



THE OFFICE OF THE INSPECTOR GENERAL



The Global Fund to Fight AIDS, Tuberculosis and Malaria

Audit of Global Fund Grants to the Kyrgyz Republic

Executive Summary

GF-OIG-09-012

2 October 2012

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Background

1. The Office of the Inspector General (OIG) carried out an audit of Global Fund grants to the Kyrgyz Republic from 2 November to 10 December 2009. The OIG sought 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 the Global Fund's programs and operations

2. The audit covered all six grants, amounting to USD 47 million, of which USD 32 million had been disbursed, from 1 March 2004 (the inception date of the first grant) to 31 December 2008. The Principal Recipients in Kyrgyzstan were the Republican AIDS Center of the Kyrgyz Republic (for the HIV/AIDS grants), the National Center of Phthisiology of the Kyrgyz Republic (TB), and the State Sanitary Epidemiological Department (malaria).

3. The audit found that there was significant scope for improvement in all grants to Kyrgyzstan, particularly with respect to (i) financial management, (ii) governance and oversight, and (iii) procurement.

4. This report presents 26 "High Priority" recommendations and 27 categorized as "Significant priority"¹. 9 other recommendations have been offered to management that "Require Attention" to address minor control weaknesses or non-compliance.

Public Health Response

5. At the time of the audit, there were indications that the number of HIV positive cases were on the increase particularly among most at risk populations. The Global Fund resources were used for setting up infrastructure at regional AIDS Centers and laboratories, integration of HIV services into Primary Health Care (PHC), introduction of ARV treatment, and harm reduction among Injecting Drug Users (IDUs).

6. With the support of the Global Fund, the National Tuberculosis Control Program achieved universal DOTS coverage, expanded DOTS-plus coverage in prisons, improved drug management and integrated TB services at PHC level.

7. Kyrgyz Republic has recorded a significant reduction in Malaria morbidity due to funded activities i.e. vector control measures; diagnosis and treatment.

Key actions agreed upon in response to the OIG audit

8. In responding to the risks identified by the OIG, the stakeholders have committed to:
- Strengthen oversight of Global Fund grants by selecting UNDP to be principal recipient for government implemented grants; ensuring that the Ministry of Health regularly supervise disease programs, as well as restructuring the CCM to set up working groups and to address conflicts of interest.
 - Improve quality of service delivery by: expanding the reach of HIV testing and counseling among most at risk persons; decentralizing laboratory services from regional to District level, and improving infection control practices. The Government of Kyrgyzstan made amendments to national law to recognize associations of persons living with HIV.

¹ Recommendations are categorized as: "High Priority", "Significant Priority" and "Requires Attention". Definitions are at paragraph 24

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- Ensure good financial management. UNDP as the newly appointed Principal Recipient for the entities audited by the OIG now has a mandate to ensure proper accountability of funds disbursed to SRs (PRs at the time of the audit). To ensure best value for money UNDP have provide assurance that their guidelines are applied in undertaking grant procurements. UNDP also accepts responsibility to ensure that in the future actions are taken to avoid stock-outs and expiry of drugs and that medicines are quality assured and correspond to the essential drugs list. The Local Fund Agent (LFA) has been given an expanded mandate to review the activities of lower level implementers (sub-sub recipients).

Conclusion

9. While the OIG noted a number of good practices and achievements in the management of grants, the OIG identified a number of significant weaknesses in the internal control framework. Consequently, the OIG is not able to provide the Global Fund Board with reasonable assurance that at the time of this audit the controls in place to manage the key risks impacting the Global Fund-supported programs and operations were effective. This report includes data showing an amount of USD 122,062 that should be recovered to the grants from the three PRs, due to expenditure not properly accounted for and activities not in the approved work plans. For USD 58,482 relating to the State Sanitary Epidemiology Department (SSED), the PR should provide documentation to the Global Fund for review by the Local Fund Agent, if they fail to do so a repayment should be made to the Global Fund.

Events subsequent to the audit

10. While the data in this report are dated due to the time elapsed since the audit fieldwork (in part due to the political turmoil described below), based on discussions with the Secretariat and the PRs, the OIG believes that the majority of the recommendations remain applicable. However, the OIG notes the following:

11. Following the audit field work and on the basis of preliminary findings, the Global Fund Secretariat developed action plans with each of the PRs and CCM to address key weaknesses. These included the following changes in implementation:

- a) The United Nations Development Programme has assumed the role of Principal Recipient for HIV, TB and Malaria grants;
- b) Dual track financing has been implemented with the NGO Project HOPE taking on a PR role for the TB Round 9 grant;
- c) Grant Management Solutions has provided support to the CCM to strengthen its oversight function;
- d) The CCM has been transferred to the Prime Minister's office; and
- e) The LFA terms of reference have been revised taking into consideration portfolio specific risks and OIG recommendations.
- f) Some issues have been referred for follow-up action to the OIG Investigation Unit.

12. In April 2010, nationwide protests led to a change of government in Kyrgyzstan. The OIG has not returned to the country to assess the impact of the change of government, the change of PRs and the other items listed above on the grant operating environment. Some of the recommendations will certainly have been overtaken by events. We hope that the essence of the recommendations will still be useful as a guide to improvements in grant management and oversight. The OIG encourages the new PRs to ensure that the relevant SRs implement these recommendations.