



AUDIT

OF

UNDP TAJIKISTAN

GRANT FROM THE GLOBAL FUND

Report No. 2194
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**Report on the Audit of UNDP Tajikistan
Grants from the Global Fund
Executive Summary**

The UNDP Office of Audit and Investigations (OAI), from 13 November to 1 December 2020, conducted an audit of one grant from the Global Fund (Output Nos. 92967 and 121116 [HIV]) managed by UNDP Tajikistan (the Office) as the Principal Recipient. The Office also managed Output No. 43359 (Country Coordinating Mechanism) as the Funding Recipient. These grants were managed under the Global Fund's Additional Safeguard Policy.¹ The audit aimed to assess the adequacy and effectiveness of the governance, risk management and control processes relating to the following areas and sub-areas:

- (a) governance and strategic management (organizational structure, risk management, staffing and performance management, capacity development and transition strategy);
- (b) programme management (project approval and implementation, monitoring and evaluation, grant closure);
- (c) Sub-recipient management (selection, assessment and contracting, financial and programmatic activities);
- (d) procurement (quantification and forecasting, procurement of health products, quality assurance of health products, individual contractors, procurement of other goods and services), supply management (inventory, warehousing and distribution), and asset management; and
- (e) financial management (revenue and accounts receivable, expenses, reporting to the Global Fund, Fund Administrator Role).

The audit covered the Global Fund-related activities of the Office from 1 January 2019 to 30 August 2020. The Office recorded Global Fund-related expenses of approximately \$6.8 million. The last audit of the Office's Global Fund-related activities was conducted by OAI in 2018.

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Due to the COVID-19 pandemic, the audit was conducted remotely. Scope limitations due to the nature of the remote audit related to the following activities:

- (a) A review of original supporting documentation could not be carried out, and therefore the audit team relied on scanned copies of documents provided by the Office for all audit areas reviewed.
- (b) Meetings with Office staff and personnel were carried out virtually, which limited the audit team's understanding of the Office's working environment.
- (c) Project site visits, including to medical facilities, warehouses, and Sub-recipients, and meetings beneficiaries were not conducted.
- (d) A physical verification of assets and inventory was not performed.

¹ The Additional Safeguard Policy is a range of tools established by the Global Fund as a result of its risk management processes.

Overall audit rating

OAI assessed the Office's management of the Global Fund grants as **fully satisfactory**, which means "The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/ area."

Key recommendations: Total = **2**, high priority = **0**

The audit did not result in any high (critical) priority recommendations. There are two medium (important) priority recommendations, which means "Action is required to ensure that UNDP is not exposed to risks. Failure to take action could contribute to negative consequences for UNDP." These recommendations include actions to address weaknesses in the oversight of Sub-recipients.

Objectives	Recommendation No.	Priority Rating
Effectiveness and efficiency of operations	1	Medium
Safeguarding of assets	2	Medium

Implementation status of previous OAI audit recommendations: Report No. 2005, 29 August 2018.

Total recommendations: 3

Implemented: 3

Management comments and action plan

The Resident Representative accepted the two recommendations and is in the process of implementing them. Comments and/ or additional information provided have been incorporated into the report, where appropriate.

Low risk issues (not included in this report) have been discussed directly with management and actions have been initiated to address them.

Helge S. Ostveiten
Director
Office of Audit and Investigations

I. Profile of Global Fund grants managed by UNDP Tajikistan

Since 2016, UNDP has been the Principal Recipient of Global Fund grants in Tajikistan (the Country).

Grant No.	Output No.	Description	Start Date	End Date	Budget (in \$'000)	Funds Received as of 31 August 2020 (in \$ '000)	Expenses as of 31 August 2020 (in \$ '000)	Implementation Rate	Global Fund Rating at 31 August 2020
TAJ-CFUND	43359	CCM Funding agreement	01.01.2017	31.12.2019	210	191.8	181.2	95%	n/a
TAJ-CFUND-2008	92967	CCM Funding agreement	01.01.2020	31.12.2022	199.5	66.5	32.1	48%	n/a
TJK-H-UNDP, NFM implementation period 2	92967 and 121116*	Strengthening the Supportive Environment and Scaling up Prevention, Treatment and Care to Contain the HIV Epidemic in the Republic of Tajikistan	01.01.2018	31.12.2020	18,264	17,489.7	8,849.3	51%	A2 (ML 2019)

*121116 new project ID# within the same award to track COVID-19 expenditure as requested by OFRM.

II. Audit results

Satisfactory performance was noted in the following areas:

- Governance and strategic management. The organizational structure was adequately set up to manage risk and facilitate programme implementation.
- Programme management. Adequate controls were established in project planning and implementation.
- Procurement and supply management. Adequate controls were established for the procurement of health products and other goods and services.
- Financial management. Controls were established and working as designed, and progress updates and disbursement requests were prepared and submitted as per Global Fund guidelines.

OAI made two recommendations ranked medium (important) priority.

Low priority recommendations were discussed directly and agreed upon with the Office and are not included in this report.

Medium priority recommendations, arranged according to significance:

- Recover assets and cash from the Sub-recipient (Recommendation 2).
- Strengthen the oversight of Sub-recipients (Recommendation 1).

The detailed assessment is presented below, per audit area:

A. Sub-recipient Management

1. Programmatic and Financial Activities

Issue 1 Weaknesses in the oversight of Sub-recipients

The Office should support Global Fund grants efficiently by minimizing administrative burdens. The Principal Recipient should issue timely management letters and follow up on weaknesses identified in the Sub-recipient capacity assessments. The Sub-recipients should provide timely performance reports.

The audit team noted the following weaknesses:

The Office had not aligned the implementation of the Global Fund grants with the full grant implementation period (Jan 2018 – Dec 2020) as the Office was trying to mitigate performance risks associated with the country context. This led to increased administrative burden by having to undertake multiple procurement processes and signing agreement extensions up to the grant end date.

Eight out of 10 management letters reviewed showed that these were issued two to six months after the reporting period. Capacity assessments by the Principal Recipient included recommendations to strengthen the Sub-recipients' weaknesses; however, the implementation of the recommendations was not monitored.

A review of 5 out of 14 Sub-recipients disclosed delays in the submission of both programmatic and financial reports. The delays ranged from 1 to 18 days for 14 programmatic reports, and less than 10 days for 12 financial reports, with one outlier of 87 days. In three instances, no reports were submitted by the Sub-recipients due to restrictions imposed by local authorities in response to the COVID-19 pandemic.

Weaknesses in the oversight of Sub-recipients may negatively impact the contributions of Sub-recipients in achieving the grant objectives.

Priority	Medium (Important)
Recommendation 1:	
The Office should strengthen the oversight of Sub-recipients by:	
<ul style="list-style-type: none"> (a) aligning Sub-recipient agreements with the grant implementation period to the extent possible, including contract terms to manage performance risks; (b) establishing a monitoring mechanism to ensure implementation of areas identified within the capacity assessment; and (c) closely monitoring the Sub-recipients for timely submission of programmatic and financial reports, as well the timely issuance of management letters. 	
Management action plan:	
<ul style="list-style-type: none"> (a) The Office shall align Sub-recipient agreements with the grant implementation period to the extent possible. The Office shall determine, based on the findings of the capacity assessments and analysis of operational risks, the need to adapt the agreement terms. 	

- (b) The Office will develop a tracking tool for monitoring the weaknesses identified in the capacity assessments for the Sub-recipients engaged for the next Global Fund allocation period (2021-2023).
- (c) The Office shall monitor the timely submission of the programmatic and financial reports from the Sub-recipients and issue management letters to Sub-recipients within two months of the end of the reporting period.

Estimated completion date: August 2021

Issue 2 Weaknesses in the recovery of funds for suspended operations

The Principal Recipient is accountable to the Global Fund for funds provided for the implementation of grant activities; this implies that sufficient efforts should be undertaken to ensure the full recovery of funds if the Sub-recipient activities are suspended.

In 2020, one Sub-recipient, a non-governmental organization, had its activities suspended following an investigation by the local authorities. While the Office retrieved the commodities including condoms, communication booklets, and HIV tests kits, assets with a net book value of \$1,127 (laptops, printers and automated voltage regulator) and cash in the amount of \$32,511 had yet to be recovered.

The Office had been working with the National Coordination Committee, the Global Fund and other government stakeholders to resolve this matter.

Weaknesses in the full recovery of funds from the Sub-recipient for suspended operations could result in the Principal Recipient having to reimburse the donor for the funds and assets that were lost.

Priority	Medium (Important)
Recommendation 2:	
The Office should continue working with the local authorities and the Global Fund to recover assets and cash from the Sub-recipient.	
Management action plan:	
<ul style="list-style-type: none"> (a) The Office will continue to follow up closely with the National Coordination Committee Chairperson and the relevant government ministry on the issue of the recovery of assets and cash. (b) The Office learned on 11 December that its report on the incident, sent to the Legal Office/BMS on 4 August, had been transferred to the OAI office in New York, which has started a review. The Office will await their advice on actions to be implemented. (c) The Office, in consultation with the Global Fund, will manage the final closure of the issue in line with UNDP's rules, policies and procedures as the project approaches its closure. 	
Estimated completion date: 31 August 2021	

Definitions of audit terms - ratings and priorities

A. AUDIT RATINGS

- **Fully Satisfactory** The assessed governance arrangements, risk management practices and controls were adequately established and functioning well. Issues identified by the audit, if any, are unlikely to affect the achievement of the objectives of the audited entity/area.
- **Satisfactory / Some Improvement Needed** The assessed governance arrangements, risk management practices and controls were generally established and functioning, but need some improvement. Issues identified by the audit do not significantly affect the achievement of the objectives of the audited entity/area.
- **Partially Satisfactory / Major Improvement Needed** The assessed governance arrangements, risk management practices and controls were established and functioning, but need major improvement. Issues identified by the audit could significantly affect the achievement of the objectives of the audited entity/area.
- **Unsatisfactory** The assessed governance arrangements, risk management practices and controls were either not adequately established or not functioning well. Issues identified by the audit could seriously compromise the achievement of the objectives of the audited entity/area.

B. PRIORITIES OF AUDIT RECOMMENDATIONS

- **High (Critical)** Prompt action is required to ensure that UNDP is not exposed to high risks. Failure to take action could result in major negative consequences for UNDP.
- **Medium (Important)** Action is required to ensure that UNDP is not exposed to risks. Failure to take action could contribute to negative consequences for UNDP.
- **Low** Action is desirable and should result in enhanced control or better value for money. Low priority recommendations, if any, are dealt with by the audit team directly with the Office management, either during the exit meeting or through a separate memo subsequent to the fieldwork. Therefore, low priority recommendations are not included in this report.