



THE OFFICE OF THE INSPECTOR GENERAL



The Global Fund to Fight AIDS, Tuberculosis and Malaria

Audit of Global Fund Grants to the Republic of Kazakhstan

Executive Summary

GF-OIG-11-004

11 December 2012

EXECUTIVE SUMMARY

Introduction

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

2. As part of its 2011 work plan, the OIG carried out an audit of Global Fund grants to the Republic of Kazakhstan from 11 April to 28 July 2011. The audit covered grants totalling USD 103 million, of which USD 86 million had been disbursed¹. The Principal Recipients were:

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

Overall Conclusion

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

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

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

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

Oversight

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

¹ Global Fund website as at 1 April 2011

Financial Management

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

Procurement and supply management

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

Service Delivery

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

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

Events Subsequent to the Audit

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

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

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

- The PR reports that VAT was reimbursed under the TB and HIV grants as follows³:
 - o Round 6 TB: USD 207,549 for the period 2007 -2012;
 - o Round 8 TB: USD 546,609 for the period 2010 – 2012;
 - o Round 2 HIV: USD 262,202 for the period 2006 – 2009;
 - o Round 7 HIV: USD 77,777 for the period 2009-2010;
- NCTP is currently working with WHO experts on developing a drug management system to form part of the National TB Register;
- Indicators were changed in the Performance Framework for the SSF HIV grant, which consolidates the Round 7 and the Round 10 HIV;
- The National Infection Control Plan for TB has been finalized and submitted for approval to the Ministry of Health;
- The criteria for selecting TB patients for receiving food/hygiene parcels were defined and included in the comments of the Performance Framework for Phase 2 of the Round 8 TB grant;
- In the Performance Framework for the Round 6 TB grant, the indicator related to case detection was replaced by the TB notification rate, so that indicators and targets under the Round 6 and Round 8 grants are aligned. The M&E plan for the Round 6 TB grant was consolidated with the M&E Plan for the Round 8 TB grant, thus aligning the indicators and their measurement;
- The Global Fund Secretariat revised several indicators in the performance framework that were not well defined.

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

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