The project was completed on 30.04.2011	

Audit of Global Fund Grants to the Kyrgyz Republic

Audit Area	Recommendations	Response and action	Responsible entity	Date of completion
	National Centre of Phthisiology			
	<p><i>Recommendation 39 (significant priority)</i> The NCP Management should strive to call for bids for purchases in accordance with the procurement policies and procedures. Single sourcing should be carried out as an exception and with clear justification and with appropriate support to evidence value for money.</p>	<p>The NPC has developed the Operational Guidelines that contain the detailed description of system and procedures of purchasing process.</p>	<p>The project was completed on 30.04.2011</p>	
	<p><i>Recommendation 40 (high priority)</i> (a) The Center should enforce adherence to the laid down procurement guidelines. Exceptions should be justified to and approved by the management. Specifically,</p> <ul style="list-style-type: none"> • The bid solicitation process should be strengthened. The Center should provide adequate and consistent information to all prospective bidders to enhance transparency; • Clear criteria should be established and complied with; • Bid terms should not be changed after the evaluation process without proper justification and the approval of management; • Advance payments should be kept at a bare minimum in order to 	<p>The NPC has developed the Operational Guidelines that contain the detailed description of system and procedures of purchasing process.</p>	<p>The project was completed on 30.04.2011</p>	

Audit of Global Fund Grants to the Kyrgyz Republic

Audit Area	Recommendations	Response and action	Responsible entity	Date of completion
	National Centre of Phthisiology			
	<p>protect the PR's interests. In cases where they are made, performance guarantees should be obtained to safeguard program resources.</p> <ul style="list-style-type: none"> • Penalties for late delivery should be applied to all vendors. 			
	<p>Recommendation 41 (requires attention) (a) The NPC should adopt a complex electronic information system for managing drugs and medical supplies, including laboratory consumables.</p>	<p>In 2008, Project HOPE introduced the drug logistics management system. Measures on improvement of the system are included into the Action Plan of the consolidated grant.</p>	<p>UNDP, Project HOPE</p>	<p>2011</p>
	<p>(b) The PR should deliver supplies to implementers as provided for in the PSM Plan. The PR should also put in place a system to monitor stock levels at treatment facilities</p>	<p>The monitoring of drug inventories is stipulated by the drug logistics management system.</p>	<p>UNDP, Project HOPE</p>	<p>2011</p>
	<p>Recommendation 42 (significant priority) The PR should follow-up the unaccounted-for funds and ensure that SRs provide support documents or refund unused funds (USD 8,263). The PR should review SR submission and follow-up unaccounted for funds. All financial reports should be accompanied by program reports as stipulated in the sub recipient grant agreement.</p>	<p>There are no any unused amounts. Supporting documents are available. Detailed information from the OIG is required.</p> <p>OIG: A number of documents were submitted in photocopy following the conclusion of the audit. Our understanding is that the Secretariat, with the LFA, will follow up appropriately with the PR and SRs to establish fulfillment of the Recommendations.</p>		

Audit of Global Fund Grants to the Kyrgyz Republic

Audit Area	Recommendations	Response and action	Responsible entity	Date of completion
	State Sanitary Epidemiological Department			
Service Provision, Monitoring and Reporting	<p><i>Recommendation 43 (high priority)</i></p> <p>(a) SSED should strengthen case management of malaria through training and supervision of FMC providers in malaria diagnosis and case management. FMC laboratory staff should be trained in malaria laboratory diagnosis.</p>	<p>Heads of prevention and treatment facilities, PHC (Primary Health Care) physicians, lab workers, parasitologists, medical assistants and middle-level medical personnel are involved in trainings.</p>	<p>PIU of the PR</p>	<p>2010-2011</p>
	<p>(b) SSED should consider establishing a comprehensive electronic management information system for drugs, medical supplies, laboratory supplies, as well as other materials needed for malaria control, such as LLINs and insecticides.</p>	<p>“SKLAD” software program (for inventory accounting) will be improved</p>	<p>PIU of the PR</p>	<p>2011</p>
Vector Control	<p><i>Recommendation 44 (requires attention)</i></p> <p>(a) The PR should always ensure compliance with Global Fund quality assurance policy for procurement, especially for LLINs.</p> <p>(b) Distribution of bed nets should be accompanied by a BCC/IEC campaign on the proper use of the nets.</p>	<p>Measures on raising the awareness of the population have been taken. Activity protocols are being developed with regard to the process of mosquito nets application by the population.</p>	<p>PIU of the PR</p>	<p>Continuously</p>

Audit of Global Fund Grants to the Kyrgyz Republic

Audit Area	Recommendations	Response and action	Responsible entity	Date of completion
	State Sanitary Epidemiological Department			
Monitoring and Evaluation	<p><i>Recommendation 45 (significant priority)</i> (a) The MOH should endorse a national M&E plan for malaria to adequately measure progress of all malaria control policies and programs.</p>	National M&E Plan has been approved by the Resolution of the Government of the KR on 30.03.2010.	PIU of the PR	2010
	<p>(b) The SSED should ensure that all impact, outcome, and output level indicators are correctly defined and used in all program documents and reports. An appropriate data collection mechanism should be elaborated and selected to improve the quality of measurements. Furthermore, appropriate mechanisms should be put in place to verify the data.</p>	MoH has approved the Guidelines on Monitoring and Evaluation of the epidemiological situation and efficiency of antimalarial measures. Set of basic and additional indicators has been approved; as well as the evaluative research of antimalarial measures efficiency is conducted.	PIU of the PR	2010-2011
	<p>(c) SSED should improve supportive supervision and continuous technical assistance provided by local SSED staff to FMC.</p>	Normative and procedural documents regulating the functions and responsibilities of prevention and treatment facilities are being developed under the conditions of transition to complete malaria elimination.	PIU of the PR	2011

Audit of Global Fund Grants to the Kyrgyz Republic

Audit Area	Recommendations	Response and action	Responsible entity	Date of completion
	State Sanitary Epidemiological Department			
Institutional System	<p><i>Recommendation 46 (significant priority)</i> Senior management oversight over the utilization of Global Fund grants should be strengthened. As part of its oversight role, senior management should review grant performance against approved work plans, ensure that there are proper controls to safeguard program assets, assure compliance with the terms of the grant agreements and establish procedures to make certain that targets are met and impediments to implementation are addressed promptly.</p>	<p>New CCM structure allows more frequent and detailed discussions of the project implementation process. The issues on the National Malaria Eradication Program implementation will be included in the list of the questions discussed at the working sessions of the MoH and DSSES.</p>	<p>PIU of the PR</p>	<p>Continuously</p>
	<p><i>Recommendation 47 (significant priority)</i></p> <p>(a) The SSED should consider amending its manual to state that the rules of international agreements prevail in cases where there are contradictions with local policies.</p>	<p>Comments: relevant amendments have been made into the operational guidelines immediately after conducting the audit.</p>	<p>PIU of the PR</p>	<p>Continuously (as needed)</p>
	<p>(b) All key positions necessary for the successful implementation of the Global Fund program, as per</p>	<p>All the recommended positions, including the Procurement Specialist, M&E Specialist and Financial Assistant have been occupied for</p>	<p>PIU of the PR</p>	<p>2010</p>

Audit of Global Fund Grants to the Kyrgyz Republic

Audit Area	Recommendations	Response and action	Responsible entity	Date of completion
	State Sanitary Epidemiological Department			
	the budget, should be filled with personnel possessing the required skills, experience and knowledge.	Round 8 of the project.		
	<p>Recommendation 48 (requires attention)</p> <p>Management should ensure that all audit recommendations are implemented in order to strengthen the internal control environment within which grants are implemented.</p>	<p>Due to low rates of per diem (100 KGS in 2006), in order to motivate the participation in the malaria eradication activities, per diem rates were slightly increased in coordination with the LFA. However, the deduction of taxes was not taken into consideration. In 2007, the Government of the country increased per diem rates, and the PIU has paid per diem allowances in accordance with the established standards starting from 2007. All the external audit recommendations were accepted for execution. Bonuses were excluded and funds from deposits were used only for the project activities.</p>	PIU of the PR	Continuously
Observance of the Grant Agreement	<p>Recommendation 49 (high priority)</p> <p>The PRs should comply with the conditions stipulated in the grant agreement. Specifically, the PRs should:</p>	<p>All quarterly reports were submitted upon the first LFA's request; In coordination with the LFA and in the absence of the funds reimbursement request, the quarterly reports marked as "missing" were combined and submitted in the following quarter.</p>	PIU of the PR	Continuously
	(a) Ensure that their quarterly and annual reports are submitted on time since this affects the Global Fund's decision making;	<p>The issue of ratification of the Agreement on Privileges and Immunities for the Global Fund projects is being considered by the Jogorku Kenesh (Kyrgyz Supreme Council). At present, the projects are given to the PR represented by</p>	PIU of the PR	

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Audit Area	Recommendations	Response and action	Responsible entity	Date of completion
	State Sanitary Epidemiological Department			
		UNDP and, thus, the tax issues are solved. Since the law cannot be applied retroactively, it is not possible to refund tax payments made before.		
	(b) Institute measures to recover taxes paid so far from the tax authorities;	All taxes, imposed by the Kyrgyz legislation, were withheld; relevant audits conducted by the tax authorities and the Social Fund have not detected any violations of the law.	PIU of the PR	Continuously
	(c) Withhold relevant taxes from payments of services in accordance with the relevant government laws;	The approved project of Round 5 did not provide for the insurance of the motor vehicles, moreover the insurance premiums for used vehicles were very high. The project of Round 8 includes all the insurance expenses and the insurance process is secured.	PIU of the PR	2010
	(d) Insure program assets against loss; (e) Maintain program funds in an interest bearing account and use interest only for program related activities; and (f) Sign license agreements with the Global Fund for the use of the Global Fund logo, or discontinue such use.	All the funds are kept in interest-bearing accounts and used only for approved project activities.	PIU of the PR	Continuously
Financial Management	<i>Recommendation 50 (requires attention)</i>	The PIU has purchased the licensed 1C software, which is verified by the LFA and used for its intended purpose since January 2010.	PIU of the PR	2010

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Audit Area	Recommendations	Response and action	Responsible entity	Date of completion
	State Sanitary Epidemiological Department			
	(a) SSED management should obtain a licensed version of the 1C:Accounting software. The genuine software will be more costly but comply with intellectual property laws and come with a number of benefits such as access to updates and full support and help. It will also ensure the security of data and the integrity of the information systems.			
	(b) To enhance budgetary control, the software should be configured to include a program budget component. Payments should be processed against specific budget line items. The finance manager should monitor budgets to avoid major variances.	The required software which complies with operational and technical requirements has been purchased.	PIU of the PR	2010
	(c) The PR should set aside a secure internet and file server separate from the other personal computers used by program staff. An off-site file backup system should be put in place.	Separate hard disks for storing backup copies of the documents, files and database have been purchased.	PIU of the PR	2010
	Recommendation 51 (significant priority) The finance manager should follow up accountabilities for cash advances. In cases where they are	The procedure of monitoring and accounting of cash advance payments has been established, and the use of cash funds has been reduced to the minimum.	PIU of the PR	Continuously

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Audit Area	Recommendations	Response and action	Responsible entity	Date of completion
	State Sanitary Epidemiological Department			
	not settled within the stipulated period, recoveries should be made from the responsible staff member's salary.			
Procurement and Logistics Management	Recommendation 52 (significant priority) (a) The SSED should appoint a suitably qualified person to lead the procurement function.	Within the framework of Round 8 grant implementation the Procurement specialist has been hired.	PIU of the PR	2010
	(b) The SSED should enforce adherence to the procurement guidelines. Exceptions should be justified and approved by SSED management.	All procurement activities are carried out in accordance with the Law "On State Procurements".	PIU of the PR	Continuously
	(c) The bid solicitation process should be strengthened. Specifically, specifications should not be written to benefit a specific supplier. Bid criteria should be established and complied with. Bid terms should not be changed after the evaluation process without proper justification and the approval of management.	All audit recommendations have been taken into consideration and the relevant amendments have been made into the operational guidelines. The Procurement Specialist has been hired.	PIU of the PR	2010
	Recommendation 53 (requires attention) (a) The PR should take stock of	Procurement of goods and items and their distribution is being implemented based on the orders and requests from the prevention and treatment facilities. Fiduciary agent,	PIU of the PR	

Audit of Global Fund Grants to the Kyrgyz Republic

Audit Area	Recommendations	Response and action	Responsible entity	Date of completion
	State Sanitary Epidemiological Department			
	all program assets, assessing their condition and reallocating assets not in use to where they are most needed	“Kyrgyzaudit” has inspected the issues of storage management and accountability. The case of handing over one automax without a signature has been discussed at the medical conference and has been brought into compliance with the required procedures.		
	(b) The store management system should be strengthened with proper record keeping maintained. The handover of commodities and equipment should be documented.	Measures have been taken to improve the storage management system and required accountability; and amendments have been made into the operational guidelines, Section of Procurement and Supply Management.	PIU of the PR	2010-2011
Sub-Grant Management	Recommendation 54 (significant priority) The PR should put in place and implement criteria for selecting SRs. All SRs should be assessed for capacity to implement program activities. The PR should ensure that all SRs are subject to external audit.	Amendments have been made into the operational guidelines that specify all the procedures for the SRs selection.	PIU of the PR	2010
	Recommendation 55 (requires attention) (a) SSED should strengthen its SR monitoring function. This should ensure well-defined indicators and targets at SR and SSR level against which performance can be measured;	All procedures related to the sub-recipient activity have been specified in the amended operational guidelines.	PIU of the PR	Continuously

Audit of Global Fund Grants to the Kyrgyz Republic

Audit Area	Recommendations	Response and action	Responsible entity	Date of completion
	State Sanitary Epidemiological Department			
	plans detailing when, how and by whom monitoring will be undertaken; methods of data collection and verification of financial and programmatic information for reporting; site visits covering financial and programmatic aspects; and follow up of findings and provision of feedback to SRs.			
	(b) The SSED should review its grant agreements with SRs to ensure that they contain sufficient information to safeguard Global Fund interests. The weaknesses noted under (a) should be addressed. The SR grant agreements should include a mandatory requirement for annual audited accounts.	All the Grant Agreements with the sub-recipients are reviewed and supplemented with missing Annexes. The annual audit of the funds allocated within the framework of the Global Fund projects is carried out simultaneously with the audit of the Principal Recipient.	PIU of the PR	2011
	(c) The PR should obtain all the documentation required to support a sub-recipient agreement. The Finance Manager should check completeness of the documentation prior to processing a disbursement.	All the Grant Agreements with the sub-recipients are reviewed and supplemented with missing Annexes. The Financial Manager checks the complete set of the submitted documents before making the payments for the activity implementation.	PIU of the PR	Continuously
CCM Composition	Recommendation 56 (High priority) (a) The CCM representation	PR will not interfere in the selection of NGO for CMCC.	During the all period of GF grants	Process will be initiated in the frame

Audit of Global Fund Grants to the Kyrgyz Republic

Audit Area	Recommendations	Response and action	Responsible entity	Date of completion
	State Sanitary Epidemiological Department			
	should be aligned to the Global Fund principles in order to ensure that the CCM is representative of key stakeholders.	Representatives of NGO for CMCC will be selected by NGO at the national NGO Forum	implementation. I quarter 2010 /Coordinating Committee of AIDS providing NGO	of technical assistance
	(b) The CCM should establish guidelines for the selection of CSO representatives. The PRs should not be involved in the selection process of the CSO representatives	The guideline by selection of NGO for CMCC will be worked out and presented for approval at the CMCC meeting	I quarter 2010 /CMCC secretariat	

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Audit Area	Recommendations	Activities	Deadline/Responsible unit	Date of completion
	Kyrgyz CCM			
Potential conflicts of interest	Recommendation 57 (Significant priority) (a) The whole CCM should endorse all decisions made by the Presidium.	All CMCC members will have same rights. There will be not separation for presidium and members	I quarter 2010 /CMCC secretariat	Process will be initiated in the frame of technical assistance
	(b) The CCM should develop a comprehensive conflict of interest policy.	It is necessary to work out of guidelines about avoiding of potential conflict of interests	I-II quarter 2010 /CMCC secretariat	Process will be initiated in the frame of technical assistance
Transparency in proposal preparation	Recommendation 58 (Significant priority) The CCM should incorporate controls in the proposal writing process to ensure the process is transparent and consultative. The CCM should appoint a multi-sectoral working group to consolidate the proposal from submissions made by thematic teams. The final proposal should be provided to all CCM members for review prior to their approval for submission to the Global Fund.	This remark is related to country proposal for Round 7 by AIDS component when after discussion and approval of proposal at the CMCC meeting it was recommended to decrease the total budget. Due to limited time selected PR (AIDS center) made some important changes in final proposal. After audit mission all proposals from concerning sides will be discussed at the meeting of CMCC sub-committees and working groups. On CMCC meeting will be presented final version of proposal	During the preparation of each country proposal/CMCC secretariat	It is necessary to have enough time for writing proposal and discussion with all related sides
Grant oversight plan	Recommendation 59 (High priority) The CCM should develop a comprehensive oversight work plan in accordance with the Global Fund	It is necessary to work out of guidelines about grant oversight	I-II quarter 2010 /CMCC secretariat	It is necessary to open in the frame of CMCC sub-committee by

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Audit Area	Recommendations	Activities	Deadline/Responsible unit	Date of completion
	<p>Kyrgyz CCM guidelines and submit a proposal for CCM funding to allow for its implementation.</p>			grant oversight
Independence of CCM Secretariat	<p>Recommendation 60 (High priority) The CCM Secretariat should be relocated from the Ministry of Health to an independent office.</p>	CMCC secretariat will be taken out from the Ministry of Health and transferred under the CMCC Chairman	I quarter 2010 /CMCC secretariat	Process will be initiated in the frame of technical assistance. It is need to foresee all juridical aspects of existing secretariat under the CMCC Chairman
	<p>Recommendation 61 (Significant priority) A comprehensive handover process should take place in future changes of LFA. The incoming LFA should be provided with access to previous reports and documents related to the grant and the PRs.</p>	Secretariat: Recommendation applicable to any future change of LFA.	Secretariat/LFA	
	<p>Recommendation 62 (significant priority) The LFA should establish effective</p>	Secretariat: The LFA (Crown Agents) has established effective quality assurance procedures through (i) expansion of in-country	LFA	

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Audit Area	Recommendations	Activities	Deadline/Responsible unit	Date of completion
	Kyrgyz CCM			
	quality assurance procedures to ensure that all factual accuracy is established before submitting reports to the Global Fund.	team by a procurement specialist and M&E specialist, and (ii) a greater involvement of the Central Coordination Team in quality assurance of deliverables and regular country visits. The quality of LFA deliverables submitted to the Global Fund has improved.		

Annex 2: List of Abbreviations

ACT	Artemisinin-based Combination Therapy
AIDS	Acquired Immune Deficiency Syndrome
ANC	Antenatal Clinics
ART	Antiretroviral Therapy
ARV	Antiretroviral
BCC	Behavior Change Communication
CAR	Central Asian Region
CBC	Complete Blood Count
CBO	Community-based Organization
CCM	Country Coordinating Mechanism
CDC	Centers for Disease Control and Prevention
CIP	Carriage and Insurance Paid To
CMCC	Country Multisectoral Coordination Committee
CSO	Civil Society Organization
CSW	Commercial Sex Worker
DOTS	Directly Observed Treatment, Short course
DR	Disbursement Request
ELISA	Enzyme-Linked Immunosorbent Assay
FAP	First Aid Post
FMC	Family Medicine Centers
HIV	Human Immunodeficiency Virus
IDU	Injecting Drug User
IEC	Information, Education and Communication
ITNs	Insecticide-treated mosquito Nets
IRS	Indoor Residual Spraying
KAP	Knowledge Attitude, and Practice
KfW	Kreditanstalt für Wiederaufbau
KGS	Kyrgyz Som
LFA	Local Fund Agent
LLIN	Long Lasting Insecticide-treated Nets
LMIS	Logistic Management Information System
M&E	Monitoring and Evaluation
MARPs	Most At Risk Populations
MDR	Multi-Drug Resistant
MOH	Ministry of Health
MOU	Memorandum of Understanding
MSM	Men who have Sex with Men
MST	Methadone Substitution Therapy
NEP	Needle Exchange Programs
NCP	National Center of Phthisiology
NGO	Non-Governmental Organization
NTCP	National Tuberculosis Control Program
NRL	National Reference Laboratory
OI	Opportunistic Infection
OIG	Office of the Inspector General
OPN	Operational Policy Note
OSDV	On-Site Data Verification
PAG	Parents Against Drugs
PHC	Primary Health Care
PITC	Provider-Initiated HIV Testing and Counseling
PIU	Program Implementation Unit

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PMTCT	Prevention of Mother-to-Child Transmission
PMU	Program Management Unit
PUDR	Progress Update and Disbursement Request
PLWHA	People Living with HIV/AIDS
PQR	Price Quality Reporting
PR	Principal Recipient
PSM	Procurement and Supply Chain Management
RAC	Republican AIDS Center
SSED	State Sanitary Epidemiological Department
SOPs	Standard Operating Procedures
SR	Sub-recipient
STI	Sexually Transmitted Infection
TA	Technical Assistance
TB	Tuberculosis
TOR	Terms of Reference
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
VAT	Value Added Tax
VCT	Voluntary Counseling and Testing
WHO	World Health Organization
XDR	Extensively Drug-resistant