

Our ref: OGM/GJ/JP

19 April, 2012

MESSAGE FROM THE GENERAL MANAGER AND INSPECTOR GENERAL

Audit Reports and Diagnostic Review issued by the Global Fund's Office of the Inspector General on 20 April 2012

Dear Reader:

Today the Global Fund has released three audit reports and one diagnostic review. These audits and reviews are part of the Global Fund's well established and consistent quality assurance process which seeks to ensure that grant money is used as effectively and efficiently as possible.

The reports are:

- [Audit Reports](#): Ethiopia, Kenya and Uzbekistan;
- [Diagnostic Review](#): Cuba.

While diagnostic reviews and audits serve similar purposes—they provide the Global Fund with an opportunity both to learn and to improve the way it does its business—there are certain important differences between them.

Audits take an historical perspective and comprehensively review grant implementation over time to substantiate whether grant funds have been used for the purpose intended and to provide assurance that grant funds are used wisely to save lives.

Diagnostic reviews look at the grants at a given point in time to identify the key risks to which grant programs are exposed. They provide recommendations to mitigate the risks identified.

The audit reports in the current release are 'legacy' reports, which relate to grants signed as far back as 2004 and to audits performed in 2009 and 2010. Many of the findings relate to weaknesses in grant management and oversight during the early years of the Global Fund that have been identified before, including in the High Level Panel Report and in other audit reports by the Office of the Inspector General. Many findings are already being addressed.

The diagnostic review in this release was performed in late 2011. It points to areas for improvement in managing Global Fund support. It also demonstrates solid achievements and good grant management practices.

Each report published today includes a concrete time-bound management plan of action that indicates how the findings will be addressed and the recommendations implemented. We both applaud the considerable progress that has already been made to improve grant management in response to the recommendations offered by the Global Fund's Office of the Inspector General.

Gabriel Jaramillo



John Parsons





THE OFFICE OF THE INSPECTOR GENERAL

The Global Fund to Fight AIDS, Tuberculosis and Malaria

EXECUTIVE SUMMARY

Audit of Global Fund Grants to the Republic of Uzbekistan

GF-OIG-10-007
20 April 2012

Executive Summary

Introduction

1. As part of its 2009 workplan, the Office of the Inspector General (OIG) carried out an audit of Global Fund grants to Uzbekistan from 17 August to 17 September 2009. The audit covered all three grants totaling USD 36.7 million, of which USD 29.5 million had been disbursed, from 1 December 2004 (the inception date of the first grant) to 15 July 2009. The Principal Recipients (PRs) in Uzbekistan were public sector entities, viz. the Republican AIDS Center, the Republican DOTS Center, and the Republican Center of State Sanitary-Epidemiological Surveillance (for malaria).
2. Given the need for increased coverage, the OIG undertook a further financial management audit from 22 February 2010 to 12 March 2010. A draft version of the report excluding the financial management section was shared with the Secretariat, the CCM and the PRs in March 2010, with an update in 2011. As a result, many of the recommendations made have been implemented. This final report makes note where these actions have been taken.
3. Uzbekistan can demonstrate noteworthy achievements in the fight against HIV/AIDS, Tuberculosis and Malaria. Nonetheless, there are still key areas where the PRs need to strengthen their capacity to properly implement Global Fund-supported grant programs. The OIG noted the need to strengthen controls and practices in the areas of: (i) financial management; (ii) procurement; (iii) implementation and service delivery; and (iv) governance and oversight.

The Public Health Response

4. Uzbekistan has a concentrated HIV epidemic that has shown a recent increase in new infections through sexual transmission. The country's clinical infrastructure is solid, and includes AIDS centers, laboratories, and clinics, increasingly trained ART managers, growing VCT provision, and a functional HIV/AIDS surveillance system. However, there is a need to ensure that program activities are implemented as planned. For example, the substitution treatment component of the program was not continued after the pilot phase, the reproductive health curriculum for schools was not developed, and teachers were not trained in reproductive health issues. A clinical registry of AIDS patients and those on ARV treatment is needed.
5. The continued centralization of ART services requires a solution given that PLWHA find it difficult to travel to the capital for both initiation of ART and clinical follow-up. Similarly, pre- and post-test counseling should become routine at all service delivery points, and improved procedures for ensuring anonymity and confidentiality are needed.

6. The TB incidence in Uzbekistan remained high at 128/100,000 with a case detection rate of 50% and 14% MDR-TB among new TB patients at the time of the audit. The National Tuberculosis Program has introduced universal DOTS coverage in the civilian sector, expanded DOTS coverage in the penitentiary sector, and ensured a steady supply of drugs. However, there is a need to ensure that program activities are implemented as planned. For example, infection control protocols on MDR-TB were not developed and medical staff were not trained on infection control procedures.

7. There is a particular need to improve the capacity for providing universal access to diagnosis and treatment of MDR-TB cases. This is addressed within the framework of the Global Fund Round 8 proposal, which considers expanding MDR-TB pilot projects nationwide. In addition, there is a need for improved coordination between the HIV and TB programs to ensure that TB/HIV patients receive concomitant ARV and anti-TB treatment.

8. Uzbekistan has a consistently low incidence of malaria, with comprehensive prevention, treatment and care services, including effective vector control. This creates a favorable environment towards malaria elimination. The country has an effective epidemiological surveillance system, an established network of laboratories, and demonstrated experience in vector control. However, there is a need to ensure that program activities are implemented as planned. For example, a computerized cadaster of malaria foci was not created, and the planned program evaluation was not carried out. There is scope for improvement in case detection activities by increasing outreach work at PHC level, expanding IEC activities and scaling up the involvement of communities in malaria control. PHC providers should be trained in diagnosis and case management.

9. All three national programs have benefited from strong national leadership by the MOH and the Government of Uzbekistan (GOU) to fight the diseases and reduce their burden on the population. However, there is a need to ensure that parallel systems of data tracking and service delivery are not set up with Global Fund support, since this would potentially undermine national systems. In addition, the programs would benefit from a comprehensive external program evaluation to ensure that they implement programs in line with international standards and practices.

Procurement and Supplies Management

10. There was a need to strengthen procurement policies and procedures and put in place controls to ensure that procurement in future is open, competitive and transparent. This would prevent the risks inherent in the observed non-competitive purchasing of anti-malaria drugs, bed nets, microscopes, insecticides, and food parcels for TB patients. The PRs should

avoid making 100 percent advance payments to suppliers before taking delivery of goods.

Financial Management

11. There is a need to ensure that a number of internal control weaknesses in financial management are remedied. These include delays in access to program funding of up to six months due to national financial control regulations, the use of outdated accounting systems and gaps in financial data entry, incomplete or absent supporting documentation for some payments for training/workshop events, inadequate monitoring of program budgets with over-expenditure on training and staff costs, poor justification of salary increases and the practice of paying salaries in cash, shortcomings in financial monitoring of SRs, and a lack of monthly bank reconciliations.

Oversight and Governance

12. All three PRs have well-staffed regional networks through which program activities and interventions are implemented and monitored. However, there is a need to increase both MOH and external audit oversight over program activities in the regions and districts.

13. To facilitate program implementation, the CCM needs to ensure that grant funds are accessed by the PRs and SRs in a timely manner. Further, the CCM needs to promote transparency in its decision-making by improving its agenda-setting and consulting members before decisions are taken.

14. To improve the effectiveness of its oversight function, the Global Fund Secretariat needs to ensure that the LFA includes public health and M&E specialists for on-site data verification work and for the assessment of the PR's programmatic systems and processes, as well as verification of receipt of services by end users.

Conclusion

15. At the time of the audit fieldwork, the OIG concluded that the grant programs were exposed to risk in relation to procurement and financial management. As noted below, the PRs have shown a strong commitment to take action to mitigate those risks.

Events Subsequent to the Audit

16. In the months following the release of the preliminary audit findings, the Global Fund Secretariat, the CCM and the PRs have taken steps to correct a number of shortcomings. These include:

- Strengthening PSM capacities of the malaria and TB programs through recruitment of PSM specialists with procurement experience;
- Developing a national M&E plan for Malaria;

- Strengthening supervision in financial management;
- Exercising stronger controls over cash payments; and
- More systematic oversight by the CCM and the Global Fund Secretariat.

17. In addition, the following has taken place since the audit: (a) An RCC proposal for Round 3 HIV/AIDS was approved, with a new grant agreement signed with UNDP as PR; (b) The Round 10 HIV application was approved by the Global Fund Board; (c) The Round 4 TB and Malaria grants have come to an end; and (d) The Uzbekistan CCM was awarded a grant for oversight purposes.

Message from the General Manager



10 YEARS
OF IMPACT

Gabriel Jarraillat, General Manager
gabriel.jarraillat@theglobalfund.org
www.theglobalfund.org

T: +41 22 791 1842
F: +41 22 791 1641

Chemin de Blandonnet 8
1214 Vernier, Geneva
Switzerland

Our ref: OGM/GJ/

19 April, 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 the Global Fund grants in the Republic of Uzbekistan.

The audit, conducted in 2009 and 2010 with an update in 2011 and covering grants worth a total of USD 36.7 million, detected a need to strengthen controls and practices in financial management, procurement and implementation.

The Global Fund Secretariat, working together with the Country Coordinating Mechanism and the Principal Recipient organizations, developed action plans to address the concerns raised in this audit, and has already begun implementing recommended changes. As of March, 2012, roughly half of the planned actions have already been completed, while the remaining ones have already made significant progress.

I am confident that with our new emphasis on risk management and grant management, we will have appropriate procedures in place to address and resolve in a timely way the issues raised in this report by the Office of the Inspector General.

Audit reports by the Office of the Inspector General are an integral part 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 Ministry of Health of Uzbekistan

ЎЗБЕКИСТОН РЕСПУБЛИКАСИ
СОҒЛИҚНИ САҚЛАШ
BAZIRЛИГИ



MINISTRY OF HEALTH
OF THE REPUBLIC OF
UZBEKISTAN

100011, Тошкент ш., Навоий кўчаси, 12
Тел.: (+99 871)239-48-08, 244-10-33

12, Navoi str., Tashkent, 100011
Tel.: (+998 71) 239-48-08, 244-10-33

28.02.12. № 012-8/766

**Mr. John Parsons
Inspector General
Global Fund to fight AIDS,
Tuberculosis and Malaria**

Dear Mr. John Parsons!

Ministry of Health of the Republic of Uzbekistan expresses its gratitude to Office of the Inspector General of the Global Fund to Fight AIDS, Tuberculosis and Malaria and You personally for active support of implementation of grants in the fields of HIV/AIDS, tuberculosis and malaria in the Republic.

In response to your letter # OIG / JP_12 / 012 dated 17 February 2012 concerning the final draft report of Global Fund grants in Uzbekistan I have the honour to confirm that we have no objections to this final draft and look forward to issuing the report.

At the same time I would like to note that more than two years passed since audit fieldwork and majority of its recommendations have been already carried out. In this concern we believe that it would be more advisable if there was not such a gap between audit fieldwork and providing final draft report.

Allow me once again to express my respect and gratitude.

Yours faithfully,

Deputy minister

S.Saidaliev