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

GF-OIG-11-004
11 December 2012

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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 disbursed[1]. 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 follows[3]:
  - Round 6 TB: USD 207,549 for the period 2007 -2012;
  - Round 8 TB: USD 546,609 for the period 2010 – 2012;
  - Round 2 HIV: USD 262,202 for the period 2006 – 2009;
  - 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.

MESSAGE FROM THE GENERAL MANAGER

The Global Fund
To Fight AIDS, Tuberculosis and Malaria

10 YEARS OF IMPACT

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07 December 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 Global Fund grants in Kazakhstan.

The audit was conducted from April 11 to July 28, 2011 and covered four grants to Kazakhstan, totalling US$103 million, of which US$86 million had been disbursed by the time of the audit.

Kazakhstan has made good progress in its response to the HIV and AIDS and tuberculosis epidemics. The capacity of the principal recipients to manage Global Fund grants has also grown from 2003 to 2010.

Nonetheless, the audit found scope for improvement in internal controls related to procurement, grant oversight, financial management, and service delivery. To address these challenges, this report presents 30 recommendations.

The audit also identified US$390,078 in expenses not adequately documented and income not credited. Subsequently to the audit, the principal recipients provided additional documents related to that. Based on the documents, the Global Fund Secretariat will determine whether the money should be recovered.

Following the preliminary audit findings and the draft recommendations submitted by the Office of the Inspector General to the country at the end of the audit, in August 2011, the Global Fund Secretariat, the Country Coordinating Mechanism, and the principal recipients addressed a number of the report's findings.

Audit reports by the Office of the Inspector General are an essential form 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 COUNTRY COORDINATING MECHANISM

Казахстанский союз
людей живущих с ВИЧ

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№ 64
От 26.10.2012

Генеральному Инспектору
ГФСТМ г-ну Джону Парсонсу

Уважаемый господин Джон Парсонс!

Страновой Координационный Комитет (СКК) по работе с международными организациями Республики Казахстан, в лице заместителя Председателя г-на Нурали Аманжолова выражает глубокое уважение и благодарность Офису Генерального инспектора Глобального Фонда и Вам лично, за содействие в реализации грантов ГФСТМ по предотвращению ВИЧ-инфекции, туберкулеза в Республике Казахстан.

Благодаря поддержке ГФСТМ страна внедрила антиретровирусное лечение для людей, живущих с ВИЧ. Казахстан также расширил программы по профилактике ВИЧ-инфекции и охвата заместительной терапией метадоном среди наркопотребителей. Охват всех нуждающихся вновь выявленных больных ТБ был обеспечен на средства ГФСТМ и в настоящее время начаты программы по лечению лекарственно устойчивых форм заболевания.

В ответ на Ваше письмо OIG/JP_12/272 от 19 Октября 2012 г., выражаем признательность за работу по аудиторской проверке реализации грантов Глобального Фонда в нашей стране и за ценные рекомендации, которые будут приняты к сведению и использованы в целях повышения эффективности в области управления и улучшения результатов программной и финансовой деятельности Основных Реципиентов в рамках реализации грантов Глобального Фонда в Казахстане.

Заместитель
Председателя СКК Н. Аманжолов

MESSAGE FROM THE COUNTRY COORDINATING MECHANISM

Official Letterhead)

NGO "Kazakh Union of People Living with HIV/AIDS"
(Almaty city, Kazakhstan)

No. 64
Date: Oct. 26, 2012

Attn.: Inspector General of GFATM
Mr. John Parsons

Dear Mr. John Parsons

The *Country Coordinating Committee of the Republic of Kazakhstan for interaction with international organizations* (the *CCM*), in the name of its vice-chairman – Mr. Nurali Amanzholov, hereby expresses its deep respect and gratitude to the Office of the Inspector General of the Global Fund, and personally to you, for the contribution to implementation of the GFATM grants on prevention of HIV-infection and TB in the Republic of Kazakhstan.

Thanks to the support of the GFATM the country has introduced anti-retroviral therapy for the people living with HIV. Kazakhstan has also expanded the programs for HIV prevention and coverage of drug-users by the methadone substitutive therapy. Besides, the full coverage of all the newly detected TB patients has been ensured through the GFATM grant funds, and as of today there have also been launched the programs for treatment of the drug-resistant forms of TB.

In reply to your Letter No. OIG/JP_12/272 dated October 19, 2012, we are hereby expressing our appreciation and gratitude for the audit mission on the GFATM grants implementation in our country as well as for the valuable recommendations that will certainly be taken into consideration and implemented with a view to increase the efficiency in the field of supervision and improvement of results of the programme-and-financial activities of the Principal Recipients within the frames of the Global Fund grants' implementation in Kazakhstan.

Vice-Chairman of the CCM *(signature and seal)* **N. Amanzholov**

OVERVIEW

Audit Objectives

14. The objectives of this audit were to assess the adequacy and effectiveness of the controls in place to ensure:

- Achievement of value for money from funds spent;
- Accomplishment of programmatic objectives;
- Compliance with Global Fund grant agreements, related policies and procedures, and relevant laws and regulations;
- Safeguarding of grant assets against loss, misuse or abuse; and that
- Risks were effectively managed.

In undertaking this audit an important focus was to identify opportunities to strengthen grant management.

15. The audit looked at the operations of the Principal Recipients (PRs), the Republican Center for Prophylactics and Control of AIDS of the Government of the Republic of Kazakhstan (RCAIDS) and the National Center of Tuberculosis Problems of the Ministry of Health of the Republic of Kazakhstan (NCTP)), their interactions with their Sub-recipients (SRs) and implementing partners, the supply chain for goods and services purchased with the Global Fund grant funds, and the oversight functions of the Country Coordinating Mechanism (CCM), the Local Fund Agent (LFA) and the Global Fund Secretariat.

Audit Scope

16. The audit covered four Global Fund grants to Kazakhstan. The audit sampled transactions from Round 2 to Round 8.

Round No.	Grant Agreement	Principal Recipient (PR)	Grant Amount (USD)	Disbursed Amount (USD)
2	KAZ-202-G01-H-00	RCAIDS	20,288,667	20,288,667
7	KAZ-708-G03-H	RCAIDS	24,560,423	17,714,963
10	KAZ-H-RAC	RCAIDS	7,947,761	3,810,635
6	KAZ-607-G02-T	NCTP	9,114,981	8,365,336
8	KAZ-809-G04-T	NCTP	40,755,079	35,483,523
		TOTAL	**102,666,911**	**85,663,124**

Table 1: Global Fund grants to Kazakhstan audited by the OIG (Source: Global Fund website, 30 March 2011)

17. The Office of the Inspector General (OIG) used the following approaches to conduct its work: Review of grant program documents, monitoring/supervision reports, implementation and procurement plans, examination of supporting documents for grant expenditures, program and financial progress reports as well as discussions with program and financial personnel of relevant grant recipients.

18. In addition to audit tests carried out at the national/central level, the OIG team visited program sites at regional, district and peripheral levels in four regions, at twelve regional centers and 2 regional warehouses. It visited eleven NGOs. During the field visits the OIG team carried out tests and made observations at national and regional hospitals, district health centers, health posts, as well as at regional and district pharmacies. The OIG team

also visited clinical, prevention and patient support programs managed by civil society and community-based organizations and conducted focus group discussions with program beneficiaries.

Prioritization of Audit Recommendations

19. The implementation of all audit recommendations is essential in mitigating risk and strengthening the internal control environment in which the programs operate. The recommendations have been prioritized as follows to assist management in deciding on the order in which recommendations should be implemented:

(a) Critical: There is a material concern, fundamental control weakness or non-compliance, which if not effectively managed, presents material risk and will be highly detrimental to the organization interests, erode internal controls, or jeopardize the achievement of aims and objectives. It requires immediate attention by senior management.

(b) Important: There is a control weakness or noncompliance within the system, which presents a significant risk. Management attention is required to remedy the situation within a reasonable period. If this is not managed, it could adversely affect the organization's interests, weaken internal controls, or undermine achievement of aims and objectives.

(c) Desirable: There is a minor control weakness or noncompliance within the system, which requires remedial action within an appropriate timescale. The adoption of good practices would improve or enhance systems, procedures and risk management for the benefit of the grant programs.

Letter to Management

20. The implementation of all audit recommendations is essential in mitigating risk and strengthening the internal control environment in which the programs operate. Audit findings deemed 'desirable' have been reported separately in a Letter to Management. Though these findings and recommendations may not warrant immediate action, implementation of these recommendations would help to strengthen the overall control environment for Global Fund-supported programs.

OVERSIGHT AND GOVERNANCE

Country Coordinating Mechanism (CCM)

21. The Kazakhstan CCM has 23 members with voting rights, comprising government (ten members), multilateral and bilateral development partners (three), people living with the diseases and NGOs/Community-Based Organizations (ten). At the time of the audit, the academic/educational, religious/faith-based and private sectors were not represented on the CCM.

22. A CCM Secretariat, hosted by the Kazakhstan Union of PLWHA (an SR), was established in April 2011. Going forward, the Secretariat would benefit from developing an annual CCM work plan and a communication strategy for sharing information with stakeholder constituencies and with the general public.

23. The CCM has strengthened its oversight function by appointing an Oversight Committee (May 2011), establishing an oversight plan and conducting its first site visit (June 2011). A number of actions would further strengthen effective CCM oversight of PR activities. This includes clarifying how CCM non-members, including technical officers, participate in oversight and ensuring that oversight includes reviews of PUDRs, PR work plans, monitoring and evaluation plans and annual PR audits.

24. The CCM would benefit from having a governance manual and from expanding its interaction with the LFA by having a CCM representative attend LFA debriefings to the PRs and allowing the LFA to regularly attend CCM meetings as an observer.

25. The CCM developed a Conflict of Interest (COI) policy in 2005. This does not fully meet Requirement 6 of the CCM Guidelines, since it has not been published and does not require periodical declaration of COI by members.

26. At the time of the audit, the CCM did not have in place a documented, transparent process for the nomination of PRs for R6 and R7. There was no documentation of approved PR selection criteria or a scoring system for the evaluation of potential shortlisted PR candidates.

27. PRs and SRs who sit on the CCM have participated in discussions/decisions regarding the nomination of future PRs. For example, MoH employees took part in decisions on budget reprogramming and reallocation, PR selection/recruitment and country proposal development. This represents an actual and perceived conflict since both PRs are departments of the MoH.

28. Resolutions at CCM meetings were passed without the requisite majority.

Recommendation 1 (Important)
In order to ensure compliance with Global Fund requirements, the CCM should:
a) Ensure that periodical declarations of COI are done by all CCM members;
b) Ensure that CCM members with (potential) COI should opt out of decision-making where such conflicts arise; and
c) Develop and apply a transparent process for the nomination of PRs that is based on clearly defined and objective criteria.

Recommendation 2 (Important)
The CCM should:
a) Include members from academic/educational, religious/faith-based and private sector consistencies;

b) Establish a communication strategy for sharing information with stakeholder constituencies and the general public;
c) Establish an annual work plan which should indicate a schedule of CCM meetings, key oversight activities, and important events such as the planned submission of an application for funding, periodic reviews and requests for continued funding;
d) Ensure that all resolutions and decisions are adopted through the vote of the CCM majority; and
e) Ensure that the CCM Secretariat undertakes its tasks and responsibilities independently from structures and influences of PRs and SRs.

Recommendation 3 (Important)
The CCM should prepare a governance manual and an oversight plan. The latter should:
a) Clarify how CCM non-members will engage in oversight activities;
b) Involve technical officers who are not part of the Oversight Committee in oversight;
c) Extend CCM oversight to reviews of PUDRs, PR work plans, monitoring and evaluation plans and annual PR audits; and
d) Clarify CCM interaction with the LFA, e.g., by having a CCM representative attend LFA debriefings to the PRs and having the LFA regularly attend CCM meetings as an observer.

Local Fund Agent (LFA)

29. The LFA plays a crucial part in the Global Fund's system of oversight and risk management at the country level. PricewaterhouseCoopers was the LFA from the inception of the Global Fund grants in Kazakhstan until November 2009, after which the contract was awarded to Crown Agents.

30. There was scope for improvement in the work undertaken by the LFA to ensure effective oversight and assurance that can be relied upon by the Secretariat. At the time of the audit, the LFA had not yet performed a risk analysis to ensure that its reviews (e.g., the PUDR) were undertaken from a risk management perspective and PUDR reviews did not consistently include verification work in high risk areas such as procurement and SR expenditure, or employ a sampling methodology that covered all grant areas. The LFA did not always ensure the availability of sufficient human resources to undertake high quality financial verification or arrange its working papers systematically. In addition, the LFA did not always ensure that errors made by the PR in reporting were mentioned in LFA reviews.

Recommendation 4 (Important)
The Global Fund Secretariat should ensure that the LFA:
(a) Undertakes an assessment of country and PR risks and develops a review plan that ensures coverage of the key risks identified;
(b) Employs sufficient resources on PUDR reviews by considering adding a financial officer who should thoroughly review the PRs' procurements and the transparency of the bidding processes;
(c) Provides adequate training to its staff, in order to improve their knowledge of Global Fund requirements related to the areas of reporting, scope of review, etc.; and
(d) Adopts a sampling methodology during its reviews (PUDR and EFR) by selecting representative samples from each reporting budget line.

Global Fund Secretariat

31. At the time of the audit, the Global Fund Secretariat did not have a standardized system in place that would ensure an accurate and complete coverage of the review undertaken

by LFAs. Each LFA had its own sampling methodologies, testing steps, documents selected for review, working papers and archiving system. This lack of standardization led to the observations specific to the LFA in Kazakhstan outlined above.

32. The Global Fund Secretariat did not have the necessary controls in place to ensure the accuracy of information reported by the PR and LFA or identify when pertinent information was not reported. Examples included:

- Findings related to procurement that had not been reported to the Global Fund; and
- Principal Recipients were paying VAT despite being VAT-exempt.

33. In several instances, disbursements were made by the Global Fund Secretariat where reliance was placed solely on reports from the Local Fund Agent to determine whether Conditions Precedent had not been fulfilled by the PRs, instead of challenging and verifying the information.

Recommendation 5 (Important)
The Global Fund Secretariat should:
a) Endeavor to ensure the accuracy of information submitted by the LFA;
b) Monitor the compliance of PRs with grant agreements, conditions and other Global Fund requirements and ensure regular monitoring of these matters by the LFA;
c) Ensure consistency and agreement between different pieces of documentation on PR compliance; and
d) Ensure that adherence to compliance matters is consistently reflected in disbursement decisions.

GRANT MANAGEMENT

Principal Recipients - Background

The Republican Center for Prophylactics and Control of AIDS of the Government of the Republic of Kazakhstan (RCAIDS)

34. RCAIDS is the PR managing the HIV grants under Rounds 2 and 7. It was established in 2001 under the Prime Minister's Office, and subsequently ratified through an Act of Parliament. RCAIDS was created to coordinate and facilitate the multi-sector HIV/AIDS response and oversee the implementation of the strategic plans and frameworks at national level.

35. RCAIDS has implemented Global Fund grants through 86 SRs, which are either regional AIDS centers or Non-Government Organizations (NGOs). The total amount implemented through SRs since inception of the grants (July 2004) was USD 7,208,533.

Type of Sub-Recipient	Number of SRs	Disbursed Amount (USD)
NGOs	64	4,681,988
Regional AIDS centers	22	2,526,545
TOTAL	**86**	**7,208,533**

Table 2(a): Summary of HIV grants implemented through SRs

The National Center of TB Problems of the Ministry of Health of the Republic of Kazakhstan (NCTP)

36. NCTP is the PR managing TB grants under Rounds 6 and 8. NCTP is responsible for the technical management of TB control throughout Kazakhstan, and is also the clinical center for the entire country. It was created to coordinate and facilitate the multi-sector tuberculosis response and oversee the implementation of the strategic plans and frameworks at a national level.

37. NCTP has implemented Global Fund grant activities through 22 SRs, which are either regional TB centers or NGOs. The total amount implemented through SRs since inception of the first TB grant (May 2007) was USD 2,798,523.

Type of Sub-Recipient	Number of SRs	Disbursed Amount (USD)
NGOs	4	1,527,653
Regional TB centers	18	1,270,870
TOTAL	**22**	**2,798,523**

Table 2 (b): Summary of TB grants implemented through SRs

Institutional capacity

38. At the time of the audit, RCAIDS had drafted an operational ("policies and procedures") manual, covering the general policy framework for financial management, management of procurement, Sub-Recipient management and monitoring and evaluation. This document was still in draft as of July 2011; as were many of the organization's policies and procedures.

39. The operational guidelines at both RCAIDS and NCTP could be strengthened to support the practical implementation of institutional policies and to clarify roles, responsibilities and expectations within the organizations. Specifically, they should cover all aspects of project management in sufficient detail, provide guidance on how to manage conflict of interest in financial and programmatic activities, SR management and include procurement policies and procedures to cover all aspects of the procurement cycle.

Recommendation 6 (Important)
RCAIDS and NCTP should:
a) Finalize and approve (RCAIDS) and update (NCTP) their respective policies and procedures manual to include bank reconciliations, allocation of shared or indirect costs, month-end close procedures, periodic physical verification and disposal of assets, SR management, conflict of interest and periodic data backups;
b) Produce comprehensive procedural guidelines to support practical implementation of the policies set; and
c) Clarify roles, responsibilities and expectations in relation to implementation of the established policies.

Budgetary Control and Reporting

40. Budgetary controls need to be strengthened in the following areas:

- A formal process of monitoring approved budget versus actual should be established. There was no documentation that this took place on a regular basis; and
- Roles and responsibilities with reference to budget execution, feedback on significant variances and corrective actions should be clarified.

41. Inadequate budgetary control has resulted in unbudgeted expenditure of USD 36,781 and expenditure misclassification of USD 59,737. [4]

Recommendation 7 (Critical)
RCAIDS and NCTP should:
a) Strengthen their budgetary control system by:
- *Establishing a review process by activity and budget line;*
- *Formally clarifying budget control roles and responsibilities; and*
- *Documenting the process for communicating significant variances and corrective actions taken.*

b) Establish a process to inform the Global Fund and seek approval in the case of major deviations from budget; and
c) Train financial staff on the reporting required by the Global Fund.

[4] Transactions amounting to USD 9,977 for the RCAIDS and USD 49,761 for the NCTP were charged to the incorrect budget lines.

Bank and Cash management

42. The following observations were made in both PR institutions and should be addressed in an effort to strengthen financial controls:

- A need to have in place a clear segregation of duties with respect to approval and verification of payments, recording of transactions and managing cash-on-hand. For example, the finance manager at RCAIDS was involved in the verification and approval of payments, and recording of transactions and managing cash-on-hand and bank. The program Manager was not formally involved in approval or review of financial transactions;
- A need for a more thorough review of transactions prior to posting them in the accounting system. The audit identified inadequate procedures for review of transactions prior to posting them in the accounting system, for example, transactions amounting to USD 9,977 for the RCAIDS and USD 49,761 for the NCTP were charged to the wrong budget line;
- A need for improved supporting documentation and audit trail for financial transactions. At the time of the audit, the PRs had not established a comprehensive records retention system. Documentation supporting financial transactions are not kept in the same locations as the transaction information;
- A need to segregate and limit access to the accounting system; and
- The TOR for independent auditors should comply with auditing standards.[5]

43. The following issues were noted in a review of a sample of transaction from both PRs:

Description	RCAIDS Exceptions (USD)	NCTP exceptions (USD)
Unbudgeted expenses	36,741	0
Unallowable expenses (taxes and duties)[6]	231,503	513,928
Supporting documents in photocopies	1,510	6,793
Expenses not supported with evidence or original of receipt of goods/services	113,628	473
Transactions not adequately supported	13,065	27,682
No supporting documentation for expenditure	47,489	240
Penalties not deducted for delayed delivery	127,149	15,308
Total	**571,085**	**564,424**

Table 4: Exceptions found during tests of details of samples of transactions[7]

Recommendation 8 (Critical)
In order to strengthen controls in the accounting functions, RCAIDS and NCTP should:

(a) Establish segregation of duties and enhance supervisory review of transactions;
(b) Segregate the access rights to the automated accounting system and ensure access rights are in line with employee job descriptions;
(c) Align its financial records retention practices, preferably with an indexing/referencing system in place to ease sourcing of documentation supporting financial transactions;

[5]The Independent Auditor has been requested to issue an independent opinion and at the same time conduct agreed upon procedures (produce financial reports) which is inconsistent with international auditing standards.
[6] 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.
[7] Note: The exceptions represent actual exceptions from a sample of transactions tested. The actual amount of exceptions is likely to be higher.

(d) Implement the external audit guidelines recently issued by the Global Fund; and
(e) Properly support all expenditures with authorized purchase requisitions, original vendor invoices, evidence of receipt of goods/services, and certification of completion of work.

Recommendation 9 (Critical)
The Global Fund Secretariat should determine whether the amounts documented in Annex 4 should be recovered. For taxes and duties paid identified in Annex 5, the information provided by the PRs after the audit should be validated.

Asset & Inventory Management

44. Assets acquired during Rounds 2 and 7 for RCAIDS and Rounds 6 and 8 for the NCTP were procured by the Program Implementing Units (PIU) and directly transferred to the PR or SR. PIU maintains only disposal/hand over records for these assets. It does not maintain any Asset Register as it has released assets either to PR or SRs.

45. The annual physical verification of assets by PIU was limited to PRs and had not been comprehensively extended to SRs. Due to shortage of staff, only about 6% of the SRs had been monitored (a maximum of six or seven SRs annually out of 86 SRs).

Recommendation 10 (Important)
In order to strengthen fixed asset management, RCAIDS and NCTP should:

(a) Maintain a proper master fixed assets register (FAR) updated with the following: Name and description of the fixed asset, year of acquisition, date of acquisition, inventory number, manufacturers number, actual existence (indication of quantity, cost, obsolesce); and
(b) Increase coverage of physical verification of fixed assets to SRs (RCAIDS).

Human Resources

46. The review of HR management procedures highlighted the following opportunities for improvement:
- The performance appraisal system could be documented in better detail for transparency in decisions concerning promotions, bonuses, benefits, etc. (RCAIDS and NCTP);
- The payroll process could be strengthened by improving linkages with approved posts and by monitoring staff absence and performance (RCAIDS);
- Proper employment contracts should be signed with employees and kept up to date (RCAIDS); and
- The process of identification and selection of trainers should be documented for transparency (NCTP).

Recommendation 11 (Important)
In order to strengthen Human Resources Management procedures, RCAIDS and NCTP should:
(a) Formalize performance appraisal processes and link them with HR decisions, like promotions, bonuses, training and development;
(b) Maintain approved employee contracts for all employees with a clear indication of terms and conditions of the employment acknowledged by employee, including acknowledgement of remuneration (RCAIDS); and
(c) Document the process of selection of trainers and consultants, including clearly specified TORs and deliverables (NCTP).

Management of Sub-Recipients

47. The OIG review of SR management demonstrated that the PRs did not systematically conduct capacity assessments of SRs before selecting them. As a result, SRs were selected with limitations in their financial management capacity.

48. RCAIDS established an evaluation committee from among the representatives of iNGOs to evaluate proposals and select SRs. The evaluation committee based its decision for the selection of SRs predominantly on coverage ratio claimed by the applicants and did not consider the institutional capacities of the SRs.

49. The evaluation committee consisted principally of technical program experts and at the time of the audit lacked financial or operational expertise to assist in the determination of organizational capacity criteria in the selection of SRs.

Recommendation 12 (Important)
To strengthen Sub-Recipient management, RCAIDS should:
(a) Expand SR selection guidelines to include requirements on financial and operational capacity of SRs;
(b) Ensure the SR evaluation committee includes members with organizational, financial and operational skills to assist in the comprehensive selection of SRs; and
(c) Increase the coverage and frequency of financial monitoring of SRs with the consideration of inherent or identified risks pertaining to SRs.

PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

50. The OIG reviewed the systems and functioning of internal controls in the procurement process of both Principal Recipients, which included case reviews of a sample of procurement cases.

Procurement practices and applicable laws

51. The State Law on Procurement of Republic of Kazakhstan is a well-developed document, describing methods, definitions, applicable exceptions and the general approach to effective and efficient procurement in detail. It is in line with international standards and ensures a transparent and competitive procurement process as well as secure value for money for the goods/services procured.

52. However, procurement policies and procedures developed by the PRs and approved by the Global Fund were not fully in line with the State Law on Procurement, thus raising questions regarding the value for money of the goods/services procured under Global Fund grants.

53. According to the procurement policy applied by RCAIDS, open tenders were required for procurement equal to or exceeding USD 300,000 (the corresponding threshold per the State Law is USD 40,000/year in general and approx. USD 20,000/year[8] for procurement of drugs and medical equipment).

Recommendation 13 (Critical)
RCAIDS and NCTP should follow the State Law on Procurement.

Forecasting and quantification

54. RCAIDS and NCTP would have benefitted from using a specialized MIS for forecasting and quantification of needs for ARV drugs, TB drugs and other health products. At the time of the audit, the two PRs used Excel files for procurement data.

55. RCAIDS tracks planned activities and quantities of drugs to be delivered to each region. However, their method requires greater analytical forecasting content, such as expiry dates, new patients enrolled, lead time for delivery, morbidity rates as well as comparison of actual consumption with the forecasted need.

Recommendation 14 (Critical)
RCAIDS and NCTP should develop and use specialized MIS systems for forecasting and quantification.

[8]The Law on Public Procurement allows closed tendering or invitation of a limited number of participants for the contracts below 4,000 MCI/year and the Decree No 1729 below 2,000 MCI/year (MCI = monthly calculation index). One MCI equals to approx. USD 10. In its Procurement Plans for Round 2/Phase 2 and Round 7/Phase 1 the PR mentions closed/limited tendering threshold of 30,000 MCI per contract, which makes it approx. USD 300,000.

Procurement

56. Some of the issues identified by the OIG audit have been referred to the OIG Investigations Unit for follow up.

The Republican Center for Prophylactics and Control of AIDS of the Government of the Republic of Kazakhstan (RCAIDS)

57. Procurement from 2004 to 2010: Competition generated among suppliers for the HIV project was very low with an average of two bidders per tender. In one of the major tenders, the PR had 17 expressions of interest; however, only two bids were received.

58. Review of individual transactions showed areas where improvement was required (see Letter to Management). These included:
- Tenders in which conditions in the bid documents excluded all but one specific supplier;
- Incomplete segregation of duties in the procurement process. In several cases the procurement officer made significant procurement decisions such as evaluation of offers and awards of contracts. The documents maintained did not include all pertinent details, such as the price of awarded or rejected bidder;
- ARV drugs procured were twice as expensive as in neighboring Uzbekistan;
- 100% advance payment had been made without bank guarantees; and
- Acceptance certificates signed by final recipients were generally not dated, thus not committing to a specific delivery date. Calculation of loss or penalties for late delivery was therefore not possible.

59. Procurement after 2010: Since 2010 there has been a major change in PSM, including open advertisements and more competitive procurement. However, the following scope for improvement remained:
- The procurement officer at the time of the audit had not previously held procurement positions. No handover of documents and files concerning the HIV program had been documented;
- Tenders were advertised only in Kazakh language and bidding documents given to potential bidders were only in Russian;
- Technical criteria of bids for health products were evaluated through focus groups and cost was not consistently an evaluation criterion; and
- Performance security (bank guarantee) for implementation of contracts was not mentioned in the contracts.

National Center of TB Problems of the Ministry of Health of the Republic of Kazakhstan (NCTP)

60. The following challenges were identified in the procurement process of the NCTP (see Letter to Management).
- The TB project experienced major loss of electronic data, including correspondence with bidders, contractors and other parties involved in procurement and supply management. Crucial data for judging the transparency of the procurement process were lost;
- Technical specifications for products to be procured were sometimes drafted after offers had been received;
- Specific brands and model names when analyzing equipment to be procured were mentioned, which restricts competition;
- In 2011 two contracts amounting to more than USD 1 million were signed with a company that had been barred by a court order;

- Contracts were awarded to bidders despite insufficient bank guarantees. Sometimes the bank guarantee stipulated in the tender process, 5% of contract value, was reduced to 2% at the time of signing the contract. 100% advance payments were made without bank guarantees;
- Vague technical specifications; and
- Contract conditions were amended in favor of the contractors; for instance, delivery deadlines were extended instead of applying penalties for late delivery.

Recommendation 15 (Critical)
To secure full transparency and competition in procuring products and services, RCAIDS and NCTP should:
(a) Conduct open tendering procedures for products and services as stipulated in the procurement law of Kazakhstan, and only procure products and services using sole sourcing in line with this law;
(b) Advertise open tenders internationally and widely (e.g., in international newspapers, UN Development Business, dgMarket, DevEx, etc.), and apply a consistent language policy for advertisements;
(c) In line with Kazakhstan law, minimize advance payments made and in particular, refrain from paying 100% in advance; and
(d) Establish a procurement archiving system for the safe storage of tender documentation.

Recommendation 16 (Critical)
RCAIDS should:
(a) Mentions price as a selection criterion in its bidding documents;
(b) Clearly informs all potential bidders about selection and evaluation criteria and methods, and does not accept quotations that are not signed or dated; and
(c) Checks prices of products before high-value procurements (above USD 40,000) by comparing prices available in the local market, and reviewing prices in neighboring countries (consult Global Fund website, WHO website).

Recommendation 17 (Critical)
In order to strengthen its capacity to manage procurement contracts, RCAIDS should include the following information in future procurement contracts:
(a) Brand names, manufacturers and countries of origin of drugs;
(b) Performance security clause;
(c) Advance payment rate;
(d) Specific dates of delivery; and that
(e) RCAIDS applies the penalty clause mentioned in the contract in case of delay of delivery by the supplier.

Recommendation 18 (Critical)
RCAIDS should:
(a) Train its current procurement office;
(b) Establish an Evaluation Committee, consisting of procurement professionals and technical experts who are responsible for evaluating bids and quotations and decide who should be awarded a contract; and
(c) Ask the Evaluation Committee to produce an evaluation report for each bid/quotation. The evaluation report should contain the following at a minimum:
- *Brief background information about the need;*
- *Names and positions of external body(ies) engaged as experts for drafting specifications/TORs (if any);*
- *Date of the Request for Procurement;*
- *Date and place(s) of tender announcement;*
- *Requests for clarifications from bidders and responses from the PR;*

- *Date, time and place of bid opening;*
- *Names and positions of individuals present at the bid opening;*
- *Names of the bidders and read out prices of bids;*
- *Information relevant to the technical/financial evaluation of bids or clarifications sought from the bidders;*
- *Names and positions of external body(ies) engaged as experts for evaluating bids/proposals (if applicable);*
- *Results of evaluation and recommendations for contract award, with reasons for the decisions and reference to criteria in the tender documents, including a discussion of any corrected arithmetical errors in the bids;*
- *Special opinions voiced by any member of Evaluation Committee; and*
- *The date of the Evaluation Report, as well as names, positions and signatures of Evaluation Committee members.*

Recommendation 19 (Critical)

NCTP should:

(a) Establishes a bid evaluation system to ensure that the proposals received from suppliers correspond to the bid specifications and conditions;

(b) Calculates its procurement needs/tasks before launching the tender process and includes them in the tender documents;

(c) Clearly mentions detailed technical specifications of its products in the bidding documents;

(d) Stipulates bank guarantees in the bidding documents and does not reduce the bank guarantee amounts for any contractors;

(e) Avoids increasing volumes/prices of products without competition; and

(f) Amends the delivery dates (e.g., by extending the deadlines) and changes payment conditions only in exceptional and well-justified cases.

Quality Assurance

61. No in-country quality control of pharmaceutical products was performed, as required by the Global Fund's QA/QC policy.

Recommendation 20 (Important)

RCAIDS and NCTP should:

(a) Submit a sampling plan and procedure, including the number of lots sampled, the sampling period in terms of storage months, the level of the supply chain at which the collection will be made, and construct a budget for PSM costs; and

(b) Take samples of drugs along the distribution chain and send them to a WHO-prequalified or ISO 17025-certified laboratory for quality control.

PROGRAM REVIEW

62. The audit reviewed the adequacy and effectiveness of the controls in place to ensure that grant monies were spent appropriately. While this did not amount to a technical programmatic evaluation, the audit team reviewed the systems and controls in place to deliver on the grant aims and to ensure that programmatic objectives were being achieved.

HIV

Service Delivery

63. There was scope for improved adherence by RCAIDS to its approved work plan:
- National harm reduction guidelines had not been elaborated;
- Selected NGOs/SRs had not been trained in PLWH social care and ART adherence support; and
- Harm reduction supplies and materials had not been purchased on time, resulting in a six month stock out of syringes, condoms, lubricants, STI medicines, vaccines, test kits and IEC material. This occurred due to a delay in signing the grant agreement between the Global Fund Secretariat and RCAIDS. At the time of the audit, suppliers had been identified and contracts signed.

64. In 2011, Kazakhstan introduced "Salamati Kazakhstan", the 2011-2015 strategic plan for health care delivery in the country. With respect to HIV/AIDS, this plan needed strengthening to ensure an effective national response to HIV/AIDS prevention, treatment and care. At the time of the review, the plan did not specify strategic areas, objectives, main activities, targets or a detailed budget indicating sources of funding and potential funding gaps, thus creating a risk that the national response to HIV/AIDS might be compromised. To mitigate this risk, the MOH had developed a separate detailed two-year implementation plan for HIV/AIDS services in the penitentiary system (a similar plan was being developed for the civil sector). This plan did not specify the amount and source of funding for each activity.

65. At the time of the audit, two short treatment protocols—one for adults and one for children—had been endorsed by the MOH. Two essential ARV drugs were registered in 2010 (Tenofovir and Emtricitabine), which limited treatment options. A full version of the national HIV/AIDS treatment guidelines had not been endorsed.

66. The national STI treatment guidelines endorsed by the MOH did not include the STI syndromic management approach (stipulated in MOH order #295). Standard treatment schedules in these two documents differed, which created a misunderstanding among STI care providers.

67. There was scope for improvement in the policy/legal environment in Kazakhstan, particularly in the context of MARPS. The possession of used syringes, which may test positive for drugs, could be the basis for prosecuting syringe-exchange program (SEP) clients and staff. This was an issue particularly in prisons, where the implementation of SEP was not allowed despite epidemiological evidence of increasing prevalence of unsafe injecting behaviors. This was of major concern in light of the Round 10 grant program, which has a strong focus on delivering harm reduction services in prisons. The implementation of this program will not be possible until adequate policy changes have been introduced in prisons. Methadone had not been registered at the time of the audit.

68. Mandatory HIV testing was common for MARPs. According to the MOH "Algorithm of epidemiological investigation of HIV outbreak", all HIV case contacts should be

identified and tested. The algorithm did not say that this required the informed consent of the person to be tested. Similarly, mandatory registration of STI patients was required in order to access free services in STI clinics. Mandatory disclosure of sexual contacts/partners was also common. According to the new MOH order regulating Dermatology-Venereology service in Kazakhstan, all STI case contacts were subject to mandatory examination. The order did not refer to an informed consent provision.

Recommendation 21 (Important)
In conjunction with technical partners, RCAIDS should*:*

a) Considers the development of a comprehensive implementation plan for HIV/AIDS services for the civil sector and to improve the plan which exists for the penitentiary sector;
b) Facilitates endorsement of the national HIV/AIDS treatment guidelines by the MOH and facilitate registration of methadone in Kazakhstan;
c) Reconciles the national STI guidelines with MOH order #295 to ensure a consistent approach with regard to syndromic treatment of STIs;
d) Supports policy dialogue on legal reforms to allow the implementation of the grant agreement(s) with respect to SEP and OST; and
e) Supports the revision of existing regulations on tracing and testing HIV and STI case contacts to ensure the voluntary nature of clinical examination and testing.

69. The acceptance of HIV counseling and testing was low among MARPs. Based on focus group discussions, this was due to fear regarding registration, barriers to anonymous testing, as well as a reported absence of routine pre-test counseling.

70. At the time of the audit a concerted effort was ongoing to design a clinical registry for clients. Once operational, this will facilitate clinical management and follow up, particularly for patients currently not fully served.

71. Psycho-Social Counseling (PSC), one of the main strategies implemented by SRs, was not done routinely. There was a need to put in place a standard protocol on the frequency and format of client counseling and include topics such as counseling on TB signs and symptoms.

72. Not all registered PLWH who were receiving services at AIDS centers were screened for TB, particularly those without a *propiska*[9]. Similarly, not all eligible patients were receiving IPT.

73. The audit raised a concern that not all eligible patients were receiving ART. Out of five randomly selected patients at Almaty AIDS Center, four were eligible for ART but were not on treatment. Focus group discussions with PLWH indicated that many patients refused to start treatment due to a fear of ART. There was scope for improved cooperation between AIDS Centers and NGOs working with PLWH to address this.

74. There were limitations to the availability of CD4 and viral load testing due to technical problems with equipment and the short supply of reagents[10]. Not all Oblast AIDS centers had the capacity to measure CD4 count (13 centers) or viral load (5 centers). Drug resistance testing was limited[11], and the national treatment protocol did not include explicit recommendations on HIV drug resistance testing.

[9] The national residency/identification document.
[10] For example, in Pavlodar CD4 counts happened once a year among patients on ART, whereas it should be done once in every six months according to the national protocol.
[11] For example, the Almaty City AIDS Center performed a maximum of eight tests per year.

75. There was scope to improve the functioning of mobile laboratories doing outreach[12]. Mobile laboratory staff would benefit from having SOPs for HIV testing. IDUs, CSWs and MSM in focus groups said that it would be very helpful if rapid testing were done during outreach and not in office settings only.

76. Facilities to improve access to service for patients had scope for improvement. STI case management was provided to MARPs at Friendly Cabinets (FC) functioning either under AIDS centers or run by NGOs. These services were used mostly by CSWs, particularly those from lower socio-economic groups. Utilization of FC services by IDUs and MSM was low.

77. During its field visit reviews, the audit team was alerted by NGO members, their clients (mostly MSM), and CCM members that the perceived quality of condoms purchased and distributed through the Phase 1 of Round 7 grant program was poor. The respondents mentioned small size, dryness, and frequent breakage.

Recommendation 22 (Important)
RCAIDS should:

a) *Advocate for equipping all Oblast AIDS Centers with CD4 and PCR machines and ensures the provision of an adequate supply of reagents for CD4 and viral load testing according to the national protocol;*
b) *Include a recommendation on HIV drug resistance testing in the AIDS national treatment protocol*
c) *Strengthen capacity of reference laboratory staff for HIV drug resistance testing so that it is done among all patients who require it;*
d) *Strengthen local NGO capacity for improving ART initiation and adherence among all PLWH;*
e) *Improve HCT practice by removing barriers to anonymous testing, improving the quality of counseling, and introducing HIV rapid testing at various settings including outreach; and*
f) *Screen for TB all registered PLWH who receive services at AIDS centers, particularly those without a* propiska. *RCAIDS should make sure that all eligible patients receive IPT. This will require improving coordination with the TB program as well as additional training of providers working at AIDS centers.*

Recommendation 23 (Important)
RCAIDS should revise the format of service delivery through Friendly Cabinets based on an evaluation of these units so that their client base is increased.

Training

78. RCAIDS had planned to conduct a two-day training course for 20 outreach workers and 20 PHC professionals on PSC among MARPs. Considering the HIV burden in Kazakhstan, this number of trainees was low and was unlikely to address the national need for trained staff. To fill the gap, RCAIDS used a cascade training approach, but did not consider a training of trainers methodology. Similarly, a peer education approach was employed for training youth, and could be successfully extended to MARP training.

Monitoring and Evaluation

79. The Round 7 HIV/AIDS grant program was fully integrated into the national monitoring system, with only one indicator in the grant performance framework not a national indicator. However, the national HIV/AIDS M&E plan was not up to date at the time of

[12] For example, in Almaty there was just one mobile laboratory at the time of the audit.

the audit, and did not include/define the following: an M&E framework with inputs, outputs, outcomes, and impacts; the process of data flow from different sources into the national M&E system; and the list of information products to be elaborated based on HIV/AIDS M&E data.

80. Greater care needed to be taken to avoid double counting. At the time of the audit, the same group of MARPs in Round 7 were counted twice against the same indicator ("Number and % of MSM currently reached with HIV Prevention Programs") by different SRs.

81. There were no standard indicators used for OST program reporting, particularly for clinical outcomes. Some, NGO outreach workers did not consistently complete or update data registration journals or their client database.

82. The definition and calculation of indicators had scope for improvement. For example, the outcome level indicator "% of young people aged 15-24 who reported using a condom when they last had sexual intercourse" used a different definition at baseline ("last sexual intercourse with a non-regular partner"), than the one used subsequently ("last sexual intercourse with any kind of partner").

83. There was scope for improving process/output indicators to improve the validity of reported data. The following examples illustrate practices that require attention:

- At the time of the audit, the indicator "number and % of CSW currently reached with HIV Prevention Programs" did not include coverage data for CSWs for one of the SRs (Population Services International).
- For the indicator "Number and percentage of most-at-risk populations (CSWs) who received an HIV test in the last 12 months and who know their results", the baseline figure for "percentage" was taken from the BSS report; however, RCAIDS calculated the "number" by multiplying the BSS proportion by the CSW estimated population size, rather than basing it on program implementation data. The same method was used in the corresponding indicators for MSM.
- The Phase 1 actual target reported for the indicator "Number of PLWHA currently receiving care and support services to improve ARV adherence" of 2,015 included those PLWH eligible for but not yet on ART.

84. There was no approved standard protocol of respondent-driven sampling for BSS being conducted among IDUs at the time of the audit. There was significant variation in how this was implemented in practice across all oblasts. The audit noted the following:

- An outreach worker/IDU was participating as second wave respondent; however, outreach workers should not play this role (Pavlodar);
- NGO outreach workers were asked by the AIDS center to bring "HIV negative IDUs" for participation in BSS (Almaty);
- A nurse was asked by the AIDS center to bring 12 IDUs; she had to take IDUs herself by taxi (Almaty); and
- An outreach worker was asked by the AIDS center to bring three IDUs, though he was not involved himself as seed in the first wave, and did not have any coupons to distribute among further respondents (Astana).

85. The AIDS centers were responsible for program implementation and delivering results; at the same time they were responsible for BSS implementation. This created a situation of (potential) conflict of interest with respect to the centers' performance evaluation.

86. There was scope for more fully utilizing in-country partners for technical capacity building, particularly their involvement in the design and implementation of grant programs for SRs under the Global Fund-supported programs.

Recommendation 24 (Critical)
In conjunction with technical partners, RCAIDS should*:*

a) *Consider updating the national M&E plan beyond 2011. The plan format/content should correspond to the best international standards so that it ensures smooth implementation at all levels and contributes to effective national response to HIV/AIDS;*
b) *Review/update the indicators from the national/grant M&E plan to make sure that all indicators are defined clearly and correctly, and that indicators are used consistently at baseline and when calculating the actual results. The PIU M&E unit should conduct a basic quality check of the data reported through national M&E system, before reporting them to the Global Fund; and*
c) *Conduct an independent external evaluation of the HIV surveillance system, including the quality of BSS design and implementation. This should involve all international partners active in this field in Kazakhstan.*

Recommendation 25 (Important)
RCAIDS should improve coordination between all partners to mobilize technical capacity building, so that they better contribute to technical design and effective implementation of the Global Fund-supported programs.

TUBERCULOSIS

Service quality

87. Generally speaking, Kazakhstan was making good progress in scaling up rapid drug resistance testing nationwide. However, at the time of the audit, there was a shortage of rapid drug resistance tests systems, which meant that not all eligible TB patients could be tested as per the national protocol. Rapid drug resistance testing was not done among incarcerated TB patients. There was a need to introduce an external quality assurance system for the TB laboratory network.

88. At the time of the audit, the diagnostic workup of MDR-TB/HIV co-infected patients was not always performed in line with "gold standards". Such patients, both in the penitentiary and civil sectors, were not consistently tested for CD4 and viral load (even though many of them had been consulted by HIV/AIDS clinical consultants).

89. In both civil and penitentiary health facilities eligible TB patients with HIV co-infection did not receive ART. This problem was highlighted in the GLC 2010 country monitoring report, which advised the NCTP to ensure that management of HIV infected TB/MDR-TB patients was better coordinated and that the policy on initiating ART in TB/MDR-TB patients was updated[13]. The report also recommended that adequate infection control measures should be implemented in MDR-TB departments, and that infection control plans should be developed for all TB and particularly MDR-TB facilities. At the time of the audit, these recommendations had not been implemented.

Recommendation 26 (Critical)
NCTP, in conjunction with technical partners, should:

[13] GLC monitoring report, Kazakhstan, 19-22 July 2010.

a) *Procure adequate quantities of rapid drug resistance test kits and makes sure that all TB patients are tested in both civil and penitentiary sectors as per the national guidelines;*
b) *Design and introduces an external quality assurance system for rapid drug resistance testing in laboratories;*
c) *Improve coordination between national TB and HIV/AIDS programs and improves TB/HIV management and control including diagnostic workup of co-infected patients as well as concomitant ART and anti-TB treatment;*
d) *Improve clinical management of side effects of second-line anti-TB drugs as well as clinical management of co-morbidities;*
e) *Monitor the quality of second-line anti-TB drugs through both monitoring of clinical outcomes of patients as well as laboratory testing of quality standards of drugs; and*
f) *Make sure that TB infection control guidelines are available and implemented and that providers are adequately trained.*

Training and IEC

90. There was scope for improvement in the training offered to TB staff. At the time of the audit, a considerable proportion of PHC providers had not been trained in DOTS as projected in the workplan[14]. The Kazakhstan Red Crescent Society (RCS) was scheduled to conduct training in Pavlodar for Oblast TB Center providers on "Counseling of TB patients". In place of the above, RCS conducted two separate trainings on "Interpersonal communication skills" and the "Role of nurses in TB control".

91. The Round 8 program includes quarterly supervision visits by NCTP experts to oblast centers and, jointly with MDR-TB oblast coordinators, to selected districts and facilities to oversee MDR-TB surveillance and case management. There is scope for including on-site technical assistance/on-the-job training as part of these supervision visits.

92. Under Round 6, the RCS has implemented an IEC campaign which was not guided by a documented strategy or plan. The absence of such a plan raised questions about the rationale underlying certain activities, for example, the mass communication events organized in Pavlodar kindergartens for the 2010 World TB Day.

Nutritional support

93. There were no standard criteria for selecting TB patients to receive food/hygiene parcels in the Round 6 and Round 8 grant programs. TB patients without *propiskas* could not get nutritional support, though they could get anti-TB treatment. Patients without a *propiska* often belonged to the most vulnerable groups, with the greatest need for support.

94. Under the Round 8 grant, incarcerated MDR-TB patients were receiving food/hygiene parcels. Given the needs among vulnerable patients who are not in prison, these funds may be better allocated to MDR-TB patients in the civil sector.

Recommendation 27 (Important)
NCTP should:
a) *Implement the DOTS training program in line with the identified need for training; and*

[14] For example, in Pavlodar 158 internists and pediatricians had been identified as requiring DOTS training in 2010, whereas only 89 were trained.

b) Include on-site technical assistance/on-the-job training as part of the supervisory visits to TB grass root facilities.

Supplies

95. Sufficient rapid drug resistance tests systems (Bactec MGIT 960) were stored at Pavlodar Oblast TB Center laboratory to cover the needs of both civil and penitentiary TB facilities in Pavlodar oblast. However, tests were not done among TB patients at Pavlodar TB colony, resulting in a surplus of tests in the central oblast TB laboratory. There is scope for better laboratory coordination between prison health facilities under the Ministry of Justice and facilities under the MOH.

96. SR Oblast TB Centers in the OIG sample often received incomplete shipments of second line anti-TB drugs, both funded by the Global Fund and the state budget. The review of the supplies management system for second-line anti-TB drugs, non-TB drugs and other commodities planned under the Round 6 grant did not take place.

97. The Global Fund grant supports a dedicated vehicle in Pavlodar oblast for collecting sputum samples for rapid drug resistance testing. Despite a carefully elaborated schedule, significant delays (up to one month) in TB diagnosis occur. To avoid this delay, rayon health facilities transport their own sputum samples.

Recommendation 28 (Important)
NCTP should:

a) Develop a management system for monitoring drug stocks at the central and regional levels;
b) Continue strengthening one functional TB laboratory network to make sure that all penitentiary TB facilities are covered with adequate laboratory service; and
c) Reassess the transport modalities for sputum resistance testing.

Grant agreements

98. The grant agreements signed by NCTP with different SRs (e.g., KNCV, Partners for Health) were general in nature and could be improved by including additional detail, for example, the technical deliverables to be produced under the grant.

Recommendation 29 (Important)
NCTP should improve the SR agreement format by including all critical components: scope of work, implementation schedule and M&E plan, which should be detailed enough to ensure smooth grant implementation.

Monitoring and Evaluation

99. At the time of the audit, a number of the M&E modalities in place for the tuberculosis grants could benefit from strengthening. These related to the environment regarding M&E, the quality of indicators in use, and their monitoring. The paragraphs below provide examples.

100. There was no national M&E plan for TB/HIV at the time of the audit, which contributed to a weak national response to co-infection problems. This may have contributed to the finding that the quality of diagnostic and treatment services for TB/HIV patients was not high.

101. There were two separate TB surveillance databases, one for the civil sector and another for the penitentiary system. National reporting required manually combining the data

from both databases. While there was a plan for monitoring PHC facilities, it was not followed in practice (e.g., in Pavlodar Oblast none of the four visits planned for May 2011 took place.)

102. There were very few dedicated TB M&E staff at oblast level – to fill this gap oblast TB center clinical and laboratory staff were engaged in M&E activities. This is related to severe shortage of human resources in TB facilities throughout the country.

103. There was scope for improving the quality of indicators for both Round 6 and Round 8 grants. The following examples illustrate this:

- For the outcome level indicators "Case detection rate" and "Treatment success rate", NCTP took the baseline and target figures from WHO reports, which was not in line with the Round 6 M&E plan, according to which these indicators should have been based on national TB registry data;
- For the Round 8 outcome indicator "Treatment success rate of MDR TB patients" NCTP did not provide baseline or target figures, though the Round 6 MDR-TB pilot project data could have been used for setting the baseline;
- For the Round 6 indicator "Number of PHC medical staff trained in DOTS", the format of presentation of the target "(2,726(648))" was not clear. The comments provided in the PUDR did not add clarity: "Trainings have been conducted by Oblast team of clinical trainers from Oblast TB dispensaries. 33,700 suspected on TB persons have been tested by smear microscopy countrywide in the PHC facilities for reported quarter. 1,930 smear positive patients have been identified";
- The Round 6 indicator "Number of TB patients receiving social support" counted socially vulnerable patients receiving social support in the civil sector only, whereas similar support was also provided to prisoners, which were not included. Per the definition of the indicator, the number of patients should have been reported instead of number of food parcels (which is what the PR reported);
- Round 6 includes the indicator "Number of TB patients receiving Voluntary Counseling and Testing (VCT), including provision of results. At the time of the audit, the data for this indicator were reported on separate paper forms, despite VCT status being available in the electronic data registration system. After reaching the agreed target of 19,140, the NCTP stopped further data capture and reporting on this indicator as the target had been reached;
- For the Round 8 indicator "Number of patients investigated with drug susceptibility testing (DST) to first-line drugs for DR-TB diagnosis using automated MGIT technique", NCTP counted the patients tested with Bactec MGIT 960 tests purchased by both Global Fund grant and state budgets, whereas for other indicators on treatment and training only the results achieved through the Global Fund grant budget were reported. The data for this indicator were reported on paper forms; these could be included in the electronic data registration system. This is true also for the Round 8 indicator "Number of investigations of DST to first line drugs (manual technique)"; and
- For the Round 8 indicator "Number of MDR-TB patients on treatment receiving patient support (education, counseling, incentives and enablers) for better adherence to treatment", should report the number of patients supported rather than the number of food parcels distributed, as per the definition of the indicator.

Recommendation 30 (Important)

NCTP should:

a) In partnership with RCAIDS, develops a national M&E plan, based on international normative standards, for collaborative TB/HIV activities;

b) Ensures that monitoring plans for TB facilities are implemented at local level and results are reported by regional teams in a standard format;

c) Combine the separate TB surveillance databases for civil and penitentiary sectors, so that national indicators are derived in the most accurate and timely manner; and
d) Revise any indicators that are not well defined.

ANNEXES

Annex 1: Abbreviations

ART	Antiretroviral Therapy
ARVs	Antiretrovirals
BSS	Behavioral Surveillance Survey
CDC	Centers for Disease Control
CCM	Country Coordinating Mechanism
CSW	Commercial Sex Workers
DOTS	Directly Observed Treatment, Short Course
EU	European Union
GA	Grant Agreement
GDF	Global Drug Facility
GLC	Green Light Committee
HCT	HIV Counseling and Testing
HIV	Human Immunodeficiency Virus
IEC	Information, Education and Communication
IDUs	Injecting Drug Users
INGO	International Non-Governmental Organization
IPT	Isoniazid Preventive Treatment
KZT	Kazakhstan Tenge
LFA	Local Fund Agent
MARP	Most at Risk Population
MDR-TB	Multi Drug-Resistant Tuberculosis
MGIT	Mycobacteria Growth Indicator Tube
M&E	Monitoring and Evaluation
MOH	Ministry of Health
MSM	Men having sex with men
NCTP	National Center of Tuberculosis Problems
NRL	National Reference Laboratory
NCTP	National Center of TB Problems - The Ministry of Health of the Republic of Kazakhstan
NGOs	Non-Governmental Organizations
OIG	Office of the Inspector General
OSDV	On-site Data Verification
OST	Opiate Substitution Treatment
PCR	Polymerase Chain Reaction
PHC	Primary Health Care
PIU	Project Implementation Unit
PLWHA	People Living with HIV/AIDS
PR	Principal Recipient
PSC	Psycho Social Counseling
PSI	Population Services International
RCAIDS	Republican Center for Prophylactics and Control of AIDS of the Government of the Republic of Kazakhstan
RCS	Red Crescent Society
SEP	Syringe-exchange Program
SR	Sub-recipient
SOPs	Standard Operating Procedures
STIs	Sexually Transmitted Infections
TA	Technical Assistance
TOT	Training of Trainers
TP	Thrust Point
TB	Tuberculosis
UN	United Nations
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
VCT	Voluntary Counseling and Testing for HIV
WB	World Bank
WHO	World Health Organization

Annex 2: Summary of Grants to the Republic of Kazakhstan

Rd	Grant Agreement	Component	Status	Amount committed (USD)	Disbursed Amount (USD)	Most recent performance rating
2	KAZ-202-G01-H-00	HIV/AIDS	Closed	20,288,667	20,288,667	A1
6	KAZ-607-G02-T	Tuberculosis	Phase II	9,114,981	8,365,336	A2
7	KAZ-708-G03-H	HIV/AIDS	Phase II	24,560,423	17,714,963	A1
8	KAZ-809-G04-T	Tuberculosis	Phase I	40,755,079	35,483,523	A1
10	KAZ-H-RAC	HIV/AIDS	Phase I	7,947,761	3,810,635	N/A
Total				**102,666,911**	**85,663,124**	

Source: Global Fund website, 30 March 2012

Annex 3: Background and Epidemiological Context

Program Achievements

1. *The Republican Center for Prophylactics and Control of AIDS of the Government of the Republic of Kazakhstan (RCAIDS):* The national response to HIV in Kazakhstan is characterized by noteworthy achievements that include the creation of an infrastructure (network of AIDS centers and laboratories), trained personnel, a functioning HIV second generation surveillance system, and the government commitment to procuring ARV drugs, HIV test systems, and materials and supplies for harm reduction programs.

2. Kazakhstan has been successful in containing the HIV epidemic thus far to an overall 3% prevalence among drug users, 2% among sex workers, and 1% among men who have sex with men in 2011.[15] People on ART increased by over 20-fold from 58 in 2002[16] to 1,336 in 2011.[17]

3. *The National Center of TB Problems of the Ministry of Health of the Republic of Kazakhstan (NCTP):* TB control in Kazakhstan is characterized by noteworthy achievements that include existing good infrastructure (TB centers, TB laboratory network), sound technical design of national TB program (including clinical and laboratory guidelines and standard protocols), functional surveillance systems, integration of DOTS into the primary health care system, increasing coverage with access to MDR-TB treatment, and mobilization of the technical capacity of in-country technical partners in the effective implementation of the national TB program. One of the most notable achievements is the government's commitment to procure anti TB drugs and diagnostic test systems (e.g., the entire country need in first line anti-TB drugs is fully covered by the state budget, whereas for the procurement of second line anti-TB drugs, there has been increasing share of the state budget).

4. Tuberculosis incidence (including HIV)/prevalence (including HIV)/ mortality (excluding HIV) declined steadily from 215/304/30 per 100,000 in 2005 to 151/198/23 in 2010.[18]

HIV

5. The HIV epidemic in Kazakhstan continues to be driven by unsafe behavior related to drug use and sexual practices. As of 1 July 2011, a cumulative number of 16,741 HIV cases were registered by the Republican AIDS Center, with a national prevalence of 83.7 per 100,000[19]. The HIV epidemic continues to be fuelled by injecting drug use, with 52.5% of HIV cases transmitted through syringe sharing in 2010 (in 2008 – 60.4%, 2009 – 55.5%), and 42.7% through heterosexual transmission (in 2008 - 29.1%, 2009 – 36.5%), with a documented increase in heterosexual transmission. Although the country has reported containing the HIV epidemic at an overall 2.8% prevalence among drug users (4.2% in 2008 and 2.9% in 2009), unsafe injecting practices are still common – 37.8% of the IDUs reported not using a sterile syringe at last injection, and only 54.7% reported condom use at last sex.[20]

6. The estimated number of IDUs in the country is 124,500 (highest in Central Asia) with an overall estimated prevalence of IDUs of over 1.1% of the total population above age 15.[1] It

[15] Grant Performance Report, KAZ-708-G03-H, Last Updated 6 May 2011
[16] Grant Performance Report, KAZ-202-G01-H-00, 11 July 2006
[17] Grant Performance Report, KAZ-708-G03-H, Last Updated 6 May 2011
[18] WHO 2011: "Global TB Control Report 2011 – Annex 3: Table A3.1 Estimates of the burden of disease caused by TB 1990-2010 (p188)"
[19] Epidemiological Update, Republican AIDS Center, July 2011
[20] National Monitoring and Evaluation Report for 2010, Republican AIDS Center

is estimated that an average 46% of prisoners use drugs in prisons, and unsafe injecting and sexual behaviors are highly prevalent among prisoners[21]. At the same time, the country is facing major problems in implementing its strategies of increasing the coverage of opiate substitution therapy (OST) and of implementing harm reduction activities among prisoners.

7. A number of health system barriers exist in the country that seriously hinder the effectiveness of services delivered within the framework of HIV program. These include the lack of integration of HIV/AIDS services at primary care level, and lack of specific policies to combat HIV/AIDS-related stigma and discrimination among health care providers at all levels.

Tuberculosis

8. TB remains a major public health problem in Kazakhstan – the case notification rate in 2009 was 131 per 100,000, which is the highest in the WHO European Region.[22] In 2009, the WHO estimated prevalence was 211 per 100,000, and the estimated incidence was 163 per 100,000.[23] The treatment success rate for new smear-positive cases has been steadily declining from 79% in 1998 to 62.4% for 2010.[24] Resistance to anti-TB drugs represents a serious obstacle to effective control of the TB epidemic. In 2009, according to the routine national surveillance, MDR-TB was found in 20.4% of never previously treated cases, 53.0% among previously treated cases and 78% among chronic cases.

9. However, a number of health systems barriers still exist in the country, which seriously hinder the effectiveness of services delivered within the framework of TB program. These include: a) shortage of human resources at all levels; and b) poor coordination/integration of national TB and HIV/AIDS programs.

[21] BSS 2009 Report, Republican AIDS Center
[22] Global Tuberculosis Control 2010, WHO
[23] Tuberculosis profile, Kazakhstan, WHO, generated: July 14, 2011, source: www.who.int/tb/data
[24] TB statistics review, Kazakhstan, 2010

Annex 4: Schedule of Potentially Recoverable Expenses

RCAIDS (amounts in USD)												
Type		RCAIDS (PR)	RC HIV AIDS Almaty	RC HIV AIDS Pavlodar	RC HIV AIDS Aktau	RC HIV AIDS Astana	NGO Viktoriya	NGO Anti SPID	AFEW	NGO Gerlita	NGO Adali	TOTAL
Unbudgeted Payroll		36,741										36,741
Not or Inadequately Documented	Essential documents in photocopies		1,297	213								1,510
	Delivery of Goods/Services could not be established	113,628										113,628
	Transaction not adequately supported	9,312		548							3,205	13,065
	Supporting documents not provided	463	6,081	864	1,835	21,212	11,507	4,069	1,458			47,489
Income not credited - Penalties for late delivery not collected		127,149										127,149
TOTAL		287,293	7,378	1,625	1,835	21,212	11,507	4,069	1,458	0	3,205	339,582

NCTP (amounts in USD)							
Type		NTCP	Almaty CTBD	HOPE	KNCV	RCTB Pavlodar	TOTAL
Not or inadequately documented	Essential documents in photocopies	4,201	1,005		1,587		6,793
	Delivery of Goods/Services could not be established		473				473
	Supporting documents not provided			240			240
	Transaction not adequately supported	27,682					27,682
Income not credited - Penalties for late delivery not collected		15,308					15,308
TOTAL		47,191	1,478	240	1,587	0	50,496

Annex 5: Schedule of Taxes Paid at the date of the audit[25]

	RCAIDS (PR)	RC HIV AIDS Pavlodar	NGO Viktoriya	AFEW	NGO Gerlita	NGO Adali	**RCAIDS TOTAL**	NTCP	RCTB Pavlodar	**NTCP TOTAL**	**TOTAL**
Taxes paid	223,379	676	5,236	1,572	181	459	**231,503**	513,499	429	**513,928**	745,431

[25] 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.

Annex 6: Audit Recommendations and Management Action Plan

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
Country Coordinating Mechanism (CCM)	***Recommendation 1 (Important)*** *In order to ensure compliance with Global Fund requirements, the CCM should:* *a) Ensure that periodical declarations of COI are done by all CCM members;* *b) Ensure that CCM members with (potential) COI should opt out of decision-making where such conflicts arise; and* *c) Develop and apply a transparent process for the nomination of PRs that is based on clearly defined and objective criteria.*	***CCM Comment:*** *a) The Conflict of Interest (COI) Policy has been developed and posted on the CCM's web-site. In pursuance of the Global Fund Requirements (Requirement No.5), during the CCM meetings the CCM members declare any conflicts of interests in regard to all the discussed issues. Starting from July 2011 there have totally been held 13 CCM meetings, including the 4 CCM meetings where 9 declarations of COI were signed. In some instances one of the CCM members (representative of the Ministry of Health of Kazakhstan) had conflict of interests in 2 different issues.* *b) Prior to any voting on a particular issue, all the CCM members having a conflict of interests are suspended from such voting upon signing the declaration of COI:* *- Representatives of the MoH of Kazakhstan, being the CCM members, do not participate in any voting related to the agenda items proposed by the two PRs;* - TGF grant Sub-recipients, being the *CCM members as well, do not participate in any voting related to their PR's issues (e.g., the international NGO – PSI – does not vote in the issues related to the PR of AIDS component, and etc.).* *c) In September 2011 the CCM established 2 Working Groups (Minutes of the CCM Meeting*	CCM	Implemented – to be verified by the Global Fund Secretariat

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
		dated Sept. 6, 2011) for elaboration of the text of the announcement in mass media and development of the criteria for selection of a PR for the TB component. *The Working Groups comprised the representatives of international organizations, non-governmental and academic sectors (TB department of Kazakh National Medical University). The PR selection criteria have been developed by the Working Groups, approved by the CCM members (Minutes of the CCM Meeting dated Sept. 16, 2011) and then posted on the CCM's web-site: www.ccmkz.kz.*		
	Recommendation 2 (Important) *The CCM should:* *a) Include members from academic/educational, religious/faith-based and private sector consistencies;* *b) Establish a communication strategy for sharing information with stakeholder constituencies and the general public;* *c) Establish an annual work plan which should indicate a schedule of CCM meetings, key oversight activities, and important events such as the planned submission of an application for funding, periodic reviews and requests for continued funding;*	***CCM Comment:*** *a) Religious/faith-based organizations of Kazakhstan are referred to the non-governmental sector. During the competitive selection carried out among the NGOs for the subsequent CCM membership, representatives of the religious/faith-based sector had the equal opportunity to participate in the selection process as well, but they did not participate at all. The information on the competitive selection was posted on RC AIDS's web-site and was distributed through the national and international email communication.* *As it was mentioned above, the academic/educational sector did have the opportunity to participate in the competitive selection. However, they did not nominate any candidates for participation in the CCM membership elections. Henceforth, the CCM is planning to carry out expository activities in this direction with a view to involve the*	CCM	Date to be confirmed with the Secretariat

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
	d) Ensure that all resolutions and decisions are adopted through the vote of the CCM majority; and *e) Ensure that the CCM Secretariat undertakes its tasks and responsibilities independently from structures and influences of PRs and SRs.*	*representatives of the above sectors into the CCM composition and to encourage their representatives to participate in the CCM membership elections.* *According to the Requirement No.5, the Global Fund requires all CCM members representing non-government constituencies to be selected by their own constituencies based on documented, transparent procedures, developed within each constituency. However, during the selection process among the non-government constituencies, no constituency representing the academic sector had been formed. It should also be noted that the academic/educational organizations of Kazakhstan are financed from the state budget and directly report to the Ministry of education and science of the Republic of Kazakhstan.* *According to the definition (see below) of the Global Fund, the CCM may include academic institutions that bring a range of knowledge of the epidemics, as well as social, political and cultural determinants involved in fighting the three diseases, including knowledge of key affected groups as well as insight into demographic factors and potential challenges to scaling up activities. As of today, there have not been registered any academic/educational organizations complying with/matching the below definition of the Global Fund.* *Definition of TGF:* ***Civil Society[17] Representatives*** *The kinds of civil society representatives who would be integral to the work of CCMs would ideally include, but would not be limited to, individuals or organizations representing:*		

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
		***Academia**: CCM members from academic institutions bring a range of knowledge of the epidemics, as well as social, political and cultural determinants involved in fighting the three diseases, including knowledge of key affected groups as well as insight into demographic factors and potential challenges to scaling up activities.* *b) Within the framework of the project for supporting the CCM activities, in 2011 there was developed the CCM's web-site, which now serves as the main source of information on the CCM activities and decisions. All the CCM members, the LFA and concerned partners may get information from the CCM's web-site: www.ccmkz.kz* *The CCM utilizes the mass media services in order to announce competitive selections, e.g. starting from July 2011 there have been placed 2 announcements in the Republican newspaper – Kazakhstanskaya Pravda (The Truth of Kazakhstan) and the following announcements have been posted on the CCM's web-site:* *- Competitive selection of a Principal Recipient for TB component, TGF-funded Round 11 grant;* *- Competitive selection for a vacant position in the CCM Secretariat;* *As need arises, the CCM Secretariat utilizes the electronic distribution network of the AIDS-servicing organizations of Kazakhstan for immediate distribution of information. For example, this was done during competitive selection of a Principal Recipient for TGF-funded Round 10 grant.*		

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
		c) The Annual Work Plan of the CCM has been developed within the framework of the Project for Supporting the CCM activities in 2012-2013. It complies with recommendations and requirements of the Global Fund and has been submitted to TGF Secretariat. *d) All the issues related to a component-based implementation of grants are discussed at the CCM meetings and the corresponding decisions are adopted through the vote of simple majority (excluding those CCM members, who have a Conflict of Interests on a discussed issue). Then the minutes of the meetings are reviewed by all the CCM members and concerned parties, with their subsequent publication on the CCM's web-site: www.ccmkz.kz* *e) The Terms of Reference for the CCM Secretariat's employees have been reviewed and approved at the CCM meeting.* *CCM Secretariat's task is to ensure the performance of the CCM's key functions. Adhering to the principle of transparency of its procedures, the CCM Secretariat posts all the minutes of the CCM meetings on its web-site, which is accessible for the general public.* *The CCM Secretariat was supported by a Sub-recipient, who had been providing his office premises free of charge during the period when the CCM did not have any financing.* *Starting from September, the CCM Secretariat will pay for the office rent and for other office expenses on its own.*		
	Recommendation 3	***CCM Comment:***	CCM	Date to be

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
	(Important) *The CCM should prepare a governance manual and an oversight plan. The latter should:* *a) Clarify how CCM non-members will engage in oversight activities;* *b) Involve technical officers who are not part of the Oversight Committee in oversight;* *c) Extend CCM oversight to reviews of PUDRs, PR work plans, monitoring and evaluation plans and annual PR audits; and* *d) Clarify CCM interaction with the LFA, e.g., by having a CCM representative attend LFA debriefings to the PRs and having the LFA regularly attend CCM meetings as an observer.*	*a) With a view of implementing the oversight function of the CCM in Kazakhstan, the Oversight Committee have comprised the representatives of the following sectors:* *1. International (multilateral) organizations (vice-chairman of the CCM);* *2. People living with HIV (each time a new representative is selected in accordance with the Protocol of PLWH Community);* *3. State organizations (CCM non-members).* *The CCM engages a representative of the state sector, who is a CCM non-member and who has been selected at the CCM meeting through a vote (Minutes of the CCM meeting dated April 10, 2012).* *b) The CCM is planning to engage a technical expert on financial issues. Engagement of the technical expert will be conducted on a competitive basis, in accordance with the UNDP regulations, as specified in the Agreement between TGF, CCM and UNDP.* *The corresponding Terms of Reference, after being approved by the CCM members, will be published in mass media, posted on the CCM's web-site and distributed through email communication.* *The Working Group established at the CCM will select an expert in accordance with the set qualification requirements and propose an eligible candidate for approval at the CCM meeting.* *This procedure will be carried out after getting the approval of the budgetary audit within the framework of the CCM Project for 2012-2013.* *c) The Oversight Plan has been finalized and*		confirmed with the Secretariat

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
		submitted to TGF Secretariat. Prior to any field visits, members of the Oversight Committee review the work plans of TGF grant PIUs, PRs and SRs, as well as their Monitoring and Evaluation reports and annual auditors' reports on PRs' activities. *d) Representatives of the LFA are invited to all of the CCM meetings as observers.*		
Local Funding Agent (LFA)	***Recommendation 4 (Important)*** *The Global Fund Secretariat should ensure that the LFA:* *(a) Undertakes an assessment of country and PR risks and develops a review plan that ensures coverage of the key risks identified;* *(b) Employs sufficient resources on PUDR reviews by considering adding a financial officer who should thoroughly review the PRs' procurements and the transparency of the bidding processes;* *(c) Provides adequate training to its staff, in order to improve their knowledge of Global Fund requirements related to the areas of reporting, scope of review, etc.; and* *(d) Adopts a sampling methodology during its reviews (PUDR and EFR) by*	***LFA comments: Crown Agent*** *(a) The LFA have done a risk assessment in Dec 2011. The LFA takes into consideration the identified risks in reviewing the grant progress reports.* *b) The LFA made arrangements for its regional procurement (aexpert, based in Bishkek to review the procurement matters of Kazakhstan. Crown Agents is considering recruitment of Almaty based recruitment officer.* *c) some of the LFA local team have attended training in Geneva; 2) guidance is provided by HQ at all times including technical support visits at milestone outputs; and 3) In February 2012 CA sent a senior CCT resource to Almaty to provide guidance and training* ***Global Fund Secretariat response:*** The Secretariat takes all necessary measures to strengthen the LFA services in Kazakhstan.	LFA	Date to be confirmed with the Secretariat

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
	selecting representative samples from each reporting budget line.			
	Recommendation 5 (Important) *The Global Fund Secretariat should:* *a) Endeavor to ensure the accuracy of information submitted by the LFA;* *b) Monitor the compliance of PRs with grant agreements, conditions and other Global Fund requirements and ensure regular monitoring of these matters by the LFA;* *c) Ensure consistency and agreement between different pieces of documentation on PR compliance; and* *d) Ensure that adherence to compliance matters is consistently reflected in disbursement decisions.*	***Global Fund Secretariat response:*** The Secretariat takes all necessary measures to strengthen the LFA services in Kazakhstan.	The Global Fund Secretariat	To be confirmed
Institutional capacity	***Recommendation 6 (Important)*** *RCAIDS and NCTP should:* *d) Finalize and approve (RCAIDS) and update (NCTP) their respective policies and procedures manual to include bank reconciliations, allocation*	***RCAIDS comments:*** ***This recommendation is implemented.*** *a), b), c) The draft of the Operational Manual were submitted to the Secretariat of the Global Fund for approval June 15, 2012.* ***NCTP comments:*** *(a) All the manuals of NCTP (Republic of*	RCAIDS and NCTP	**RCAIDS:** Implemented – to be verified by the Global Fund Secretariat **NCTP** Date to be

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
	of shared or indirect costs, month-end close procedures, periodic physical verification and disposal of assets, SR management, conflict of interest and periodic data backups; *e) Produce comprehensive procedural guidelines to support practical implementation of the policies set; and* *f) Clarify roles, responsibilities and expectations in relation to implementation of the established policies.*	*Kazakhstan) on financial accounting and management principles have been developed based on the operational experience of international organizations in Kazakhstan and in accordance with the requirements of the International Accounting Standards (IAS) ratified by the Republic of Kazakhstan; these manuals reflect all the practicable procedures on financial reporting and management, including those mentioned in Recommendation 6.* *(b), (c) With a view of complying with all the standard requirements of the Global Fund, it would be very helpful to receive from the Global Fund the unified guidelines on the corresponding policies and procedures for further enhancement of the regulatory documentation available with us (Point 26, Grant Management – the OIG Audit Report).*		confirmed with the Secretariat
Budgetary Control and Reporting	***Recommendation 7 (Critical)*** *RCAIDS and NCTP should:* *d) Strengthen their budgetary control system by:* • *Establishing a review process by activity and budget line;* • *Formally clarifying budget control roles and responsibilities; and* • *Documenting the process for communicating significant variances and corrective actions taken.* *e) Establish a process to inform*	***RCAIDS comments:*** ***This recommendation is implemented.*** *a), b), c) The draft of the Operational Manual were submitted to the Secretariat of the Global Fund for approval June 15, 2012, in which also indicates the budgetary control* ***NCTP comments:*** *(a) The PIU has developed a form which stipulates for accounting of the planned and actual expenses with a breakdown of the budget lines. This shows a clear picture of the monthly implementation of the project's program activities, i.e. monthly monitoring of budget implementation with a breakdown of*	RCAIDS and NCTP	Date to be confirmed with the Secretariat

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
	the Global Fund and seek approval in the case of major deviations from budget; and *f) Train financial staff on the reporting required by the Global Fund.*	*the project activities. At the end of a month the information (in hard copy) is handed to the Project Manager for decision making.* *The OIG statement about absence of the documentation confirming the process of budgetary control – is in contrary to the facts. This practice has been utilized from the date of commencement of the Round 6 project (Sept. 2007) and the corresponding forms (in hard copies) were presented to the auditors for review (Point 29, Grant Management, the OIG Audit Report).* *(b) On a mandatory basis, the PIU informs the Global Fund and seeks corresponding approvals on any major deviations from budget. Besides that, in case of any reallocation of the project funds, there's required an approval of the CCM, formalized in the form of the Minutes (or Protocol). If the OIG has got any information regarding the instances of misusing the project funds, please provide such information to the PIU at NCTP.* *(c) Please specify who should conduct the trainings for the PIU (NCTP) staff.*		
Bank and Cash Management	***Recommendation 8 (Critical)*** *In order to strengthen controls in the accounting functions, RCAIDS and NCTP should:* *(a) Establish segregation of duties and enhance supervisory review of transactions;* *(b) Segregate the access rights to the automated accounting*	***RCAIDS comments:*** ***This recommendation is implemented.*** *a), b), c), d), e) The PR has three employees responsible for financial accounting of the grant - finance manager and two assistants. Each has a clear division of responsibilities and financial manager does not personally record operations, bank management and the management of available funds, as stated in the OIG report. In fact, the first assistant*	Recommendation 8 - RCAIDS and NCTP Recommendation 9 – Global Fund Secretariat	**RCAIDS:** Implemented – to be verified by the Global Fund Secretariat **NCTP** Date to be confirmed with the

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
	system and ensure access rights are in line with employee job descriptions; *(c) Align its financial records retention practices, preferably with an indexing/referencing system in place to ease sourcing of documentation supporting financial transactions;* *(d) Implement the external audit guidelines recently issued by the Global Fund; and* *(e) Properly support all expenditures with authorized purchase requisitions, original vendor invoices, evidence of receipt of goods/services, and certification of completion of work.* ***Recommendation 9 (Critical)*** The Global Fund Secretariat should determine whether the amounts documented in Annex 4 should be recovered. For taxes and duties paid identified in Annex 5, the information provided by the PRs after the audit should be validated.	*prepares the payment orders and provides them to verification and at the signature to financial manager and the second assistant to work out the payment and makes a record of operations in the system. Thus, the bank management of funds is carried out by three staff members. Periodically finance manager provides financial report to the program manager. Taking into account the recommendations of the OIG the PR increased involvement of the program manager in the approval process and review of financial transactions. Currently, all payments to sub-recipients are coordinated with the head of the department, and only after his approval the preparation of payment orders is carried out. All contracts with suppliers is coordinated with the Head of Department, Financial Manager, procurement specialist and a lawyer, and only after all approvals are signed by the General Director and forwarded for payment.* *With regard to incorrect classification of cost of $9,977 USD we would like to explain the following:* *This amount is the expenditure for the Round 2 grant, covering the period from 2004 to 2008. During this period the Global Fund demanded the PR to submit only Progress Update / Disbursement request (PU / DR) report. In the financial statements of this the PR report it was necessary to classify payments only for the expenses of the PR and SRs, as well as to show separately payments for drugs and medical devices, i.e. no other classification of expenditures was required by the GF. A new EFR report (for which the PR was to separate costs on 13 categories, on the*		Secretariat **Global Fund Secretariat** To be confirmed.

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
		budget activities and critical executors) was introduced in the second quarter of 2008. Since the accounting system for the Round 2 grant has not been adapted to a new report, the division by the new classification had to be done manually and in fact EFR report required entering data starting from 2004, i.e. it was needed to divide according to the new classification the costs incurred over 5 years. The PR has prepared a report at the end of 2008, with the inclusion of cumulative data starting from 2004. At the same time because of the huge number of transactions made over 5 years, the PR has classified expenses on the basis of percentages, which in turn was allowed by the Global Fund and EFR report was adopted. *Access to the accounting system is limited, only financial manager and his two assistants have access to it. Each has his/her own password to log in and outsiders cannot enter into the system because they do not know the password. With regard to TOR for the audit, we inform that TOR for the audit is firstly being approved by the Global Fund and LFA, and only after its approval the PR starts conducting the audit.* ***NCTP comments:*** *(a), (b) The staffing list of the PIU stipulates for the positions of a financial specialist and an accountant. Segregation of duties of the financial specialist and the accountant is specified in the job descriptions in the operating contracts of the financial specialist and the accountant; in particular, the financial specialist deals with effecting the*		

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		bank payments using the internet-banking system, which is installed on his computer and is password protected, as well as dealing with budgetary control and financial reporting. The accountant's duty is to maintain the accounting records with entering all the relevant data into the automated accounting system – 1C, at the direction of the financial specialist. *The level of access to the automated accounting system - 1C, as well as to the financial records, is the same for the financial specialist and the accountant, since there are only 2 specialists of this type in the staffing list of the PIU, and these specialists are mutually replaceable (for a period of vacation, duty trip or sickness). (Point 31, sub-point 4, Grant Management, the OIG Audit Report).* *(c) The records retention (or filing) system has been developed and is being utilized in NCTP. All the payment orders with their original supporting documents (bills, invoices, waybills and etc.) are filed with upwards numbering into the folders in terms of the corresponding months, quarters, years and the project rounds. Contracts with the suppliers/contractors are filed into the folders in terms of the corresponding years, rounds and service providers. The advance (expenses) reports with all their supporting documents in original copies are kept in separate folders in terms of the corresponding months, years and projects. All the reports of the SRs are filed in terms of the corresponding implementers, project rounds, reporting periods and implemented activities. All the folders, containing the financial and procurement documentation, are signed and kept in a single*		

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
		room within the PIU office. *In our opinion, the OIG notes regarding the alleged absence of the retention (or filing) system for the financial and procurement documentation – are incorrect. (Point 31, sub-point 3, Grant Management, the OIG Audit Report).* *(d) On a mandatory basis, the PIU observes all the guidelines issued by TGF. The external audit guidelines will be implemented by the PIU of TGF project. The terms of reference for conducting a regular audit of the Round 6 and Round 8 projects have been developed based on the recommendations and in coordination with TGF and the LFA.* *(e) In compliance with the national legislation all the expenditures are supported at the PIU (NCTP) by corresponding invoices, bills of lading, certificates of completion of works and etc. The original copies of the documents are filed in the folders in terms of the corresponding months, quarters, years and the project rounds. The PIU at NCTP may at any time present all the original documents for any transaction/operation. There has not been even a single case at the PIU (NCTP) when a payment has been effected without duly formalized original documents. Hence, the information about the alleged absence of the duly formalized documents, provided in (the annexed) Tables 2, 3 and 5 of the OIG Audit Report – does not represent the facts, and we have stated this in our comments to the above tables. The PIU at NCTP may at any time present the proof of availability of the corresponding documents in their original copies. We have already mentioned this in our*		

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		response to the Provisional Recommendations dated 02.08.2011. ***OIG Comment:*** *1) At the end of the audit in August 2011, the total amounts totaled USD 2,267,266 for the RCAIDS and USD 589,411 for the NTCP. At the PRs' request, the OIG planned a further mission in September 2011 in order to review the additional documentation that could not be provided during the initial audit.* *The second mission reduced the amounts to USD 571,081 for RCAIDS and USD 564,424 for the NCTP. Supporting documents for the remaining amounts should be provided to the Global Fund Secretariat for resolution.* *2) The Global Fund Secretariat with support from the LFA should review the additional documents submitted by the PRs and determine whether the amounts identified in the Annex 4 should be recovered.*		
Asset and Inventory Management	***Recommendation 10 (Important)*** *In order to strengthen fixed asset management, RCAIDS and NCTP should:* *(a) Maintain a proper master fixed assets register (FAR) updated with the following: Name and description of the fixed asset, year of acquisition, date of acquisition, inventory*	***RCAIDS comments:*** ***This recommendation is implemented.*** *a) The PR keeps records in the Journal of Fixed Assets in the accounting system (1C) that contains all necessary information including the name and description of the asset, year of purchase, purchase date, asset number, the number of producers, the actual availability (an indication of quantity, value, depreciation).* *b) Verification of fixed assets from the PR is carried out continuously during the*	RCAIDS and NCTP	**RCAIDS:** Implemented – to be verified by the Global Fund Secretariat **NCTP** Date to be confirmed with the Secretariat

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
	number, manufacturers number, actual existence (indication of quantity, cost, obsolesce); and *(b) Increase coverage of physical verification of fixed assets to SRs (RCAIDS).*	*monitoring visits, as well as an annual financial audit is conducted by an independent audit company including an inventory of fixed assets. Since 2011 the PR coverage of SRs by M&E visits is 100%.* ***NCTP comments:*** *(a) At the end of a year, all the sub-recipients who have received fixed assets within the frames of Round 6 and 8, submit Inventory sheets for fixed assets accounting (as per the form adopted in the Republic of Kazakhstan), indicating an inventory number, name and description of a fixed asset, year of acquisition, cost, quantity and physical existence. All the inventory sheets are certified by members of the Inventory Commission.* *Recently there have been allocated special funds for development of the procurement software. This software stipulates for accounting of all the fixed assets within the framework of TGF projects in compliance with the OIG recommendations. (Point 33, Gran Management, the OIG Audit Report).*		
Human Resources	***Recommendation 11 (Important)*** *In order to strengthen Human Resources Management procedures, RCAIDS and NCTP should:* *(a) Formalize performance appraisal processes and link them with HR decisions, like promotions, bonuses, training and development;* *(b) Maintain approved employee*	***RCAIDS comments:*** ***This recommendation is implemented.*** *a), b), c) Questions about human resources are reflected in the Operational Manual, which is sent to the GF.* *Process of payroll is based on the time sheets to be signed and verified by the personnel department on the presence or absence of workers, and endorsed by the head of the department and approved by the General Director.* *All labor contracts with workers are*	RCAIDS and NCTP	**RCAIDS:** Implemented – to be verified by the Global Fund Secretariat **NCTP** Date to be confirmed with the Secretariat

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	contracts for all employees with a clear indication of terms and conditions of the employment acknowledged by employee, including acknowledgement of remuneration (RCAIDS); and *(c) Document the process of selection of trainers and consultants, including clearly specified TORs and deliverables (NCTP).*	*negotiated and signed in accordance with the labor laws of the country, with the inclusion of all relevant information regarding the terms and conditions of work, wages, and kept in the personnel department.* ***NCTP comments:*** *(a) Following the instructions of the Grant Portfolio Manager, the PIU at NCTP has never paid bonuses or promotions to its staff for the whole period of the project implementation. Therefore, it has not been necessary to develop a system of performance appraisal and stimulation of the PIU staff.* *If the Global Fund considers it feasible for us to introduce the stimulation (bonus) system for the PIU staff, we will develop a corresponding manual and submit it for the Global Fund's approval. (Point 35, Grant Management, the OIG Audit Report).*		
Management of Sub-recipients	***Recommendation 12 (Important)*** *To strengthen Sub-Recipient management, RCAIDS should:* *(a) Expand SR selection guidelines to include requirements on financial and operational capacity of SRs;* *(b) Ensure the SR evaluation committee includes members with organizational, financial and operational skills to assist in the comprehensive selection of SRs; and*	***RCAIDS comments:*** ***This recommendation is being implemented*** a*), b) RC AIDS will prepare an expanded guidance for the selection of sub-recipients to September 30, 2012* *c) The PR increased the number of sub-recipients, in which monitoring visits are carried out. In 2011-2012 the coverage of the M&E visits is 100%.*	RCAIDS	September 30, 2012

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	(c) Increase the coverage and frequency of financial monitoring of SRs with the consideration of inherent or identified risks pertaining to SRs.			
Procurement practices and applicable laws	***Recommendation 13 (Critical)*** *RCAIDS and NCTP should follow the State Law on Procurement.*	***RCAIDS comments:*** ***This recommendation is implemented.*** *At present RC AIDS conducts all procurement in accordance with the State Law on Procurement* ***NCTP comments:*** *By the Decree of the Government of Kazakhstan No.376 dated March 20, 2009, the Global Fund to fight AIDS, TB and Malaria was entered in the List of international and state organizations, foreign non-governmental non-profit organizations and funds, providing the grants, under the section of International Organizations.* *According to Sub-point 19 of Point 1, Article 4 of the State Law (of the Republic of Kazakhstan) on Procurement dated July 21, 2007 (hereinafter referred to as the Law): the state procurements shall be carried out without application of the provisions of the Law, regulating the selection of a supplier and conclusion of a state procurement contract with him, in case of procuring the goods, works and services associated with utilization of the grant funds provided on a gratis basis to the Government of the Republic of Kazakhstan / National Bank of the Republic of Kazakhstan by the states, state governments,*	RCAIDS and NCTP	Immediate

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		international and state organizations, foreign non-governmental non-profit organizations and funds, whose activities have the charitable and international character, as well as associated with utilization of the funds allocated for co-financing of such grants, provided that the grant agreements stipulate for alternative procedures for procurement of the goods, works and services. *Besides, in June 2011 we sent an additional query to the Ministry of Finance of Kazakhstan asking them for clarifications of the Sub-point 19 of Point 1, Article 4 of the State Law on Procurement (the Republic of Kazakhstan) dated July 21, 2007. In July 2011 we received a reply from the Ministry of Finance of Kazakhstan pointing out that at utilization of the grant funds provided by international organizations, procurements shall be carried out without application of the provisions of the State Law on Procurement.* ***OIG Comment:*** *Kazakhstan procurement law has detailed procedures for ensuring value for money if followed.* *As the PR is a government entity (NTCP) it should follow the national procurement law to ensure transparency and competition. This in line with the Global Fund policies to avoid creating parallel systems where an adequate national system exists.*		

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Forecasting and Quantification	***Recommendation 14 (Critical)*** *RCAIDS and NCTP should develop and use specialized MIS systems for forecasting and quantification.*	***RCAIDS comments:*** **This recommendation is being implemented.** Development of a system for forecasting and planning requires additional resources and coordination with the Secretariat of the GFATM. At present specialists of the PR started preparing terms of reference for the development of a similar system. With appropriate approval from the Global Fund Secretariat PR is planning to introduce the system in operation from 1 January 2013. ***NCTP comments:*** *The Principal Recipient of the grant has already drawn up the Terms of Reference for developing the Management information system (MIS). The MIS will comprise all the necessary sections for forecasting, quantification and stock accounting of pharmaceuticals, chemical reagents, consumables, procurements and etc.*	RCAIDS and NCTP	December 31, 2010
Procurement	***Recommendation 15 (Critical)*** *To secure full transparency and competition in procuring products and services, RCAIDS and NCTP should:* *(a) Conduct open tendering procedures for products and services as stipulated in the procurement law of Kazakhstan, and only procure products and services using sole sourcing*	***RCAIDS comments:*** *a)* ***This recommendation is implemented.*** *At present RC AIDS conducts all procurement in accordance with the law on public procurement* *b)* **This recommendation is being implemented.** *RC AIDS is a nonprofit organization with a legal entity status, established for industrial and economic activities in the field of health.*	RCAIDS and NCTP	Immediate

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
	in line with this law; *(b) Advertise open tenders internationally and widely (e.g., in international newspapers, UN Development Business, dgMarket, DevEx, etc.), and apply a consistent language policy for advertisements;* *(c) In line with Kazakhstan law, minimize advance payments made and in particular, refrain from paying 100% in advance; and* *(d) Establish a procurement archiving system for the safe storage of tender documentation.*	*The founder of the RC AIDS is the government of the Republic of Kazakhstan. The authorized body of the relevant industry, as well as the body carrying out the function of an entity against it with respect to property of RC AIDS.* *Procurement of goods, works and services by government agencies in the Republic of Kazakhstan are carried out according to the Law of the Republic of Kazakhstan "On Public Procurement" (hereinafter - the LRK "OPP"), the Regulations for public procurement, approved by Decree № 1301 of the Government of the Republic of Kazakhstan dated December 27, 2007 (hereinafter - Regulation № 1), Rules of the organization and conduct of procurement of medicines, preventive (immunological, diagnostics, disinfectants) drugs, medical supplies and medical equipment, and pharmaceutical support services for guaranteed volume of free medical care approved by the Government of the Republic of Kazakhstan dated October 30, 2009 № 1729 (hereinafter - the Regulation № 2).* *Procurement of goods and services related to the use of funds provided to the Government of the Republic of Kazakhstan on a grant basis by states, governments, international and national organizations and foreign non-governmental organizations and foundations, whose activities are charitable and international, as well as money allocated to co-finance these grants* ***in cases where the agreements on their allocation provide other procedures for the acquisition of goods, works and services,*** *are carried out without the application of "LRK "OPP"" regulating the choice of provider and the*		

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
		conclusion of the contract on public procurement, p.p.19 . p.1. Article 4. LRK "OPP". *Procedure for import of medicines, medical supplies and medical equipment is defined by the Code of the Republic of Kazakhstan "On the health of people and the health care system" (hereinafter - KRC "On the health") and the Rules of the import of medicines, medical supplies and medical equipment approved by Order of the Minister of Health Kazakhstan on November 16, 2009 № 710 on approval of the Rules of the import and export of medicines, medical supplies and medical equipment (further - Rules # 3).* *So according to the Article 80 paragraph 2 of the KRC "On the health" it is not allowed import into the territory of the Republic of Kazakhstan of drugs, medical devices and medical equipment that have not been officially registered in the Republic of Kazakhstan, but according to Article 80 paragraph 3 into the territory of the Republic of Kazakhstan may be imported unregistered in the Republic of Kazakhstan medicines, medical supplies and medical equipment:* *1) on the resolution of the authorized body, if they are intended for:* *State registration;* *Exhibitions without the right to further realization;* *Individual treatment of rare and (or) the most severe diseases;* *Prevention and elimination of emergency situations;* *Equipping of health care organizations with unique medical equipment, which has no analogues registered in the Republic of*		

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
		Kazakhstan; *For clinical research and (or) test;* *2) without the permission of the authorized body:* *If they are for personal use by an individual, temporarily residing in the territory of the Republic of Kazakhstan, in the quantity needed for a course of treatment;* *For the treatment of passengers included in the first aid kits of the vehicles arriving to the Republic of Kazakhstan.* *Marking of imported medical products is regulated by Art. 75. of the KRC "On the health." Drugs, medical devices and medical equipment should come into circulation with the markings on the consumer packaging (primary and secondary) well-read in Kazakh and Russian languages.* *To the public procurement of goods, works and services are accepted residents and non-residents of the Republic of Kazakhstan who conforms to qualification criteria of the aforementioned regulations.* *The potential supplier according to the Article 8 of "OPP" should also have the legal capacity, i.e. according to Art. 35 of the Civil Code of the Republic of Kazakhstan (hereinafter - CC RK) - a legal person may have civil rights and carry out related with its activities commitments in accordance with this Code. Commercial organizations, except for state-owned enterprises, may have civil rights and bear civil responsibilities necessary to implement any activities not prohibited by legislation or constituent documents.* *In cases stipulated by legislative acts, for legal persons performing certain types of activities opportunity to engage in other activities may*		

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
		be excluded or limited. *In certain activities, the list of which is determined by legislative acts, the legal entity can be engaged only under license.* *The legal capacity of a legal entity shall arise at the time of its creation and ends at the conclusion of its liquidation. The legal capacity of a legal entity in activities requiring a license to practice arises from the receipt of the license and shall terminate at the time of withdrawal, the expiration or invalidation according to the procedure established by legislative enactments.* *The legal capacity of a corporate body that is a non-profit organization and is supported only by the state budget (government agency) is defined by the CC RK and other legislative acts of the Republic of Kazakhstan.* *In compliance with paragraph 5 of Article 8 of "OPP" potential supplier who is a non-resident of the Republic of Kazakhstan provides the same documents to demonstrate its compliance with the qualification requirements as the residents of the Republic of Kazakhstan, or documents containing similar information on the qualifications of a potential supplier of non-resident of the Republic of Kazakhstan.* *Potential suppliers submit documents specified in item 51 of the Rules of # 1 to participate in the procurement.* *Documentation submitted to participate in the procurement is made out on Kazakh or Russian languages, according to the requirements of Article 8 of the Law of the Republic of Kazakhstan "On Languages in the Republic of Kazakhstan" and the requirements of the tender documentation.*		

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
		Based on the above-stated, and also due to the fact that the Programme Agreement on the Grant "Increased access to preventive care, assistance and support to people with HIV / AIDS, particularly for vulnerable groups in the civilian and penitentiary sectors by increasing and expanding public non-governmental (NGO) and private partnerships "(hereinafter - the Programme Agreement) № KAZ-H-RAC does not provide for other procedures for the acquisition of goods, works and services, all procurement procedures for grant of the Global Fund are carried out in the framework of the aforementioned laws and regulations of the Republic of Kazakhstan . *Moreover according to Article 167 of the Code of the Republic of Kazakhstan on Administrative offences provides for material responsibility of officials for violation of requirements of the aforementioned regulations.* *We also would like to inform you that to participate in the procurement in the international market according to Art. 26 of the Law of the Republic of Kazakhstan "On Licensing" RC AIDS must meet all the requirements of normative and legal acts of the Republic of Kazakhstan and to have material resources (specialists in procurement in the international market, logistics, security, storage facilities with the installation for maintaining temperature)as well as the license for pharmaceutical activity.* *c)* ***We do not agree with this recommendation*** *Advance payment is allowed in contracts of not more than 50%. However, we believe that*		

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
		reducing the size of the advance payments of up to 20% in the bidding documents and contracts dramatically limit the number of potential suppliers who have the ability and willingness to take such payment terms. *d)* **This recommendation is being implemented.** *RC AIDS will establish a procurement archiving system by 31 December, 2012* ***NCTP comments:*** (a) The corresponding comments have been provided in Recommendation 14. (b) The advertisements are always published in Russian and Kazakh languages. Open tenders are advertised in the national newspaper. At present, the advertisements are not published in international newspapers and on *dgMarket, DevEx* and other web-sites. This recommendation will be taken into account. (c) In accordance with the Decree of the Government of Kazakhstan No.225 dated March 20, 2007 – *On approval of regulations for implementation of the state and local budgets,* the advance payments for the rendered services shall make up 30% of the Contract price and 50% for the supplied goods. The 100% advance payments were effected only for procurement of motor-cars and computer equipments, since these goods had been available with the corresponding Suppliers and were handed over to the Client immediately after receipt of the bank payments by the Suppliers. For all the other goods and services the advance payments have always been effected in due rates; final payments have been effected upon signature of corresponding		

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
		handover certificates and upon actual supply of the goods and services. (d) Following the OIG recommendation, all the data is reserved on an external hard drive (a back-up copy) on a weekly basis for the safe storage of documentation. ***OIG Comment:*** *a) The Kazakhstan law on procurement has detailed procedures for ensuring value for money if applied.* *b) To ensure better value for money is achieved in drug procurement, tenders should not be limited to the local market only.* c*) Advance payments to suppliers should be kept to a minimum level. Twenty per cent is recommended as a reasonable rate to protect the PRs' interest, e.g. if the supplier is does not able to deliver or refund the amount already advanced.*		
	Recommendation 16 (Critical) *RCAIDS should:* *(a) Mentions price as a selection criterion in its bidding documents;* *(b) Clearly informs all potential bidders about selection and evaluation criteria and methods, and does not accept quotations that are not signed or dated; and* *(c) Checks prices of products before high-value procurements (above*	***RCAIDS comments:*** ***This recommendation is implemented.*** *a), b), c) Price necessarily is indicated as a criterion in the tender documents. Selection criteria and evaluation methods are specified in the tender documentation. Before procurement prices in the market are monitored, however, due to the specificity, the market is often limited to a certain range of suppliers or one supplier and we have to accept the offered price.*	RCAIDS	Implemented – to be verified by the Global Fund Secretariat

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
	USD 40,000) by comparing prices available in the local market, and reviewing prices in neighboring countries (consult Global Fund website, WHO website).			
	Recommendation 17 (Critical) *In order to strengthen its capacity to manage procurement contracts, RCAIDS should include the following information in future procurement contracts:* *(a) Brand names, manufacturers and countries of origin of drugs;* *(b) Performance security clause;* *(c) Advance payment rate;* *(d) Specific dates of delivery; and that* *(e) RCAIDS applies the penalty clause mentioned in the contract in case of delay of delivery by the supplier.*	***RCAIDS comments:*** ***This recommendation is implemented.*** *a), b), c), d), e) At the present time contracts necessarily spell out the manufacturer and country of origin, deadlines for ensuring the contract in the form of bank guarantee and the amount of security, the rate of advance payment to the supplier and the amount, terms of delivery and a penalty clause applicable to the supplier in case of delay in terms of delivery.*	RCAIDS	Implemented – to be verified by the Global Fund Secretariat

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
	Recommendation 18 (Critical) *RCAIDS should:* *(a) Train its current procurement office;* *(b) Establish an Evaluation Committee, consisting of procurement professionals and technical experts who are responsible for evaluating bids and quotations and decide who should be awarded a contract; and* *(c) Ask the Evaluation Committee produce an evaluation report for each bid/quotation. The evaluation report should contain the following at a minimum:* • *Brief background information about the need;* • *Names and positions of external body(ies) engaged as experts for drafting specifications/TORs (if any);* • *Date of the Request for Procurement;* • *Date and place(s) of tender announcement;* • *Requests for clarifications from bidders and responses from the PR;* • *Date, time and place of bid*	***RCAIDS comments:*** ***This recommendation is implemented.*** *a),b),c) Tender commission includes experts, the level and qualifications of which allow them to give due assessment of applications on the technical and other parameters. Report on the assessment of applications is made in the form of minutes (envelope opening, results), sample format of protocols is prescribed in the legislation of the RK on procurement, and Republican AIDS Center is governed by it.*	RCAIDS	Implemented – to be verified by the Global Fund Secretariat

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
	opening; • *Names and positions of individuals present at the bid opening;* • *Names of the bidders and read out prices of bids;* • *Information relevant to the technical/financial evaluation of bids or clarifications sought from the bidders;* • *Names and positions of external body(ies) engaged as experts for evaluating bids/proposals (if applicable);* • *Results of evaluation and recommendations for contract award, with reasons for the decisions and reference to criteria in the tender documents, including a discussion of any corrected arithmetical errors in the bids;* • *Special opinions voiced by any member of Evaluation Committee; and* • *The date of the Evaluation Report, as well as names, positions and signatures of Evaluation Committee members.*			
	Recommendation 19 (Critical) *NCTP should:*	***NCTP comments:*** *(a) Proposals and bids received from the*	NCTP	Date to be confirmed with

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
	(a) Establishes a bid evaluation system to ensure that the proposals received from suppliers correspond to the bid specifications and conditions; *(b) Calculates its procurement needs/tasks before launching the tender process and includes them in the tender documents;* *(c) Clearly mentions detailed technical specifications of its products in the bidding documents;* *(d) Stipulates bank guarantees in the bidding documents and does not reduce the bank guarantee amounts for any contractors;* *(e) Avoids increasing volumes/prices of products without competition; and* *(f) Amends the delivery dates (e.g., by extending the deadlines) and changes payment conditions only in exceptional and well-justified cases.*	*suppliers are evaluated by the Tender Committee to ensure their correspondence to the Terms of Reference and specifications as well as their compliance with the set requirements and conditions.* *(b) Before launching a tender procedure, responsible specialists calculate the need in the goods to be procured and on a mandatory basis present the data on quantification and specification of the goods to be procured to the Tender Committee, which then reflects this data in the bidding documents. If the need has not been defined, the Tender Committee does not launch a tender procedure, i.e. no tender announcement is published.* *(c) Technical specifications of the goods to be procured are clearly indicated prior to procurement of the required goods or services; the specifications exclude a possibility of double interpretation.*		the Secretariat
Quality Assurance	***Recommendation 20 (Important)*** *RCAIDS and NCTP should:* *(a) Submit a sampling plan and procedure, including the number of lots sampled, the*	***RCAIDS comments:*** ***This recommendation is implemented.*** *a), b) In accordance with paragraph 3 of Article 67 of the Code of the Republic of Kazakhstan dated 18 September 2009 "On Health of the people and the health care*	RCAIDS and NCTP	Date to be confirmed with the Secretariat

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	sampling period in terms of storage months, the level of the supply chain at which the collection will be made, and construct a budget for PSM costs; and *(b) Take samples of drugs along the distribution chain and send them to a WHO-prequalified or ISO 17025-certified laboratory for quality control.*	*system," the Government of Kazakhstan approved the rules of production and quality control, as well as testing the stability and setting shelf life and repeated control of medicines, medical products and medical equipment (on December 5, 2011 № 1459).* *The Committee of Pharmacy, Pharmaceutical and Medical Industry of the Ministry of Health of the Republic of Kazakhstan is a department of the Ministry of Health of the Republic of Kazakhstan, carrying out within the competence of the Ministry of Health of Kazakhstan special executive, control and monitoring functions, as well as leadership in the field of medicines and products of medical industry, including antiretroviral drugs.* *"The National Center for Expertise of medicines, medical supplies and medical equipment", of the MoH (hereinafter - the National Center) is a public expert organization in the field of medicines. It was created by the Decree of the Government of the Republic of Kazakhstan dated October 02, 2002 № 1081 by converting the State Enterprise "Centre for Medicines "Dari-Darmek", created by the Decree of the Government of the Republic of Kazakhstan dated November 17, 1997 № 1591.* *The main goal of the National Center is the implementation of health activities to ensure the safety, efficacy and quality of medicines, including ARVs.* *In accordance with the objectives the National Center performs basic functions: conducting expert works for the state registration of medicinal products, medical devices, medical equipment, the implementation of conformity assessment of medicines, medical products;*		

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
		In 2006, the National Center has been certified for compliance with the requirements of international standard ISO 9001:2008 «Quality Management Systems. Requirements" with the scope of the certificate: implementation of expert services in the field of medicines, medical products and medical equipment. Registration of management system was made by the Certification body of quality systems DQSGmbh in the international system IQNet. The company constantly improves the quality management system; every year passes inspection control by the Certification body and confirms the introduction of improvements in the quality management system. *In the structure of the National Center included the Test Centre, which consists of five laboratories and departments of laboratory animals, providing quality control of medicines and medical devices in all characteristics of safety and quality.* *In 2005, in the Test Center was established and equipped with modern facilities the Republican immunobiological laboratory for quality analysis of immunobiological preparations, and in 2006, laboratory for research of relative bioavailability and bioequivalence of generic drugs, preclinical toxicity and pharmacological activity of medicines of different groups. For the ARVs at registration the international standards of quality of medicines - Prequalification of World Health Organization (WHO) are taken into account.* *In 2007, were developed and approved by the Ministry of Health of Kazakhstan guidelines*		

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
		on "Bioequivalence studies" and "Methods of bioequivalence studies." *In 2008, the Test Center received the accreditation certificate for compliance with ISO 17025-2001 "General requirements for the competence test and calibration laboratories".* *Expert works for state registration are performed by the departments of the Centre, using the electronic program that allows control the entire process of expert evaluation.* *There was established a regulatory framework governing the state registration.* *Assessment of the results of expert evaluation at the state registration of medicines is performed by the Expert Council.* *Also active efforts are made to organize and conduct pharmacovigliance in the Republic of Kazakhstan. In 2007, the Republic of Kazakhstan joined as an associate member into the International Program of the WHO Drug Monitoring (Uppsala, Sweden).* *Thus, quality control of pharmaceutical products in the Republic of Kazakhstan and testing of samples of ARVs is carried out by approved laboratories of public authorities and is not within the competence of the Republican AIDS Center.* ***NCTP comments:*** *Quality control testing of the pharmaceutical products has not been performed due to the fact that all the drugs supplied through the GLC are included into the WHO-prequalified list of drugs and their transportation is carried out in accordance with international standards. The CCM does not recommend to carry out such operations as well. However, if*		

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
		it is strongly recommended, we may plan to perform the quality control testing in foreign laboratories, since there are no WHO-certified laboratories in the country. Currently, we are carrying on negotiations with a number of laboratories for conducting the quality control testing of TB drugs. ***OIG comments*** *Please note that quality assurance of drugs should be performed by a WHO-prequalified or ISO 17025 certified laboratory.*		
Service Delivery	***Recommendation 21 (Important)*** *In conjunction with technical partners,* RCAIDS should*:* *a) Considers the development of a comprehensive implementation plan for HIV/AIDS services for the civil sector and to improve the plan which exists for the penitentiary sector;* *b) Facilitates endorsement of the national HIV/AIDS treatment guidelines by the MOH and facilitate registration of methadone in Kazakhstan;* *c) Reconciles the national STI guidelines with MOH order #295 to ensure a consistent approach with regard to syndromic treatment of STIs;* *d) Supports policy dialogue on*	***RCAIDS comments:*** ***This recommendation is implemented.*** *a) The State Programme of development of Health of the Republic of Kazakhstan "Salamatty Kazakstan" on the 2011 - 2015 years, approved by Decree of the President of the Republic of Kazakhstan on November 29, 2010 № 1113 defined the goal: to improving the health the citizens of Kazakhstan to ensure sustainable socio-demographic development of the country. Program objectives are:* 1. *Health promotion of Kazakhstani citizens through achieving coherence of the whole society in matters of health.* 2. *The formation of a competitive health care system.* *One of the target indicators is to keep the prevalence of HIV infection in the age group 15-49 years in the range 0.2-0.6%.* *In the section Prevention of TB and HIV / AIDS in the prison system the purpose is stated as: reduction of morbidity and mortality from tuberculosis and HIV / AIDS in the prison system.*	RCAIDS	Implemented – to be verified by the Global Fund Secretariat

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
	legal reforms to allow the implementation of the grant agreement(s) with respect to SEP and OST; and *e) Supports the revision of existing regulations on tracing and testing HIV and STI case contacts to ensure the voluntary nature of clinical examination and testing.*	*Main goals:* *improving the provision of TB and HIV / AIDS care in institutions of the penitentiary system (hereinafter - the CCS);* *Raising awareness of the penitentiary system contingent on the spread of tuberculosis and HIV / AIDS.* *One of the indicators of the results: in 2015 the rate of HIV infection among prisoners should not exceed 5%.* *Funding is provided in accordance with the Action Plan to implement the State Programme for the Development of Health of the Republic of Kazakhstan "Salamatty Kazakhstan" on the 2011-2015 years, approved by the Government on January 29, 2011 №41, which presents funding for years, as well as indicates the source of funding (national, local budget).* *Given the changing trends in the AIDS epidemic in Kazakhstan, the State's commitment to fight AIDS, reduction in the funding of international organizations, in order to ensure sustainable universal access to prevention, treatment, care and support for HIV, Republican AIDS Center has directed its proposal to develop sectoral Programme for 2014-2018 years. (**Annex 1,** ref. №04-374 dated May 03, 2012).* *b) In the Roadmap of interagency cooperation for the implementation of protocol of the meeting on the expansion of the OST in the RK "On the results of evaluation of OST programs in the Republic of Kazakhstan" with the participation of international experts, the main drug treatment specialists of the CSTO, registration of Methadone and its inclusion in*		

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
		*the National Register of drugs is designated as the first item (**Annex 2**).* *c) Activities of the friendly offices are regulated by the Order of the Ministry of Health of the Republic of Kazakhstan dated March 29, 2004 № 295 On Approval of Regulations on the organization of friendly offices (with amendments dated 31.03.2004) which indicated syndrome approach to the treatment of STIs. However, subsequently syndrome approach has been canceled. Currently, Protocols of diagnosis and treatment STIs are in the development plans of the RK Ministry of Health, thus harmonizing the data of NPA will be made after the development and approval of the protocols of diagnosis and treatment of STIs. Specialists of the Republican AIDS Center have revised the order № 295 of the MoH of the RK "On the Activities of friendly offices" and sent it to the Ministry of Health of the RK, but taking into account the fact that in the RK there are no treatment protocols for STIs the order is returned for revision. In accordance with the annual work plan, Republican AIDS Center this year will revise this order.* *In addition to the existing aforementioned order № 295 in the RK act the "Protocols of the diagnosis and treatment", approved by the order of the Ministry of Health of RK № 764 dated 28.12.2007, in which there is no section on treatment and diagnosis of STIs, but the sections are presented for the treatment of the following diagnoses: PN-O-Colpitis 006, P-0-006 Inflammatory diseases of pelvic organs, P-0-0099 infections of the urinary tract, P-0-010 Candida vulvovaginitis (**Annex 3**).*		

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
		d) Currently epidemiological situation in prisons has stabilized. In RK changes have occurred in connection with which the Committee of the penal system institutions was transferred to the Ministry of Internal Affairs of the RK. Situation in prisons this year was considered on the National Coordination Committee (February 28, 2012), where were discussed issues of the situation, as well as the possibility of expanding harm reduction programs in the prison system, perhaps initially on a pilot level. Advocacy work with regard to drug distribution is carried out under the management of the Committee of the penal system MIA (Comprehensive Plan with the MIA for the Committee of the penal system (Approved by the Ministry of Health RK on April 27 2012, MIA of RK 02.05.2012 r)). *Outreach workers who work in the HR programs in the society have interim certificate, under which they operate. The registration of methadone and program expansion to other sites is under consideration by the Ministry of Health of the RK. Once political decision is taken regarding OST and distribution of syringes in prisons, the work with the Ministry of Internal Affairs and the deputies of the RK will be conducted on amendments to the legislation of the RK.* *In the RK seminars are held in the context of improving the policies of legal and social environment, in which also present the representatives of the prosecutor's office, MIA and the Committee on Security and Drug Policy. The RC AIDS and MoH of the RK will*		

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
		*maintain a political dialogue on issues of legal reform and on the expansion of harm reduction programs, including in the penitentiary sector (**Annex 4, 5**)* *e) In the RK 32 Friendly cabinets operate, where MARPs can get STI treatment on a free and anonymous basis, while no information from clients on contacts or the number of sexual partners is gathered. In FCs customers can not only take STI treatment, but rapid HIV testing is also offered on an anonymous basis. In addition, the regions have special STI health care organizations; where there is anonymous, but paid treatment for any STIs on the request of the customer. Since the effectiveness of STI treatment involves the simultaneous treatment of both partners, there is an outreach work with patients on engaging to the treatment of the partner. The exception is syphilis, for which epidemiological investigation is carried out. In the RK there is protocol for the treatment of syphilis. Anonymous HIV testing, without disclosing sexual partners (contacts) are also available in FC and TP. the State Programme provides funds for the purchase of rapid tests. In respect to investigations of cases of HIV infection, sexual partners (if PLHIV reveal them) are offered to be tested for HIV. In the event that PLHIV refuses to inform his/her partner, then no one forcibly makes him/her to inform his/her partner, and testing is done on a voluntary basis (**Annex 6**, **7**).*		
	Recommendation 22 (Important) *RCAIDS should:* *a) Advocate for equipping all*	***RCAIDS comments:*** ***This recommendation is being implemented*** *a) Currently only 5 AIDS centers in the*	RCAIDS	Date to be confirmed with the Secretariat

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
	Oblast AIDS Centers with CD4 and PCR machines and ensures the provision of an adequate supply of reagents for CD4 and viral load testing according to the national protocol; *b) Include a recommendation on HIV drug resistance testing in the AIDS national treatment protocol* *c) Strengthen capacity of reference laboratory staff for HIV drug resistance testing so that it is done among all patients who require it;* *d) Strengthen local NGO capacity for improving ART initiation and adherence among all PLWH;* *e) Improve HCT practice by removing barriers to anonymous testing, improving the quality of counseling, and introducing HIV rapid testing at various settings including outreach; and* *f) Screen for TB all registered PLWH who receive services at AIDS centers, particularly those without a* propiska. *RCAIDS should make sure that all eligible patients receive IPT. This will require*	*country are equipped with PCR equipment; in 2012 2 more sets of PCR equipment were purchased for AIDS Centers of East Kazakhstan and West Kazakhstan regions.* *In late 2011, a request to reschedule the Round 7 grant to purchase 5 sets of equipment of PCR and 2 flow cytometer was declined by GFATM Secretariat. At present, 12 of the 16 AIDS Centers are provided by flow cytometers, but most of them are worn and obsolete (purchase of 2005-2006). In the event of savings on the Global Fund grant Principal Recipient will submit requests to the Global Fund Secretariat for purchase of equipment for monitoring of ART. Since the issue of providing laboratory equipment for AIDS Centers is not included in the state program Salamatty Kazakhstan, Principal Recipient will apply to the Ministry of Health of the Republic of Kazakhstan on the inclusion of this issue in the next program.* *b) In 2012 it is scheduled revision of 2 protocols of diagnosis and treatment of HIV / AIDS for adults and children and adolescents, and clinical guidelines for diagnosis, treatment, and providing medical care for HIV infection and AIDS in line with the WHO clinical protocols, which will address the issues of testing for HIV drug resistance. Possibility to measure level of CD4 is available in 13 major OCs and viral load (5 centers), which corresponds to meeting the needs of the RK as a whole.* *c) In 2012 in the framework of the GFATM grant for the reference laboratory of the Republican AIDS Center was purchased equipment set «Rotor Gene» of PCR in real time mode to determine the viral load.*		

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
	improving coordination with the TB program as well as additional training of providers working at AIDS centers.	*From 4 to 6 April, as part of the project ICAP was conducted seminar on "HIV Drug Resistance," with participation of leading Russian scientists from Moscow of the Federal Scientific and Methodological Center for Prevention and Control of AIDS Central Research Institute.* *d) On fulfillment of this recommendation we inform: the PR is working closely with international organizations on the implementation of measures aimed at prevention of HIV and TB, both in civil and prison sector, discussing joint plans, including on conducting trainings. In the first half of 2012 was jointly hold 5 trainings: "ART and the secondary diseases" for 2 regions, "Prevention of overdoses", "ART for children" for 2 regions. Co-financing of the projects was carried out together with "Quality Health Care", "Support" projects of ICAP, UNDP UNAIDS. (Appendix № of the Trainings Plan).* *The PR has prepared a training plan, taking into account the Plan of trainings of international partners (AFEW, PSI, ICAP, Quality health care).* *The main sub-recipients ULE "Kazakhstan Union of People Living with HIV" in the framework of the Global Fund grant for the component "Strengthening capacities for sustainable community development of the program and the expansion of services provided to social groups at risk" allocated 6 institutional grants to NGOs: PF "Ti ne odin"; (Pavlodar), PF "Adal-Komek"(Kostanai), OBF "Shapagat" (Temirtau), "Taldykorgan Foundation for Assistance to employment" (Taldykorgan), PF "Kuat-Shymkent", PA PLHIV "Kuat" Ust-Kamenogorsk. In addition,*		

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		Kazakh Union of PLHIV held the fourth Republican camp for people living with HIV in the Kostanay on July 23 -27, 2012. The camp program highlighted themes on motivation and commitment to the treatment of HIV and TB; motivational counseling of PLHIV receiving antiretroviral therapy by a "peer to peer method" was conducted continuously. The summer camp brought together 40 participants from all regions of Kazakhstan, and various NGOs (PRs sub-recipients). (Appendix № of the Plan of Trainings). *Also, the ULE "Kazakhstan's Union of PLHIV" held on 2-4 June 2012 training on "Advocacy and Participation", which discussed the provision of quality services on the diagnosis and treatment of HIV, TB to people living with HIV. The training was attended by 20 people.* *Starting from 2010 the Central Asian branch of the "International non-profit corporation PSI» under the Project «Dialogue on HIV and tuberculosis" (USAID) is implementing the project "Unison" on strengthening adherence to the treatment of TB and HIV. The project is carried out in 3 regions of the country, multidisciplinary teams are established, that provide client-centered, multidisciplinary approach to generate motivation and adherence of PLHIV to the treatment of TB and HIV. Component on adherence is included in the information and education modules for working with of PLHIV, on which trainings are conducted, indicators on services on adherence to ART and TB treatment are developed. Within the framework of preventive Model "Unison", which is performed by the NGO "Shapagat", NGO "Umit" PF "Kazakhstan Union of PLHIV ',*		

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		trained social workers conduct PSC, as well as consultation, training and mini-sessions on adherence to ART and treatment of TB. Withtin the above mentioned project were conducted TOTs for 14 trainers from 5 regions of Kazakhstan on programs of social support of MARPs for social workers from NGOs: "Ar-Namys", "Kuat", "Umit" (Karaganda), "Umit" (Shymkent), "Shapagat" (Temirtau), "Credo" (Karaganda). Trained coaches after passing a 4-day TOT can conduct trainings for social workers, and train new social workers skills of social support, with the emphasis on adherence to treatment of HIV and tuberculosis. In addition, 23 outreach workers of the NGOs "Ar-Namys", "Umit", "Adali" and "Kuat" were trained to conduct the PSC for MARPs. In addition to trainings aimed at NGOs during the implementation of the project 302 health workers were trained the skills of counseling of MARPs on HIV and TB, as well as one component of the trainings was to inform on social support and adherence to treatment for HIV and TB. International non-governmental organization AFEW in the framework of its project "Start Plus" conducts trainings for convicted of Kostanai, Karaganda, East Kazakhstan, South Kazakhstan, Almaty regions on prevention and treatment of TB, HIV infection, as well as for medical prison staff on adherence to ART in the cities of Ust-Kamenogorsk and Kostanay. Project "Promotion» (ICAP) intends to conduct trainings on adherence to ART for health workers in West-Kazakhstan and Karaganda regions. The project "Quality Health Care" plans to train medical and social workers on VCT for HIV.		

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
		e) At the present time issue of conducting rapid testing by outreach workers is under discussion. It may be added to the new order on the BSS. *Under the current legislation of the RK rapid testing is considered a medical manipulation, of which should have skills a certified medical professional. However, training of outreach workers to conduct rapid testing and interpretation of the result speaks of the necessity of more intensive training of outreach workers on the PSC, in particular on the post-test counseling in the event of a positive result.* *f) According to the list of socially significant diseases and diseases that pose a danger to others of the Government Decree of the Republic of Kazakhstan as of December 4, 2009 № 2018 On approval of the list of socially significant diseases and diseases that pose a danger to others, tuberculosis, a disease caused by the human immunodeficiency virus and human immunodeficiency virus carriers and hepatitis B, C, are classified as of socially significant. Based on this examination for TB is not dependent on registration. PLHIV are screened in accordance with protocols and guidelines (2007) "Identification, registration, treatment and prevention of tuberculosis in PLHIV and providing ART in combination of HIV infection and tuberculosis."*		
	Recommendation 23 (Important) *RCAIDS should revise the format of service delivery through Friendly Cabinets based on an evaluation of these units so that*	***RCAIDS comments:*** ***This recommendation is implemented.*** *Representatives of the group of IDU and MSM are more socially isolated and do not want to get into field of vision of government structures, including health care providers, in*	RCAIDS	Date to be confirmed with the Secretariat

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
	their client base is increased.	*particular in FC and TP. They avoid treatment and refuse help of these services because they believe that the services provided will not meet their needs. That is why MSM have "their" doctors and turn to private medical structures, where spectrum of services is more expanded and it complies with their requirements. However, in the RK there are such FCs, where there is an attitude of trust to the doctor, which results in more frequent visits to the FCs, such is FC at NGO "Dr. Lee."* *Regarding the IDUs, they are difficult to reach with any health services, including in FCs. However, PLHIV/IDU, as well as IDUs, who are on OST and ART, willingly visits FC.* *At the same time, based on quarterly reports submitted by sub-recipients, increase in the number of people attending FCs from these groups can be noted: in the 1st quarter 352 MSM , 2092 IDU visited FCs, and in the 2nd quarter 2012: 469 MSM, 2615 IDU (**Annex 8**).* ***OIG comment:*** *This recommendation is still open as the PR did not propose a comprehensive action for the implementation of this recommendation.*		
Monitoring and Evaluation	***Recommendation 24 (Critical)*** *In conjunction with technical partners,* RCAIDS should*:* a) *Consider updating the national M&E plan beyond 2011. The plan format/content should correspond to the best international standards so that*	***RCAIDS comments:*** ***This recommendation is implemented.*** *a) On 5-7 October 2011 in Almaty with the assistance of ICAP was held a seminar "Evaluation of the national M & E system for HIV / AIDS in the RK." In accordance with the recommendations of this seminar it was decided to reconsider the effective order on the M&E plan and approve the M&E in*	RCAIDS	Implemented – to be verified by the Global Fund Secretariat

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
	it ensures smooth implementation at all levels and contributes to effective national response to HIV/AIDS; *b) Review/update the indicators from the national/grant M&E plan to make sure that all indicators are defined clearly and correctly, and that indicators are used consistently at baseline and when calculating the actual results. The PIU M&E unit should conduct a basic quality check of the data reported through national M&E system, before reporting them to the Global Fund; and* *c) Conduct an independent external evaluation of the HIV surveillance system, including the quality of BSS design and implementation. This should involve all international partners active in this field in Kazakhstan.*	*accordance international standards (12 component of the national M&E system), including the budget. Following the seminar work has been done on writing M&E plan. Were revised and more accurately formulated indicators, reconsidered indicators for funding. At present it is scheduled definition of the objectives of short-term and long-term results and impact in the plan on M & E within the framework the development of the Programme to combat HIV/AIDS.* *b) Indicators of national M & E plan are already revised. Indicators of Grant M & E plan were also reviewed and updated. During the approval of PF and M & E plan of SSF Grant a fairly complete discussion of the proposed indicators took place both from the side of the Principal Recipient, and on the side of LFA and the GFATM. Starting from the 2nd half of 2012, the GFATM PIU conducts verification of the quality of data obtained in the framework of the national M & E system, including through independent calculations of indicators for BSS database. Furthermore, employee of ICAP conducts the calculation of additional BSS indicators.* *c) In 2011, ICAP conducted an independent external evaluation of the sentinel surveillance system. This assessment included, among other issues, assessment of the quality of design and methodology for BSS. Weaknesses were identified during the BSS. It was prepared draft protocols for BSS. Currently, these protocols are under the process of adjustment at Columbia University. To improve the quality of surveillance joint work with the project "Support" on training, implementation and evaluation is being*		

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
		carried out.		
	Recommendation 25 (Important) *RCAIDS should improve coordination between all partners to mobilize technical capacity building, so that they better contribute to technical design and effective implementation of the Global Fund-supported programs.*	***RCAIDS comments:*** ***This recommendation is implemented.*** *In order to coordinate ongoing activities on HIV / AIDS the Republican Center AIDS develops joint plans of work: Comprehensive Plan with the Ministry of Internal Affairs - on the Committee of the penal system (Approved by the Ministry of Health of the RK on April 27, 2012, the MIA of the RK May 2, 2012), joint plan with the National Center for Healthy lifestyle (March 20, 2012). In order to avoid overlapping of activities, international partners working in Kazakhstan are requested to provide information on their plans of work on their performance over a six months and the year. The Principal Recipient cooperates with all international organizations operating in the field of HIV / AIDS. Together with international partners it organizes trainings, seminars, conferences. So, in June 2012, with support from WHO for the first time a conference was held on the prevention of HIV among IDUs. With the support of the AIDS Foundation East West trainings in the prison system are conducted.*	RCAIDS	Implemented – to be verified by the Global Fund Secretariat.
Service Quality	***Recommendation 26 (Critical)*** *NCTP should, and where applicable, in conjunction with technical partners:* *a) Procure adequate quantities of rapid drug resistance test kits and makes sure that all TB*	***NCTP comments:*** *(a) Procurement of materials (reagents) for the rapid test kits (compatible with the supplied equipment) at the expense of TGF project will be carried out as per the approved budget, which, however, will not be able to cover all the program needs. The current Plan of procurement of the materials for the rapid*	NCTP	Date to be confirmed with the Secretariat

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
	patients are tested in both civil and penitentiary sectors as per the national guidelines; *b) Design and introduces an external quality assurance system for rapid drug resistance testing in laboratories;* *c) Improve coordination between national TB and HIV/AIDS programs and improves TB/HIV management and control including diagnostic workup of co-infected patients as well as concomitant ART and anti-TB treatment;* *d) Improve clinical management of side effects of second-line anti-TB drugs as well as clinical management of co-morbidities;* *e) Monitor the quality of second-line anti-TB drugs through both monitoring of clinical outcomes of patients as well as laboratory testing of quality standards of drugs; and* *f) Make sure that TB infection control guidelines are available and implemented and that providers are adequately trained.*	*test kits at the expense of TGF project and the National TB Program will cover over 90% of the target group. Taking the needs into account and in pursuance of the OIG recommendations, we have increased the order for these reagents, and the volume of TGF grant-funded procurement in 2012 has been increased at the expense of reducing the price for these reagents.* *(b) In 2012 there was established a Working subgroup for developing the Strategic plan for enhancing the laboratory services under the National TB Program of Kazakhstan. This Plan includes a section describing the External quality assurance (EQA) system for rapid methods of laboratory diagnostics of drug-resistant TB. Introduction of the EQA system for rapid methods of laboratory diagnostics of drug-resistant TB is planned for Quarter 4, 2012.* *(c) In accordance with the Clinical guidelines on diagnostics, treatment and medical care for HIV infections and AIDS (developed by the Council of experts at the MoH of Kazakhstan, Protocol No.21 dated 15.11.2010), upon a positive take on HIV infection, all the TB patients undergo the CD4 and virus load tests carried out by the specialists of corresponding AIDS Centers, and, on a mandatory basis, the results of those tests are reflected in the patient's medical record, which is kept at a regional AIDS Center.* *Recently, a circular letter has been sent to the local TB dispensaries, requesting for the test results for CD4 and viral load of TB/HIV patients from regional AIDS Centers.*		

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
		Currently, the adjustments and additions are being introduced into the operating Order on TB/HIV No.722 dated November 16, 2009, in order to stipulate for the concomitant ART and anti-TB treatment as per the WHO recommendations. *The issues of adequate TB/HIV control have been discussed at the Coordinating Council for public health care in the Republic of Kazakhstan (under the Government of the Republic of Kazakhstan), where the decision was made to develop a comprehensive plan for TB/HIV control.* *(d) Based on the Order of MoH of Kazakhstan No.647 dated 03.11.2009 – On approval of the procedures for monitoring the side effects of drugs in medical and pharmaceutical organizations, the corresponding authorities carry out monitoring of side effects of the drugs through a routine collection of the message cards for every single instance of a side effect (cancellation, suspension, dose decline, lack of effect).* *e) On a monthly basis, the specialists from the Monitoring and evaluation group of NCTP under the MoH of the Republic of Kazakhstan analyze the data (collected from all the regions of Kazakhstan) on side effects of anti-TB drugs.* *f) In pursuance of the Decree of the Government of Kazakhstan No.1263 dated December 21, 2007:* *- there has been carried out restructuring of TB bed wards;* *- based on their epidemiological status, all the*		

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		TB patients have been separated in the TB treatment facilities throughout the country; *- security systems have been established on the places;* *- the TB treatment facilities have been fenced;* *Within recent years, these measures have made it possible to reduce the rates of nosocomial transmission of the infection and decrease the incidences of medical personnel's contagion by 3 times.* *- Special committees for infection control have been created in all the TB treatment facilities and the Infection control plan has been developed.* *- 5 national specialists of the National TB Program of Kazakhstan have been trained for the infection control at international seminars. In collaboration with international experts for infection control, 359 regional specialists of the National TB Program of Kazakhstan have been trained at local seminars.* *- In the highest risk zones within 5 bacteriological laboratories (4 Regional TB dispensaries + 1 penitentiary facility) there have been installed special ventilation systems.* *-There have been developed National Guidelines on infection control measures in the national TB service of the Republic of Kazakhstan, which correspond to international standards.*		
Nutritional Support	***Recommendation 27 (Important)*** *NCTP should:* *a) Implement the DOTS training program in line with the identified need*	***NCTP comments:*** *The data on the number of medical workers trained for DOTS and DOTS-Plus strategy is annually reflected and analyzed in the reports of NCTP and Regional TB Dispensaries. Inclusion of participants into the training programs is made in line with the need for*	NCTP	Date to be confirmed with the Secretariat

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
	for training; and *b) Include on-site technical assistance/on-the-job training as part of the supervisory visits to TB grass root facilities.*	*training. The training modules (programs) for DOTS and DOTS-Plus are available at all the TB treatment facilities and the regional trainers may use them during the seminars.*		
Supplies	***Recommendation 28 (Important)*** *NCTP should:* *a) Develop a management system for monitoring drug stocks at the central and regional levels;* *b) Continue strengthening one functional TB laboratory network to make sure that all penitentiary TB facilities are covered with adequate laboratory service; and* *c) Reassess the transport modalities for sputum resistance testing.*	***NCTP comments:*** *(a) An automated record-keeping of the drug stocks flow (including the anti-TB drugs procured through the state budget) is maintained in the Republic of Kazakhstan. The data collection is carried out by LLC MedInform. On a quarterly basis, all the regions (14 oblasts and the cities of Astana and Almaty) enter the data on the stocks of all the anti-TB drugs into the electronic register of the drugs' stock. Quarterly, there's drawn up a Consolidated Record Sheet of utilization of the drugs procured at the expense of the specific transfers and the state budget. This data is then sent to the MoH of Kazakhstan and is analyzed by the Committee for supervision of pharmaceutical and medical activities under the MoH of Kazakhstan.* *With a view of developing the electronic system for monitoring the TB drugs' stocks throughout the country, in Quarter 1 of 2012 there was engaged an external technical consultant – Mr. Valeriu Pleshka. The system's database will have the information on receipt, consumption and stock balance of all the TB drugs available at the central and regional levels, which have been procured through the state budget funds and the Global Fund grants.*	NCTP	Date to be confirmed with the Secretariat

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
		A Technical Working Group on the drug stocks control has been established recently; the work is going on. *In addition, there have been elaborated Annexure No.1 to the reporting form TB-13, which contains the information on compliance of a quarter-based factual enrollment of patients with the Enrollment Plan as well as the number of dropped-out patients, number of the died, number of those who have abandoned the treatment, unsuccessful treatment results and transferred patients.* *This data will be presented by the district levels to regional ones, then it will be consolidated and, on a monthly basis, presented together with TB-13 Report to the PIU of TGF project for further data processing and analysis.* *(b) In pursuance of Sub-point 2 of Point 2 of the joint Order issued by the Ministry of Internal Affairs of Kazakhstan (No.117 dated Feb. 29, 2012) and the Ministry of Health of Kazakhstan (No.115 dated Feb. 27, 2012) – On approval of the regulations on arrangement of TB care to the persons kept in the penitentiary facilities of the criminal-executive system of the Ministry of Internal Affairs of Kazakhstan, the penitentiary facilities are rendered assistance in carrying out the bacteriological (microscopic and culture-based) analyses, as well as the TB drugs' sensibility tests, utilizing the laboratory facilities of TB treatment institutions. NCTP has obliged all the civil sector laboratories to analyze the sample materials delivered from the penitentiary facilities for TB and MDR TB (Drug sensitivity testing) on a priority basis.*		

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
		(c) As of today, there have been revised the transport modalities for delivery of the sample materials (to be tested for drug sensitivity) from all the country regions. Corresponding amendments have been introduced into the agreements and terms of reference, making it possible to optimize a prompt delivery of the sample materials from all the regions to the laboratories of regional TB dispensaries.		
Grant Agreements	***Recommendation 29 (Important)*** *NCTP should improve the SR agreement format by including all critical components: scope of work, implementation schedule and M&E plan, which should be detailed enough to ensure smooth grant implementation.*	***NCTP comments:*** *This recommendation has been implemented. The PIU of TGF project at NCTP has introduced significant amendments into the agreements with SRs, having improved them in terms of implementation timelines, program indicators, SRs' responsibility, accounting and reporting documentation, budget control and penalties, and etc. – this will ensure smooth implementation of the program activities under TGF grant project.*	NCTP	Implemented – to be verified by the Global Fund Secretariat
Monitoring and Evaluation	***Recommendation 30 (Important)*** *NCTP should:* *a) In partnership with RCAIDS, develops a national M&E plan, based on international normative standards, for collaborative TB/HIV activities;* *b) Ensures that monitoring plans for TB facilities are implemented at local level and results are reported by regional teams in a standard*	***NCTP comments:*** *(a) A draft of the National Plan for TB/HIV Control is being currently discussed within the framework of the National strategic plan for TB and MDR-TB control (valid until 2020); this plan will also cover the issues of collaborative monitoring of the activities for concurrent infection control.* *(b) Monitoring visits of the regional specialists are carried out in accordance with the approved plan, and the corresponding reports are drawn up in a standard form in compliance with the WHO recommendations.*	NCTP	Date to be confirmed with the Secretariat.

Audit Area	*Recommendations*	Comments and Agreed Actions	Responsible party	Due Date
	format; *c) Combine the separate TB surveillance databases for civil and penitentiary sectors, so that national indicators are derived in the most accurate and timely manner; and* *d) Revise any indicators that are not well defined.*	*(c) As of today, the TB surveillance database of penitentiary system needs to be improved, so it is not yet possible to combine it with the civil sector's database.* *(d) In pursuance of this recommendation, all the indicators on epidemiological surveillance of TB, MDR-TB and TB/HIV are being revised in collaboration with the international partners. The new record-keeping and reporting forms, corresponding to introduction of the new methods of diagnostics and treatment of TB and MDR-TB, have been submitted for approval to the Ministry of Health.*		