



The Office of the Inspector General

Procurement, Supply Chain Management and Service Delivery of the Global Fund Grants to the Government of India

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Acronyms

AIDS	Auto-immune Deficiency Syndrome
ART	Anti-retroviral Therapy
CAG	Controller and Auditor General
CCC	Community Care Centre
CCM	Country Coordinating Mechanism
CTD	Central Tuberculosis Division
DIR	Detailed Implementation Review
DfID	Department for International Development
EPW	Empowered Procurement Wing
GOI	Government of India
HIV	Human Immuno Virus
ICB	International Competitive Bidding
ICTC	Integrated Counselling and Testing Centre
IDF	Indian Development Foundation
KHPT	Karnataka Health Promotion Trust
LFA	Local Fund Agent
LLINs	Long Lasting Insecticide Impregnated Nets
M&E	Monitoring and Evaluation
MOH&FW	Ministry of Health and Family Welfare
MOU	Memorandum of Understanding
NACO	National AIDS Control Organization
NACP-III	National AIDS Control Programme- III
NCB	National Competitive Bidding
NGO	Non-Governmental Organisation
NRHM	National Rural Health Mission
NVBDCP	National Vector Borne Disease Control Programme
OIG	Office of the Inspector General
PWC	PricewaterhouseCoopers
PLWHA	Person Living with HIV and AIDS
PSM	Procurement and Supply Management
RNTCP	Revised National Tuberculosis Control Programme
SACS	State AIDS Control Society
TB	Tuberculosis
TGF	The Global Fund
UN	United Nations
UNOPS	United Nations Office for Project Services
USAID	United States Agency for International Development
WB	World Bank
WHO	World Health Organisation

Executive summary

Introduction

- I This report sets out findings and recommendations of the Office of the Inspector General's (OIG) audit of The Global Fund (TGF) grants in India in May/June 2008.

Background

- II Following TGF stakeholder concerns resulting from the World Bank's Detailed Implementation Review (DIR) report issued in January 2008, the OIG conducted an audit of the procurement, supply management and service delivery of its grant programs in India.

Audit Objectives and Scope

- III The overall objective of the audit was to provide assurance that the procurement, supply management and service delivery for Global Fund grant programs for HIV/AIDS, Tuberculosis and Malaria were undertaken efficiently and effectively and that well functioning quality assurance arrangements were in place.
- IV The scope of the audit was limited to Global Fund grant programs being implemented by the three national disease control program divisions of the Ministry of Health and Family Welfare (MOH&FW), namely the National AIDS Control Organization (NACO), Central TB Division (CTD) and National Vector Borne Disease Control Program (NVBDCP). In addition, audit tests and program visits were carried out in the states of Orissa, Andhra Pradesh and Karnataka.
- V The audit sampled procurements made during 2007 to 2008 financed from TGF grant funds.

Summary Findings

A. Procurement and Supply Chain Management

Procurement

- VI United Nations Office for Project Services (UNOPS) was given responsibility for centralized procurement in April 2007 for all three diseases and has followed best practices in managing centralized procurement. OIG found delays in centralized procurement which was largely due to the multiple approval processes required and at the inception of the contract when UNOPS' initial capacity deficiency was being strengthened. Urgent action is needed to re-compete the procurement agency contract. In addition, procurement carried out in three states OIG visited conformed to NACO guidelines.

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NGO Selection

- VII NACO guidelines, which OIG found to be appropriate, were in place and these were being followed to select new NGOs and assess existing NGOs. The performance of existing NGOs had been reviewed and poorly performing NGOs were no longer being used.

Supply Chain Management

- VIII Serious shortcomings in storage arrangements risked compromising the efficacy of drugs and other health supplies such as test and diagnostic kits. OIG found storage capacity over-stretched for drugs and health products in the states visited. Management needs to technically assess the adequacy and capacity of existing warehouses and storage facilities. In addition, the Government of India (GOI) need to develop and apply standardised technical/design specification guidelines for storage facilities.

Stock outs

- IX Although a significant stock-out of HIV Rapid Test Kits occurred due to the delivery of defective kits by one supplier, NACO quickly responded and immediately withdrew this supplier's consignment. This occurred in January/February 2007 prior to UNOPS assuming responsibility for centralized procurement in April 2007. Management needs to monitor closely stock levels of test kits and antiretroviral drugs to ensure that adequate buffer stock levels are maintained.

B. Service Delivery

HIV/AIDS Program

- X Overall strategic vision, planning and direction are in place underpinned by clear, comprehensive guidelines that are being implemented throughout the system. Capacity is being strengthened but needs continued attention. There is a clear Monitoring and Evaluation (M&E) strategy which is being implemented but there is scope for enhancement (e.g. incorporating private sector data). Besides, HIV integration with the National Rural Health Mission (NRHM) is a challenge.
- XI The Smart Card project for management of information related to patients on ART which is planned for immediate roll-out needs thorough and independent evaluation. This is necessary because of the mixed results obtained during the pilot phase and the \$6.5 million investment required.

Tuberculosis Program

- XII The TB control programme follows and implements international best practice to a high standard. Testing for HIV among TB patients has now

been given the appropriate emphasis. The management of the TB control programme can serve as a model (e.g. for the malaria programme).

Malaria Program

- XIII Its vision and strategic direction needs to be translated into a strategic plan. Existing policies and guidelines should be consolidated into a single up-to-date manual. Management and technical capacity need considerable strengthening. In addition, the M&E system and reporting could be modelled on the success story of the TB programme.

C. Program Oversight and Risk Management

Program Oversight

- XIV The Country Coordinating Mechanism (CCM) needs to strengthen its oversight role by adopting an oversight plan. In addition, the CCM needs to put in place a fully staffed and functional CCM Secretariat led by an operating officer with the experience and background in dealing with multiple stakeholders. There is also scope for the Local Fund Agent (LFA) to give greater assurance to TGF by increasing the number of visits to program sites.

Managing the risk of fraud and corruption

- XV The DIR had noted a number of indicators of fraud and corruption in World Bank projects. These involved international and national competitive bidding including collusion and flaws in bidding processes. The indicators could impact Global Fund grant programs. The MOH&FW had taken steps to mitigate the risk of fraud and corruption in procurement. Centralized procurement had become more transparent since the appointment of UNOPS in April 2007 as procurement service agent. In addition, decentralized procurement was being strengthened with technical assistance from Crown Agents. The MOH&FW is also developing software for fraud and corruption detection that will be deployed at the central and state level entities handling procurement. However, there are continuing challenges in providing adequate programmatic and financial monitoring of grant programmes. Also, a mechanism for reporting allegations of mismanagement is planned, but it is not yet in place.

Overall Conclusion

- XVI OIG concluded that there are adequate controls currently in place to manage the grant programs effectively in India. However, challenges remain in implementing corrective actions resulting from the DIR. We noted that the GOI is making satisfactory progress in addressing these challenges; and the World Bank and the GOI have set up a mechanism to regularly monitor progress.

XVII Significant challenges remain, however, with the Malaria component of TGF grants. Strategic planning, staffing, monitoring and evaluation are major concerns and present the greatest risk.

Management Response

XVIII The MOH&FW's response to the audit recommendations and its management action plan to address the recommendations is attached as Annex 1. In addition, the Country Programs Cluster of the Global Fund response to the oversight recommendations and its management action plan is attached as Annex 2.

Background

1. Between April 2003 and June 2008 total funds committed by the Global Fund (TGF) to HIV/AIDS, Tuberculosis (TB) and Malaria programs amounted to \$ 492 million, of which \$ 229 million had been disbursed as of June 20 2008. The Global Fund (TGF) has a portfolio of twelve grant agreements in India, nine of which are being implemented by the Ministry of Health and Family Welfare (MOH&FW) through three divisions namely, the National AIDS Control Organization (NACO) for HIV/AIDS; The Central TB Division (CTD) for Tuberculosis; and The National Vector Borne Diseases Control Program (NVBDCP) for Malaria. The three entities implement the grant programs through state level bodies in the 25 states covered by TGF grants.
2. Three of the twelve grants are implemented by two non-governmental organizations (NGO), namely, The Population Foundation of India and India HIV/ AIDS Alliance. Funds committed by TGF to the three grants amounted to \$ 30 million with \$16 million disbursed to date as of June 20, 2008.
3. The nine public sector managed grants require a substantial outlay in procurement of drugs, equipment and health supplies at the central, state and district levels. The Government of India (GOI) has now outsourced the bulk of the procurement to the United Nations Office of Project Services (UNOPS). Procurement at the state and district levels is carried out by the state and district level organizations.
4. In January 2008, the World Bank's Department of Institutional integrity issued a Detailed Implementation Review (DIR) report of five World Bank funded health sector projects in India. The review period covered 1999 through 2006. During this period the MOH&FW used the same procurement agents and suppliers to implement TGF grant programs as the World Bank health sector programs. The report found deficiencies in internal controls and various indicators of fraud and corruption in the projects reviewed, particularly in central level procurement carried out by GOI owned procurement agents and procurement carried out by some implementing organizations at the state and district levels.
5. Following TGF stakeholder concerns resulting from the World Bank's DIR, the OIG conducted an audit of the procurement, supply management and service delivery of its grant programs in India.
6. Whilst the GOI did not accept all the findings in the DIR report, the GOI agreed with the World Bank on a set of corrective actions to deal with the deficiencies they accepted. The OIG team also reviewed the status of implementation of the agreed actions.

Objectives, scope and methodology

7. The overall objective of the audit was to provide assurance that the procurement, supply management and service delivery for Global Fund grant programs in India were undertaken efficiently and effectively and that well functioning quality assurance arrangements are in place. Furthermore, the OIG's audit aims to provide reasonable assurance: (1) on the effectiveness of service delivery; and (2) that there are adequate controls in place to minimize the risk of fraud and corruption.

8. The audit covered procurement financed through Global Fund resources/grants carried out by the MOH&FW at the central level as well as procurement and service delivery carried out by state implementing units in all three disease components (HIV/AIDS, Tuberculosis and Malaria). The audit did not cover grant programs managed by the two NGO PRs, namely India HIV/AIDS Alliance and the Population Foundation of India. The audit sampled procurements in 2007 to 2008 financed from TGF grant funds.

9. Also, prior to the fieldwork in India the OIG sent a team to the World Bank's Department of Institutional Integrity (INT) to understand the methodology used to conduct the Detailed Implementation Review.

10. The fieldwork was conducted from May 19 through June 30, 2008. The OIG used the following approaches to conduct its work: discussions with program and financial personnel of relevant grant recipients; review of grant program documents, monitoring/supervision reports, implementation and procurement plans, as well as program progress and annual reports.

11. In addition, apart from relevant but limited audit tests carried out at the national/central level, OIG auditors visited program and projects sites at state, district and health facility levels in three states: Orissa, Andhra Pradesh and Karnataka. During the field visits the OIG team made observations and carried out tests at medical and drug stores, testing and treatment centers, service delivery units and implementing organizations.

Procurement

Centralized Procurement

UNOPS follows best practice in managing centralized procurement, but there were delays in procurement that were largely associated with the multiple approval processes required.

12. The appointment of UNOPS in April 2007 to handle procurement of centrally funded programs was an interim corrective measure taken by the GOI in response to the World Bank's DIR. The DIR had noted a number of indicators of fraud and corruption in international competitive bidding and national competitive bidding including collusion, flaws in bidding processes, poor record keeping, and equipment specifications.

13. In response to the DIR, the GOI took several corrective actions, one of which included asking UNOPS to replace procurement support agencies used by the GOI to conduct all International Competitive Bids (ICB) and National Competitive Bids (NCB) for the purchase of pharmaceuticals and medical equipment under centrally sponsored programs. In the case of the Global Fund, such centrally sponsored procurement included the purchase of HIV Rapid Test Kits, Anti-TB Drugs and Long Lasting Insecticide Impregnated Nets (LLINs).

14. OIG concluded that centralized procurement by UNOPS for Global Fund supported programs applied best practice in accordance with United Nations (UN) procurement guidelines. The audit unit of UNOPS conducted a similar audit and reached the same conclusion. Such practices include: (1) advertising the invitation for bid; (2) public opening of bids; (3) evaluating offers; (4) awarding; (5) issuing the contract; and (6) administering the contract. In addition, the OIG verified that the MOH&FW was active in the review and approval of key steps during the procurement process. However, the time taken to complete these processes was often lengthy because of the multiple approvals required by the MOH&FW and as UNOPS initial capacity deficiency was being strengthened.

15. The long-term solution to strengthen centralized procurement involves selecting a Procurement Agency through International Competitive Bidding (ICB). A Procurement Agency handles all procurement and logistical functions once the requesting agency has defined its requirements and specifications. Before the end of the OIG's fieldwork, the terms of reference for this appointment had been submitted for approval. The terms of reference included provisions for "supply chain" management, a challenge noted in subsequent sections of this audit report. The process to contract a Procurement Agency will probably take a minimum of six months. Given that UNOPS' contract will end in September 2008 the MOH&FW has indicated that it is extending UNOPS' contract until March 2009 so that there is no break in the provision of Procurement Agency service.

16. OIG established that UNOPS had managed 11 procurement actions for the years 2007 and 2008 covering each of Global Fund's intervention areas, (HIV/AIDS, Tuberculosis and Malaria). Of the 11, one tender (for the LLINs) was canceled twice by the MOH&FW because of the limited number of competitors and three were in the advertisement phase. Of the eight completed or nearly completed, four were selected for review. For the four tenders tested appropriate procedures were followed – the awards were made to the lowest bidder and approved by the MOH&FW. In addition, all documentation pertaining to the various steps in the procurement process were readily available for review by the OIG. Documentation was also on hand to show active involvement by the MOH&FW at key stages in the procurement cycle.

State AIDS Control Society (SACS) Procurement

Procurement by SACS for Global Fund supported programs were made in accordance with guidelines contained in the “ <i>Procurement Manual for National AIDS Control Programme (NACP-III)</i> ” (Guidelines).
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17. OIG conducted field visits to three states, Orissa, Karnataka and Andhra Pradesh, and reviewed internal controls in awarding contracts for health products at the state level. Health products procured at this level are only for the AIDS program since major procurement for the Tuberculosis and Malaria programs is handled at the central level by UNOPS.

18. In all three states, OIG sampled 2007 and 2008 procurements. In all the states visited OIG noted that procurement personnel were knowledgeable about NACO requirements which follow best practice and that procurements followed NACO guidelines in: forecasting requirements, advertising, establishing bid evaluation teams, publicly opening bids with prospective bidders, evaluating bids received, obtaining key approvals and documenting actions.

Selection and Procurement of NGOs

NACO guidelines are in place and being followed to select new NGOs. In addition, existing NGOs are being evaluated annually and poorly performing NGOs are no longer being used.
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19. The DIR noted challenges in the selection, appointment and oversight of NGOs (which also include Community Care Centers (CCC) funded by the Global Fund.) OIG therefore reviewed this area to confirm that improvements had been made. Specifically, OIG confirmed that NACO “NGO/CBO Operational Guidelines” were available and being used. These guidelines provide a specific methodology to follow in the selection of NGOs and call for annual evaluations.

20. In March 2008, of the 742 NGOs evaluated, 721 passed the evaluation leaving 21 which are now no longer being used. A Supervisory Evaluation

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Team had been established to resolve NGO related issues and disagreements with the evaluation process. In addition, NACO was in the final stages of establishing regional Ombudsmen to provide a redress mechanism for NGOs/CBOs.

21. Community Care Centers (CCC) play a critical role in providing treatment, care and support to people living with HIV/AIDS (PLWHA). From being stand alone short-stay homes, these centers have evolved into places where patients receive comprehensive services such as counseling, monitoring and follow-up.

22. NACO plans to increase the number of CCCs under TGF's Round 6. The guidelines for selecting CCCs closely parallel those for NGOs. During the OIG field visit to Andhra Pradesh and Karnataka, the team visited two CCCs and confirmed that the guidelines were followed in areas such as physical infrastructure, systems, human resources, services and monitoring.

23. Evaluations are also an important element in monitoring the performance of CCCs. In the year 2006-2007, NACO evaluated 122 existing CCCs. Of this total, 96 were found to be average or better and support was withdrawn from the rest who were judged poor.

24. In conclusion, NACO guidelines are in place and being followed to select new NGOs. In addition, existing NGOs are being evaluated annually and the services provided by poorly performing NGOs are not being renewed.

Supply chain management

The Global Fund supported programs are utilizing the GOI's existing logistics and supply chain. However, OIG identified serious shortcomings in storage arrangements. Standardized technical specifications and guidelines need to be developed.

25. HIV/AIDS, Tuberculosis and Malaria use similar logistics in the distribution and inventory management at the regional, state, district and point of service levels. The guidelines and requirements for each level in the supply and distribution chain are documented in the Procurement and Supply Management (PSM) Plan.

26. The OIG team assessed the logistics and supply system against the requirements of the PSM Plan and identified strengths and challenges in the system. Visits to the states confirmed that the system was working satisfactorily. For example, a consignment of antiretroviral drugs supplied to ART Centre (Medak, Andhra Pradesh) and bednets supplied by state to district (Angul, Orissa) were easily traceable and had been delivered on time.

27. The primary challenge is to overcome the capacity limitations in the system. The supply chain overall is being further stretched by the increasing need to handle newer products with varied storage and packaging requirements. In addition, the volume of products is growing as a result of increased coverage targets for all three programmes. Increased throughput will require a review of supply chain management to avoid stock outs and system inefficiencies. Critical factors that require consideration are: (1) the need to maintain adequate buffer stocks; (2) storage capacity and condition of storage; and (3) an inventory control system. The PSM Plan contains only a brief summary of supply chain management issues and does not call for a much needed detailed assessment of supply chain capacity.

28. Quality of the product is another important element of the supply chain. Inspection, sampling and testing of products at different points of the supply chain becomes critical particularly when conditions of distribution and storage are compromised and not standardized. Monitoring of quality is accomplished through pre- and post shipment inspection during which sampling and testing of the products are done. Considering the increase in the stock on hand and in the pipeline at all times, and the challenging conditions in the stores (as detailed in paragraphs 34 to 40 below) it is important to improve storage conditions and institute expeditiously post-shipment inspection, sampling and testing

29. UNOPS has a contractual arrangement with Technical Inspection Services (TUV) India Pvt. Ltd for pre-shipment inspection and sampling of the consignment. It has another contractual arrangement with four additional laboratories for testing services of pharmaceutical products. Kits are tested in the National Institute of Virology (NIV), National AIDS Research Institute (NARI) and National Institute of Communicable Disease (NICD). In the past

substandard kits had been detected and were withdrawn with the involvement of the drug regulatory authority.

30. However, UNOPS has yet to begin a formal program for post-shipment inspection, sampling and testing. To date the post-delivery sampling and testing has been by law within the purview of the drug regulatory authority of India. However, the OIG team established that post delivery sampling is not as structured as pre-consignment inspection and sampling. To overcome this shortcoming, MOH&FW and UNOPS have indicated that post delivery inspections will begin from August 2008.

Recommendation 1

- *Supply chain management, at all levels, needs to be improved to ensure the uninterrupted availability of quality assured supplies.*
- *The PSM plan needs to be strengthened to provide for an assessment of supply chain capacity nationally.*
- *A guideline on logistics and supply chain management should be produced.*
- *The MOH&FW should consider assigning to the procurement agent the responsibility of assuring product quality up to the user's level.*

Distribution

There is good control over the distribution system. However, some deficiencies in transferring stocks from state stores to districts and peripheral health facilities were observed.
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31. Products are delivered directly by the procurement agent to health facilities (e.g. ART Centres or to State AIDS Control Society (SACS) or to the Government Medical Store Depot, (GMSD) for Anti-TB drugs which hold the stock until directed to release it for further distribution. For example, the GMSD in Hyderabad uses courier or road transport for the supply of Anti-TB drugs to the State TB Store.

32. Supply directives specify the quantity and expected date of arrival of supplies. Consignee receipt certificates allow tracking of the consignment. These measures are based on manual record keeping system and have some limitations. Buffer stocks were not always adequate.

33. Malaria Rapid Diagnostic Test Kits were available in the state store in Orissa, but there were stock outs in district stores (for example in Angul District and its peripheral health facilities).

Recommendation 2

The MOH&FW should strengthen the system for monitoring the supply status and buffer stock quantities at the central, state, district and health facility levels.

Warehousing and stores

There were serious shortcomings in storage arrangements with the associated risk of compromised efficacy of drugs and health supplies. Technical specifications and storage guidelines based on good storage practice need to be developed and applied.

34. The OIG found that one district store (e.g. Cuttack) was not fit for purpose. Stock-holding capacity of state stores that OIG observed (e.g. Andhra Pradesh State TB Store) was exceeded. Stocks were piled up to the ceiling. Good storage practices were not being complied with.

35. The Angul District Store in Orissa is a dedicated facility with adequate space, but it requires considerable improvement with respect to good storage and inventory control practices.

36. State programme managers are aware of the deficiencies in warehouses and stores. However, few had plans for revamping warehouses or the walk-in cold rooms or constructing newer facilities. The exception was in Orissa where there was an approved (20 May 2008) plan to construct a 12,000 Sq. ft store for providing storage facility for anti-malarial drugs and insecticides. It is important that the design of this new facility includes the attributes of a state-of-the-art warehouse based on the latest technical design specifications.

37. The walk-in cold rooms that OIG visited (e.g., Institute of Preventive Medicine (IPM) in Hyderabad) were also at their capacity limits and therefore did not function as walk-in facilities. In the district and ICTC stores, heat-sensitive products are stored in household type refrigerators without provision for built-in continuous temperature-monitoring systems.

38. The adequacy and capacity of existing warehouses and storage facilities requires proper technical assessment. Drug stores and cold rooms for storage of heat sensitive diagnostic kits must meet standard guidelines.

39. The Revised National Tuberculosis Control Programme (RNTCP) had separate Standard Operating Procedures Manual for State and District Stores. NACO and National Vector Borne Diseases Control Programme (NVBDCP) did not have technical guidelines covering all components of supply chain management (including specifications for warehouses, cold rooms and drug stores).

40. Although NACO and CTD have been providing master training on store management, not all staff responsible for store management have gone through hands-on training on Good Storage Practice. Further, although the TB program had a training manual, the HIV/AIDS and Malaria programs did not have structured training manuals for basic and refresher training on logistics and supply management.

Recommendation 3

- *Standardized technical design/specifications and guidelines for storage facilities (warehouses, stores, and cold rooms) should be prepared and applied by the GOI.*
- *Serious shortcomings in storage arrangements which put Global Fund financed drugs and health supplies at risk should be addressed as a priority. Use of colour codes on the product, as well as use of continuous temperature monitoring, in the cold room and other critical areas should be considered.*
- *Staff should be trained and refreshed on good storage practices.*

Inventory management

Stock out of supplies had at times arisen mainly because of the shortcomings in forecasting requirements and bottlenecks in the distribution system as demand had increased.

41. Monitoring of the drugs and kits supplied is based mainly on a manual paper-based record system. The OIG checked items delivered at state level. For example, the total number of bed nets supplied by Orissa State to Angul District in Orissa in the second half of 2007/2008 fiscal year was 10,000. This matched with the manual records maintained by the district store.

42. Only limited information on inventory management is available in electronic format. Whilst NACO has a computerised management information system, the TB program uses Excel spreadsheets and the malaria program Fox Pro software. None of these programmes are fully functional. These systems operate at the central level with inputs from monthly and quarterly reports received from health facilities, districts, and states.

43. The physical inventory of anti TB drugs was verifiable at the DOT Centres (for example DOTS/TB Unit in Sivananda Rehabilitation Home, an NGO clinic in Hyderabad, Andhra Pradesh).

Recommendation 4

The ongoing manual inventory control and reporting systems should be turned into an electronic-based system as planned. This should be given priority.

Stock-Outs

Although a significant stock-out of HIV Rapid Test Kits occurred due to the detection of defective kits by one supplier, NACO quickly responded and immediately withdrew this supplier's consignment. This occurred in January to February 2007 prior to UNOPS assuming responsibility for centralized procurement in April 2007.

44. HIV test kits were out of stock nationally from Jan to March 2008 because of delays in procurement. There was a further stock out from mid May 2008 until the first week of June 2008 because of distribution problems.

Further, following complaints about defective test kits in June 2007 by a health facility in Mumbai, NACO quickly investigated the situation and immediately recalled all unused kits from this consignment. NACO also debarred the manufacturer pending re-certification that processes to detect quality problems had been implemented. Because of the corrective actions by the manufacturer and the extensive re-certification tests, there was a shortage of kits for over six months. At the time of the audit in June 2008, the supply line had been normalized.

45. In reviewing the issue OIG found that pre-consignment quality inspections were performed in accordance with NACO's procedures. However, there is a need to strengthen post delivery inspections as a second line of defence. As a result, UNOPS has initiated plans for post-delivery inspections, a procedure that it intends to have in place by the end of August 2008 (see also paragraph 30).

46. NACO has been consistently working with the states to address unplanned demand so that more accurate forecasts are generated.

47. In the area of malaria the OIG found that drugs, insecticides, and Rapid Diagnostic Kits (RDK) and bed nets were out of stock at times. Such situations were common in the past as well. This occurred because the district management did not maintain the buffer stock at optimum levels. For example, at the time of team's visit in Angul District in Orissa, RDK was out of stock at the district store although there was adequate stock of RDK in the central store in Bhubaneswar. This points to a serious lapse in the distribution system.

Recommendation 5

Responsibility for maintaining adequate buffer stocks needs to be more clearly delineated between state and district management.

Service delivery

HIV/AIDS

48. The overall strategic vision, plan and direction of the HIV/AIDS program are in place underpinned by clear, comprehensive guidelines that are being implemented throughout the system.

Monitoring and Evaluation of HIV/AIDS

M&E is being implemented throughout the system according to policy and guidelines, but the dashboard of indicators should keep up with changes in the HIV programme.

49. A handbook "Core Indicators for Monitoring and Evaluation – National AIDS Control Programme – Phase III" was published in August 2007.¹ This is a detailed overview of a large number of indicators relevant for the management of the various components of the HIV programmes. It lists the core indicators and gives clear unambiguous definitions of these as well as the means of data collection, e.g. through computerised management information system (CMIS), special studies or behavioural sentinel surveillance (BSS). These core indicators need to keep pace with changes and developments in the programmes (e.g. expansion of antenatal testing to include all pregnant women).

50. The M&E guidelines have been rolled out through the system and all the facilities that were visited were well aware of the guidelines and indicators for M&E and the accompanying data flow policy (i.e. the form of the data to be submitted as well as the expected due dates).

51. Data from the private sector (both for profit and not-for-profit) are not routinely incorporated into the M&E system.

52. Some programmes are collecting data which are either not well defined (e.g. in CCCs diagnoses of opportunistic infections such as weight loss, diarrhoea) or which are not useful (e.g. sex category "other" when virtually every entry was zero).

53. An example of best practice in M&E was found in the Karnataka Health promotion Trust (KHPT) which has a well-developed MIS web-based system, to satisfy external donors (namely USAID) and its own internal management decision making. This could be used as a model to enhance the guidelines already developed by NACO.

¹ National AIDS Control Organisation, Ministry of Health and Family Welfare. Indicators for Monitoring & Evaluation. National AIDS Control Programme – Phase 111. August 2007.

Recommendation 6

- *An indicator for the proportion of all pregnant women attending antenatal care who were tested for HIV should be added to the core (dashboard) indicators.*
- *In the expansion of an electronic MIS consideration should be given to ways in which the private sector information can be harnessed and integrated with the NACO controlled information to get more complete population information.*
- *Data elements need to be regularly scrutinised for standardisation (i.e. clear easy-to-understand definitions) as well as for use in decision making and any elements/indicators that are redundant should be appropriately scrapped.*

Smart cards

Smart Card implementation needs a thorough and independent evaluation.
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54. A smart card for use in the management of information related to patients on ART was piloted in Delhi using software developed by the private sector (Indian Development Foundation), funded from TGF Round 4 funds. This smart card and its purpose were not well conceptualised, nor has the evaluation of the pilot been well conducted. The smart card is now in the phase of rollout and expansion throughout six high-prevalence states. This will be funded from the Round 6 Global Fund grant program at a cost of \$6.5million. A draft memorandum of understanding (MOU) with the IDF for the expansion phase has been drawn up.

Recommendation 7

- *The purposes of the smart card should be clearly and explicitly articulated along with the outcomes envisaged from its use.*
- *A rigorous pilot phase of implementation covering a number of sites should be conducted. This pilot phase should conclude with an independently conducted external evaluation. Included in this evaluation should be some economic indicators such as the cost-effectiveness of the smart card.*

ART Centres

By March 2008 over 130,000 people in India were receiving ART treatment. The ART programme is being rapidly expanded and is based on clear and well-conceptualised policy and implementation guidelines. However cohort analysis of patients needs to be carried out at all levels of the system.

55. The antiretroviral (ART) centres are being rapidly expanded throughout India based on demonstrated need. By March 2008, over 130,000 people were receiving ART. There are clear and well thought through guidelines that are for the most part available and in use at the ART centres that OIG visited. Supervision is being carried out regularly although written feedback on the supervisory visits is not being given to the ART centres.

56. The availability and accessibility of the ART services are being increased several fold through the creation of linked-ART centres where stabilised patients will be able to get their ART medicines for the five months between the routine six monthly checks with the doctor at the ART centre.

57. In the OIG's view the programme appears to be functioning well although the "loss to follow up" category of patients is of concern to management and they are taking steps to try to reduce this category. In some of the more mature programmes, patients are developing drug resistance and side effects and need second-line drugs.

58. OIG observed that patients in ART Centres were not always given the privacy that was observed in Integrated Testing and Counselling Centres (ICTC) (e.g. two patients were seen side by side in Bowring ART centre, in Bangalore, Karnataka.)

59. The M&E of the programme would be strengthened if cohort analyses² were done on a regular basis although the current MIS does not lend itself to this. Anecdotally, there was one example of a young doctor at the Bowring ART centre who had taken the initiative to analyse the patients by annual cohorts from 2004 to 2007. This kind of initiative is a best practice model that could be taken up by NACO and used in its training.

60. The ART registers had become redundant with the introduction of electronic recording of all the data. The policies need to reflect this. With total reliance on the electronic CMIS it is important that all aspects of the data capture system work well. OIG found that computers were not always working and were without maintenance contracts. There is also a need to do back-ups and for uninterruptible power supplies (UPS). In addition, when the data entry operator was on leave, sick or over-worked there was no plan in place for continuity of data entry operations.

Recommendation 8

- *Quarterly cohort analyses should be introduced and institutionalised at all levels of the system. The model used by the TB control programme serves as a good example.*
- *As the future lies with an electronic record keeping system, clear policies on hardware (computers) and related issues (such as UPS) and data capturing should be issued and institutionalised.*
- *Registers should be done away with once the electronic system is in place and working*
- *A clear policy on side effects of drugs and second line treatment should be distributed to all ART centres.*
- *Written supervision reports should be left with ART Centres after each formal supervisory meeting.*

² Following up a group of patients who started ART treatment in a particular period (quarter or year) over time and their outcomes are checked.

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- *ART Centres should be designed so that the space required for patient privacy is adequate.*

Integrated Counselling and Testing Centres (ICTC)

Testing has been dramatically scaled up and is being integrated with National Rural Health Mission (NRHM). There are clear guidelines which are being implemented; and treatment of HIV positive mothers and their babies should be in line with international best practice.

61. During 2007/8 over 7.5 million people were tested in ICTC centres. During 2008/9 testing is being expanded to include all pregnant women (ultimate target of around 12 million) and all new TB cases in 14 high prevalence states.

62. The ICTC centres follow clear and well-written guidelines produced by NACO and most of the centres visited had a copy of these and were following the procedures. There were adequately trained staff (counsellors and lab technicians) at all the centres.

63. Supervision is being carried out regularly although written feedback on the supervisory visits is not being given to the ICTC centres.

64. M&E was being done and good record keeping and data capture was in place. At a central level one of the indicators of success of ICTC centres was high positivity rates. However it was pointed out that in Andhra Pradesh State with their "Be Bold" campaign the numbers of people being tested had increased exponentially from 2005 -2007. However, with this increased testing there was dilution of the high risk cases and the overall positivity came down as illustrated in the table below. In other words a sign of success of the testing campaign was a steadily decreasing positivity rate, because the net was being cast ever more widely.

Year	HIV Tests	HIV +ve	% positive
2005	496,312	50,791	10.2%
2006	925,381	72,576	7.8%
2007	1,542,809	100,857	6.5%

*Andhra Pradesh HIV testing 2005-2007*³

65. The testing and counselling is planned to be extended to all women as an extract from the Karnataka Annual Plan of 2008/9 illustrates: *"Operational Guidelines have been developed to ensure 90-100% coverage for each and every pregnant woman in the District who through this mechanism would be well followed-up."*⁴

³ APSACS. Be Bold. A People's Campaign. 2008

⁴ Karnataka State Annual Action Plan 2008/9 page 132.

66. Extraordinary efforts are being made to reach and test as many pregnant women as possible to identify positive mothers and treat them and their babies to minimise paediatric HIV. This is a commendable policy.

Recommendation 9

- *Written supervision reports should be left with ICTC centres after each formal supervisory meeting.*
- *There should be in-service training at all levels so that there is a common understanding of what the positivity and yield rates⁵ at ICTC facilities mean.*

Community Care Centres (CCCs)

There are clear guidelines that are being followed. Supervision visits should result in written reports given to the facility being reviewed.

67. The operating of the CCCs is directed by the clear and comprehensive guidelines produced by NACO. Most, but not all, of the CCCs were in possession of, and were operating to the standards laid down by these guidelines. There is a clear supervision policy which is being carried out but written reports were not being left at CCCs following supervision.

68. The SACS have entered into a number of public private partnerships (PPPs) with different NGOs for them to run these CCCs. An example is Karnataka Health Promotion Trust – KHPT - which is a sub-recipient under TGF Round 6 to run 55 CCCs in Karnataka and Maharashtra. One issue will be to ensure that there is some degree of standardisation amongst CCCs run by different organisations so that they are all doing the same thing, including adherence to ART by functioning as link centres⁶.

69. The M&E of the CCCs contains large number of data elements, which are not all being used for decision making.

Recommendation 10

- *Written supervision reports should be left with CCC after visits*
- *Review the M&E data elements to ensure that only essential data is collected*

Blood safety

Blood safety is being ensured through systemic implementation of clear and thorough guidelines developed in consultation with technical experts.
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⁵ Yield rates mean the proportion of people testing positive for HIV

⁶ A link centre is one where uncomplicated and stable patients on ART are seen for five months out of six.

70. The audit team reviewed four blood banks in the three states visited and clearly written NACO Blood Safety Guidelines⁷ were available and being implemented. These guidelines were based on recommendations of a technical expert committee. During OIG visits the following was found:

- Blood donors were being screened through thorough history. Anyone with a high risk factor is rejected as a donor;
- Blood has various screening tests including ELISA for HIV and testing for other antigens including Hepatitis;
- Quality control procedures are being followed;
- Discarding of infected blood procedures followed; and
- Systematic record keeping is in place

71. In addition, standard operating procedures (SOPs) for HIV kit evaluation are in the process of being prepared and an eminent specialist has been contracted as a consultant to assist in this process.

72. One challenge noted is to ensure that there are adequate donations from voluntary donors. However management are aware of this and the proportion of voluntary donors is increasing with time.⁸

Tuberculosis

India has the biggest TB programme in the world, which is also one of the most successful. It has detailed guidelines and M&E systems in place that are being followed down to the lowest level in the health system.

73. India has the biggest TB programme in the world and in 2007 more than 1.4 million people were put on treatment. The Revised National Tuberculosis Control Programme (RNTCP) has detailed technical guidelines for the control of tuberculosis (October 2005). These guidelines have been distributed and are available throughout the system down to the DOT centres. The guidelines were being followed by all facilities that OIG visited.

Monitoring and Evaluation of Tuberculosis grant programs

74. There is good oversight to the TB programme at central, state and district level (based on the field visits that the team undertook) and the detailed data (as stipulated in the annexes of the technical guidelines) are regularly and timeously completed.

75. The overall M&E is of an extremely high standard and in line with international best practice. The central level had a published performance report with detailed analysis and interpretation of weaknesses for the fourth Quarter 2007 and also had a draft report for first quarter of 2008, by May 2008. This analysis and identification of weaknesses in the system is data

⁷ National AIDS Control Organisation, Ministry of Health and family Welfare, Standards for Blood Banks and Blood Transfusion Services, May 2007

⁸ Blood Safety and HIV prevention. Presentation to the Joint Implementation Review Team 17 June 2008.

driven throughout the system and is replicated at state and district level (in Orissa and Andhra Pradesh).

76. The outcome indicators across the board reflect a programme that is being managed to a high standard for the largest TB programme in the world and the results obtained are amongst the best in the world.

77. One concern is that there is a sizable gap (around 7%⁹) between patients who are initially diagnosed with Tuberculosis and those patients who are registered for treatment. This concern was raised and discussed with the top management team who are aware of the issue and are doing their best to minimise this gap.

78. The central level is giving written feedback to the states of their annual action plans within 2 weeks of receipt of these plans. At the state and district levels, supervision is taking place regularly. However, the system of written reports after supervision visits was not available in every facility that OIG visited.

Testing for HIV amongst TB patients

79. It is well recognised that HIV and TB infections go together, especially as HIV compromises the immune system, which then allows for greater likelihood of active TB. In India it is likely that the yield from testing TB patients for HIV is likely to be in the order of 5-10%¹⁰ making TB patients one of the highest risk groups for HIV.

80. Until recently there has not been an emphasis on testing for HIV in patients with tuberculosis. However this situation was remedied with the release, jointly between NACO and RNTCP, in February 2008 of detailed guidelines related to TB and HIV¹¹. These guidelines have policies for the establishment and regular meeting of coordination committees at state and district level. The policies also provide for the universal offer of an HIV counselling and testing for tuberculosis patients in 14 high risk states. The implementation of this policy was started in the second quarter of 2008 and the indicators (e.g. proportion of TB patients tested for HIV; Proportion of TB patients tested who are HIV +ve) will form part of the routine M&E for these states. The results of this quarter will be available from August 2008.

Recommendation 11

- *Every effort should be made to get all TB patients in the 14 high risk states tested for HIV.*
- *An indicator for the proportion of all TB patients tested for HIV should be added to the core (dashboard) indicators.*

⁹ Central TB Division, Directorate General of Health Services, Ministry of Health and Family Welfare. RNTCP Performance Report, India Fourth Quarter, 2007.

¹⁰ Karnataka state has pilot project where all TB patients are tested for HIV with positivity rates of 8-10%.

¹¹ Central TB Division and National AIDS Control Organisation, Ministry of Health and Family Welfare. National Framework for Joint TB/HIV Collaborative Activities. February, 2008.

Malaria

The Malaria programme has no long-term strategic plan guiding the implementation of the programme. The implementation guidelines need updating and consolidation. The M&E system and reporting could be modelled on the success story in TB programme.

81. Malaria is endemic in India; in 2006 there were around 1.7 million cases with 300 million people potentially at risk. The national malaria eradication programme has as its basic guidelines a 1995 manual entitled "Operational Manual for Malaria Action Programme (MAP)". These guidelines have been supplemented by a number of additional guidelines including:

- Guidelines for bed net distribution
- Guidelines for blister packs
- Guidelines for the use of rapid diagnostic tests
- Guidelines for the use of sulpha pyrimethamine – artesunate combination therapy (sp-act) in areas placed under second line treatment
- Guidelines on the use of ACT (artesunate plus sulpha pyrimethamine) combination in chloroquine resistant areas.
- Guidelines for use of Rapid Diagnostic Kits.

82. These additional guidelines were undated and were not integrated with the original MAP manual. As a result the policies guiding the malaria programme are disjointed and do not make a coherent strategic whole. At State and District level officials were not able to produce copies of the guidelines that they were following.

83. The OIG team noted the absence of a strategic framework guiding the programme (e.g. 5 year strategic plan) with clear strategic goals and targets. The team also noted the absence of an operational plan for 2008/9, which would be an overall summary of the malaria component of the State plans submitted to the Ministry of Health and Family Welfare.

84. Communication between the district and states and central level was not optimal. For example, in Angul district in the state of Orissa, the district malaria officer asked for 80,000 bed nets in his plans for 2008/9. He was allocated 10,000 without any feedback as to the reason for this low allocation.

85. There is a lack of capacity at all levels with a number of posts unfilled at central, state and district levels. And although some monitoring visits take place this has been limited by the shortage of staff at the central and state and district levels.

86. No evidence was found of formal monitoring and evaluation, through use of indicators which are compared to targets, at all levels of the programme for malaria control.

Recommendation 12

- *The malaria program should develop a 5 year strategic plan which will guide the strategic direction of the programme as well as provide overall targets (e.g. proportion of under fives and mothers in malaria areas having Long Lasting Insecticide Impregnated Nets - LLINs)*
- *The capacity of the malaria programme should be increased by filling all managerial and technical posts at central, state and district levels*
- *The technical and operational guidelines should be updated and integrated into a single comprehensive manual.*
- *There should be regular (at least quarterly) M&E reports at district, state and central level*
- *Annual reports on the malaria programme should be written at state and central level*
- *Clear annual plans with operational targets should be written at state and central level*

Integration of HIV activities with the National Rural Health Mission

A start has been made to integrate components of the HIV programme with the NRHM programme. This necessary step to increase the coverage and accessibility of the programmes will be a major implementation challenge coupled with maintaining high quality standards.

87. Currently the HIV programmes (under NACO) are largely separate from the NRHM and for the most part are delivered in vertical fashion. This causes duplication and increases transactional costs through separate administrative, procurement, financing and management. It also results in fragmentation of service delivery.

88. In future the HIV programmes will be integrated with other programmes run under the National Rural Health Mission (NRHM). Examples of this are the joint HIV/TB collaborative activities that are guided by the policy document produced in February 2008. It is too early to assess the implementation of this collaboration. Another example is the target of getting all pregnant mothers to undergo counselling and testing for HIV. This will require a massive scaling up of the ICTC functions and will require staff that are not directly supervised by NACO/SACS (i.e. normal NRHM staff) to be involved in HIV activities. The risk is that as coverage increases there is a risk of drop in quality because of the scale.

89. This convergence between NACO and NRHM has been welcomed at the state level. This was exemplified in Karnataka where the Project Director for Karnataka SACS is also the Project Director for NRHM projects. An extract from the Karnataka State Action Plan below shows the extent of this planned integration.

90. "The National Rural Health Mission (NRHM) is being implemented in the state with an aim providing effective healthcare to state's rural population.

NRHM provides an appropriate platform to integrate the HIV/AIDS prevention, care and support programs ...”

Recommendation 13

A clear strategic policy for the integration of HIV with the NRHM should be produced with associated target timeframes for the achievement of this.

Program oversight and risk management

CCM oversight of grant programs

The CCM needs to strengthen its oversight role.

91. OIG noted the positive steps that have been taken to strengthen the governance mechanism in India including broadening CCM representation, adopting CCM terms of reference and a conflict of interest plan. However, one of the key responsibilities of the CCM is to oversee progress during program implementation. A review of the effectiveness of its oversight of program implementation revealed the following findings.

92. The CCM does not have an oversight plan for India. TGF guidelines require the CCM to have an oversight plan to fulfil its oversight responsibilities. In our review of CCM minutes OIG did not see much evidence of the CCM oversight of program performance with a view to addressing challenges such as procurement delays, stock outs of test kits, program staff resourcing difficulties and program administrative system bottlenecks. For example, the CCM as a group has not organized field visits to program sites in order to acquaint itself with operational difficulties and challenges facing programs in the field. The OIG was however informed that individual CCM members do visit program sites as part of their official responsibilities.

93. Furthermore, to enable the CCM to adequately discharge its oversight responsibilities, the CCM needs to be supported by a functional and adequately resourced CCM secretariat. The India CCM is comprised of 40 plus members who are spread over the entire sub-continent. These members have full-time occupations and do not have the requisite time to fully discharge their CCM oversight responsibilities.

94. OIG also reviewed the functioning of the CCM secretariat, which among other things, is responsible for providing support and information to its members in different locations across India. The CCM secretariat also coordinates five Principal Recipients with a portfolio of twelve grants in three disease components. OIG noted that these responsibilities require more than adhoc staff to make it effective. At the time of the audit three of the four staff members financed by in-country partners such as GTZ and USAID were leaving their positions at the expiry of their contracts at the end of June 2008. Also, CCM secretariat staff shared with the OIG team some of the challenges they face in dealing with multiple stakeholders. They also frequently faced difficulties finding funds to pay for office supplies and meeting expenses.

Recommendation 14

- *The India CCM should develop an oversight plan to guide it in fulfilling its oversight responsibilities.*
- *India should consider seeking financial resources from the Global Fund to adequately finance the CCM. Consideration might be given to appointing a CCM Operating Officer with experience in dealing with*

multiple stakeholders to provide the necessary leadership to the CCM secretariat. The suggested operating officer should be supported by the necessary administrative staff.

Audit of grants and programmatic/financial monitoring

There are continuing challenges in providing adequate programmatic and financial monitoring of grant programmes.

95. The Comptroller and Auditor General (CAG) of India conducts audits covering financial transactions of the MOH&FW. These audits cover transactions financed from GOI domestic resources as well donors including the Global Fund. OIG reviewed CAG audit reports of NACO for fiscal years 2006/2007 and draft audit report for 2007/2008 and found that the reviews of TGF grant disbursements included in the audit sample were adequately done. Further, although the desk reviews carried out by the CAG auditors were found to be adequate, field visits to program sites by auditors were not part of the audit process.

96. To strengthen audit coverage subsequent to the World Bank's detailed implementation review findings NACO in particular has taken steps to strengthen oversight. NACO has appointed auditors to carry out internal audits of SACS and audits of other implementing organizations such as NGOs and other peripheral institutions such as service delivery centres including Integrated Counselling and Testing Centres (ICTCs) and treatment centres etc. These two audits are additional to the annual statutory audits required under Indian law.

97. Internal auditors for most SACS were approved by NACO. Of 38 SACS, 33 had appointed auditors by mid-June 2008. Efforts were being made to complete most of the internal audits of the SACS and NGOs by June 30, 2008.

98. OIG could see that NACO is in the process of implementing a comprehensive audit oversight program throughout its field programme. NACO also provided OIG with evidence that it has a quality control system for audits in place. For example, its "Report for the 2nd Joint Implementation Review Commission 04/06/08" included a very detailed section on the status of NACO and SACS audits and follow-up actions taken.

99. OIG also found evidence that program and finance officials in NACO and Central TB divisions carry out regular monitoring/supervisory visits to the states and districts. On the other hand, although some monitoring visits take place for the malaria program this has been limited by the shortage of staff at the central, state and district levels with a number of posts unfilled.

100. Audit arrangement for Malaria and TB programs are currently carried out by external auditors appointed by State Malaria and TB Control Societies under the National Rural Health Mission. A review of a sample of audit reports

showed that their scope was limited to financial management. There is therefore the need to expand the scope of the audit to cover malaria and TB program activities.

Recommendation 15

Consideration should be given to expanding the scope of the statutory audits carried out by the Comptroller and Auditor General of India and the audits conducted under the NRHM auspices for TB and Malaria to cover field visits to programmatic activities.

TGF oversight of grant programs

101. To monitor its grant programs the Global Fund relies on Local Fund Agents to oversee, verify and report on grant performance. To this end, the Local Fund Agent is contracted to review periodic requests for funds and carry out periodic verification of data reported by principal recipients and sub-recipients. The OIG established that verification of implementation visits covered primarily the verification of reported results for key programmatic indicators. OIG noted that procurement and supply chain management issues were not covered during these LFA verification of implementation visits. Further, TGF's Indian Grant Score Cards which documented the Secretariat's evaluation/assessment of the grants after the initial two years of Phase 1, and made recommendations to the Board for continued funding under Phase 2, did not highlight procurement and supply chain management challenges facing the grants to India.

102. However, in November 2007 PricewaterhouseCoopers (PWC) India was contracted by Country Programs Cluster to conduct an assessment of the PSM arrangements of the HIV/AIDS, Malaria and TB programs. The PWC India reports noted the same serious PSM shortcomings detailed in the current OIG report. All the same, this oversight is adhoc and based on work orders issued by Country Programs Cluster.

103. Besides, the Country Program Cluster say that their grant oversight responsibilities have been constrained by limited budget and staffing resources which had not allowed grant managers to spend sufficient time in-country to monitor grant programs and participate in comprehensive monitoring activities such as the joint implementation review of health sector programs conducted biannually by development partners in India. Similarly, because of budgetary constraints the LFA (UNOPS) had made only two visits in five years to program sites; and these two were limited to program sites in state capitals. For a grant program country the size of India this is inadequate, in the OIG's view. Also, because of limited staffing resources, the Regional Team Leader for South and West Asia serves concurrently as the Fund Portfolio Manager for India. OIG, however, noted the efforts made by the Country Programs Cluster to involve other units, such as the Monitoring and Evaluation and Procurement Teams in the Secretariat to increase the scope of its oversight of the grants in India. Further, the OIG noted the steady increase in financial resources management have continued to allocate for oversight activities of the grants to India from 2006 to date (the LFA budget for

India increased from \$277,000 in 2006 to \$772,000 in 2008), but in the OIG's view the budget and staffing allocated should be tailored to a multi-sectoral oversight plan which takes into account the size of the portfolio, the inherent risks of the India operating environment and its geographic complexities

Recommendation 16

- *The Country Programs Cluster should give consideration to increasing the scope of the LFA verification of implementation visits to cover procurement and supply chain management issues.*
- *The Country Programs Cluster should ensure that the MOH&FW elaborates a Management Action Plan to address the recommendations in the PWC India PSM assessment reports.*
- *The Country Programs Cluster of TGF should strengthen its oversight of grant programs by instituting regular monitoring of the procurement and supplies chain management and by increasing the frequency of LFA site visits to program sites. Such site visits if conducted regularly should have identified many of the issues flagged by the OIG team in this audit and would provide TGF with the requisite information on the challenges facing the grants on an on-going basis to enable appropriate corrective actions to be taken in a timely manner.*
- *The Country Programs Cluster of the Global Fund should ensure that adequate staffing and budgetary resources are allocated for its oversight function of the grants to India. Given the size of the India grant portfolio, management should give consideration to appointing a full-time fund portfolio manager for India who should ensure that a multi-sectoral oversight plan is drawn up for the Indian grant portfolio.*

Post DIR Action Plan Implementation

104. The OIG reviewed the status of implementation of agreed actions by the Government of India and the World Bank following the DIR. The OIG team noted that the MOH&FW is making satisfactory progress in completing action plans although much remains to be completed. Some actions completed or in progress include strengthening centralized procurement through appointment of UNOPs as procurement service agent, improving monitoring, strengthening NGO selection and oversight of their implementation activities and strengthening oversight of state level implementing entities. Some key actions in progress or pending implementation include strengthening decentralized procurement, establishing a complaints management mechanism, instituting e-procurement and introducing anti-corruption measures etc. The World Bank and the Government of India will meet in September 2008 to review the status of implementation of agreed action plans.

Managing the risk of fraud and corruption

105. The DIR had noted a number of indicators of fraud and corruption in international competitive bidding and national competitive bidding procurement including collusion and flaws in bidding processes. The

indicators could impact Global Fund grant programs. The MOH&FW had taken steps to mitigate the risk of fraud and corruption in procurement. Centralized procurement had become more transparent since the appointment of UNOPS in April 2007 as procurement service agent. In addition, decentralized procurement is being strengthened with technical assistance from Crown Agents.

106. The MOH&FW is also developing software for fraud and corruption detection that would be deployed at the central and state level entities handling procurement. However, there are continuing challenges in providing adequate programmatic and financial monitoring of grant programmes. Also, a mechanism for reporting allegations of mismanagement is planned, but it is not yet in place. Specialized training on fraud and corruption for UNOPs and MOH&FW staff was also pending at the time of the OIG audit visit.

Status of Investigations resulting from the DIR

107. The OIG contacted the Department of Institutional Integrity at the World Bank to determine the status and outcome of its investigations resulting from the Detailed Implementation Review. The INT had planned nine high-priority investigations of firms and individuals. The OIG was informed that these investigations were still pending.

Compliance with tax exemption provisions of the grant agreement

108. OIG found that four percent sales taxes are paid on drugs and health commodities at the state level in contravention of TGF grant agreement which provides for tax exemption for health products, commodities, health equipment and non-health products.

Recommendation 17

The MOH&FW should ensure compliance with TGF grant agreement provisions of tax exemption for purchase of any goods or service using grant funds. Taxes paid by the states should not be billed to TGF. And all taxes paid with grant funds should be calculated and paid back by the GOI into program bank accounts.

Overall Conclusion

109. OIG conclude that there are adequate controls currently in place and these are being further strengthened to manage the grants programs effectively in India. However, challenges remain in implementing corrective actions resulting from the DIR. OIG noted that the GOI is making satisfactory progress in addressing these challenges; and the World Bank and the GOI have set up a mechanism to regularly monitor implementation progress.

110. Likewise, the Joint Implementation Review (JIR) of the Indian health sector programs carried out in June 2008 by India's development partners had found the same issues of stock outs of HIV test kits and substandard storage conditions. The JIR reached similar conclusions regarding

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procurement and supplies management of India health programs after visiting three states different from those visited by the OIG team, namely Assam, Maharashtra and West Bengal.

111. Significant challenges remain, however, with the Malaria grant program. Strategic planning, staffing, monitoring and evaluation are major concerns and present the greatest risk. Future TGF audits need to concentrate in this area while at the same time monitoring closely progress in other areas.

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Response to recommendations and management action plan

Annex 1

No.	Recommendation	Department	Response and action	Responsible official	Completion date
Supply chain management					
1	Supply chain management, at all levels needs to be improved to ensure the uninterrupted availability of quality assured supplies.	General	MOHFW concurs with the recommendation. GOI has engaged a consultant who is reviewing current procurement and supply chain and logistic arrangements of different divisions of MOHFW.		
		HIV/AIDS	A detailed assessment of the supply chain management was done by UNICEF. Based on the recommendations of the assessment procurement and supply chain management specialists are being hired in NACO. It is a well recognized fact that there is shortage of such specialists in India and DFID has offered to recruit these professionals. Once these professionals are on board the procurement and supply chain management system will improve. The Specialists ensure that procurements are made in time to ensure regular supplies. In the interim, a professional agency was contracted to ensure the supply chain and inventory management of ARV Drugs. The staff working on this have since been directly contracted to work in NACO.	NACO, MOHFW,GOI	December 2008
		TB	The TB programme has already established an efficient supply management system which has resulted in no stock outs being reported in the past 2 years.	CTD,MOHFW, GOI	

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No.	Recommendation	Department	Response and action	Responsible official	Completion date
		Malaria	As described above, GOI has engaged a consultant who is reviewing current procurement and supply chain and logistic arrangements of different divisions of MOHFW.	Dtte of NVBDCP, MOHFW,GOI	
	The PSM plan needs to be strengthened to provide for an assessment of supply chain capacity nationally.	General	MOHFW concurs with the recommendation GOI has engaged a consultant who is reviewing current procurement and supply chain and logistic arrangements of different divisions of MOHFW.		
		HIV/AIDS	The two Procurement Specialists will be tasked to strengthen the PSM plan.	NACO, MOHFW,GOI	Dec. 2008
		TB	As described above, GOI has engaged a consultant who is reviewing current procurement and supply chain and logistic arrangements of different divisions of MOHFW.	CTD,MOHFW, GOI	
		Malaria	As described above, GOI has engaged a consultant who is reviewing current procurement and supply chain and logistic arrangements of different divisions of MOHFW.	Dtte of NVBDCP, MOHFW,GOI	
	A guideline on logistics and supply chain management should be produced.	General	MOHFW concurs with the recommendation. GOI has engaged a consultant who is reviewing current procurement and supply chain and logistic arrangements of different divisions of MOHFW.		
		HIV/AIDS	Will identify and contract an appropriate agency to undertake the task.	NACO, MOHFW,GOI	May 2009

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No.	Recommendation	Department	Response and action	Responsible official	Completion date
		TB	Under the RNTCP, CTD has already guidelines and manuals for procurement, state drug stores and drug management.	CTD,MOHFW, GOI	
		Malaria	As described above, GOI has engaged a consultant who is reviewing current procurement and supply chain and logistic arrangements of different divisions of MOHFW.	Dtte of NVBDCP, MOHFW,GOI	
	The MOH&FW should consider assigning to the procurement agent the responsibility of assuring product quality up to the user's level.	General	MOHFW concurs with the recommendation. GOI has engaged a consultant who is reviewing current procurement and supply chain and logistic arrangements of different divisions of MOHFW.		
		HIV/AIDS	The Procurement Agent hiring is under process. This suggestion is within the scope of the work of the Procurement Agent.	NACO, MOHFW,GOI	May 2009
		TB	The Procurement Agent hiring is under process. This suggestion is within the scope of the work of the Procurement Agent.	CTD,MOHFW, GOI	
		Malaria	The Procurement Agent hiring is under process. This suggestion is within the scope of the work of the Procurement Agent.	Dtte of NVBDCP, MOHFW,GOI	
2	The MOH&FW should strengthen the system for monitoring the supply status and buffer stock quantities at the central, state, district and health facility levels.	General	MOHFW concurs with the recommendation. GOI has engaged a consultant who is reviewing current procurement and supply chain and logistic arrangements of different divisions of MOHFW.		
		HIV/AIDS	NACO has established a team to monitor drugs	NACO,	May 2009

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No.	Recommendation	Department	Response and action	Responsible official	Completion date
			and CD4 kits position. The proposed Procurement Agent will ultimately be responsible for this function at all levels.	MOHFW,GOI	
		TB	As described above, GOI has engaged a consultant who is reviewing current procurement and supply chain and logistic arrangements of different divisions of MOHFW.	CTD,MOHFW, GOI	
		Malaria	As described above, GOI has engaged a consultant who is reviewing current procurement and supply chain and logistic arrangements of different divisions of MOHFW.	Dtte of NVBDCP, MOHFW,GOI	
3	Standardized technical design/specifications and guidelines for storage facilities (warehouses, stores, and cold rooms) should be prepared and applied by the GOI.	General	MOHFW concurs with the recommendation. GOI has engaged a consultant who is reviewing current procurement and supply chain and logistic arrangements of different divisions of MOHFW.		
		HIV/AIDS	A professional firm will be hired to provide standardized technical design/specifications for storage facilities.	NACO, MOHFW,GOI	May 2009
		TB	As described above, GOI has engaged a consultant who is reviewing current procurement and supply chain and logistic arrangements of different divisions of MOHFW.	CTD,MOHFW, GOI	
		Malaria	As described above, GOI has engaged a consultant who is reviewing current procurement and supply chain and logistic arrangements of different divisions of MOHFW.	Dtte of NVBDCP, MOHFW,GOI	

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No.	Recommendation	Department	Response and action	Responsible official	Completion date
	Serious shortcomings in storage arrangements which put Global Fund financed drugs and health supplies at risk should be addressed as a priority. Use of colour codes on the product, as well as use of continuous temperature monitoring, in the cold room and other critical areas should be considered.	General	MOHFW concurs with the recommendation. GOI has engaged a consultant who is reviewing current procurement and supply chain and logistic arrangements of different divisions of MOHFW.		
		HIV/AIDS	NACO partially concurs with the findings. All states have walk in coolers- assessment on further needs to expand this has already been initiated. However at remote centers and where storage needs are limited household refrigerators are used which is around 1/5 th in cost compared to large scale storage facilities. Colour coding on products is not currently available in the country. The possibility of using temperature meters which will be placed inside the refrigerator for temperature monitoring is being examined.	NACO, MOHFW,GOI	N/A
		TB	Shortcomings noted in the GMSDs have already been identified. Funds for improvement of storage facilities have been disbursed to all the GMSDs under Phase II of Round 4 Grant. States have been directed to improve the storage facilities for anti TB drugs wherever they are utilized. This is being monitored at the Central and State level.	CTD,MOHFW, GOI	Funds disbursed in June 2008.
		Malaria		Dtte of NVBDCP, MOHFW,GOI	
	Staff should be trained and refreshed on good storage practices.	General	MOHFW concurs with the recommendation. GOI has engaged a consultant who is reviewing current procurement and supply chain and logistic arrangements of different divisions of MOHFW.		

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No.	Recommendation	Department	Response and action	Responsible official	Completion date
		HIV/AIDS	Has been done. Will continue to have repeat trainings.	NACO, MOHFW,GOI	May 2009
		TB	Initial training in drug management for all state and district level staff has been completed. Refresher training is going on and is an ongoing process.	CTD,MOHFW, GOI	
		Malaria		Dtte of NVBDCP, MOHFW,GOI	
4	The ongoing manual inventory control and reporting systems should be turned into an electronic-based system as planned. This should be given priority.	General	MOHFW concurs with the recommendation. GOI has engaged a consultant who is reviewing current procurement and supply chain and logistic arrangements of different divisions of MOHFW.		
		HIV/AIDS	NACO already has put in place an automated inventory control and reporting system. It is being rolled out to all SACS. Internal Auditors will be asked to report on successful implementation of this component.	NACO, MOHFW,GOI	Dec.2008
		TB	The Excel spread sheets are derived from the electronic reporting system (Epicenter) which is already functional from the district level.	CTD,MOHFW, GOI	
		Malaria	It is being worked out through a consultant	Dtte of NVBDCP, MOHFW,GOI	
5	Responsibility for maintaining adequate buffer stocks needs to be more clearly delineated	General	MOHFW concurs with the recommendation. GOI has engaged a consultant who is reviewing current procurement and supply chain and logistic		

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	between state and district management		arrangements of different divisions of MOHFW.		
		HIV/AIDS	With the rapid link up with centers inventory control management will be done centers wise, as is already the case with ART centers for drugs and CD4 Kits.	NACO, MOHFW,GOI	
		TB	As described above, GOI has engaged a consultant who is reviewing current procurement and supply chain and logistic arrangements of different divisions of MOHFW.	CTD,MOHFW, GOI	
		Malaria	As described above, GOI has engaged a consultant who is reviewing current procurement and supply chain and logistic arrangements of different divisions of MOHFW.	Dtte of NVBDCP, MOHFW,GOI	
Service delivery					
6	An indicator for the proportion of all pregnant women attending antenatal care who were tested for HIV should be added to the core (dashboard) indicators.	HIV/AIDS	MOHFW concurs with the recommendation. This indicator is already part of MIS and is being routinely collected. Information is available for analysis at all level	NACO, MOHFW,GOI	N/a
	In the expansion of an electronic MIS consideration should be given to ways in which the private sector information can be harnessed and integrated with the NACO controlled information to get more complete population information.	HIV/AIDS	MOHFW concurs with the recommendation. Private Sector having an MOU with NACO (small number) provide such data. Others do not provide for fear of stigma/discrimination. However national M&E System is designed in such a way that data can be captured from private sectors.	NACO, MOHFW,GOI	May 2009

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	Data elements need to be regularly scrutinised for standardisation (i.e. clear easy-to-understand definitions) as well as for use in decision making and any elements/indicators that are redundant should be appropriately scrapped.	HIV/AIDS	MOHFW concurs with the recommendation. This is an on-going function at NACO. As the program evolves and refines, the indicators are reviewed and refined/modified/added. Further, NACO is presently engaging an expert software company to integrate and review for coming up with comprehensive computerized MIS. Redundancy if any will be taken care of at this stage also.	NACO, MOHFW,GOI	N/a
7	The purposes of the smart card should be clearly and explicitly articulated along with the outcomes envisaged from its use.	HIV/AIDS	MOHFW concurs with the recommendation. The objective of the smart card solutions is to improve adherence rates among mobile patients so that they can seek treatment from any of the approved ART Centers. The need and feasibility is documented.	NACO, MOHFW,GOI	May 2009
	A rigorous pilot phase of implementation covering a number of sites should be conducted. This pilot phase should conclude with an independently conducted external evaluation. Included in this evaluation should be some economic indicators such as the cost-effectiveness of the smart card.	HIV/AIDS	MOHFW concurs with the recommendation. The smart card project is planned to be implemented in two phases; first phase would be pilot followed by scale-up. Evaluation as suggested may be planned by independent team on indicators including economic indicators	NACO, MOHFW,GOI	Dec.2010
8	Quarterly cohort analyses should be introduced and institutionalised at all levels of	HIV/AIDS	NACO MOHFW concurs with the recommendation. Quarterly cohort analysis is being covered in current training on ART_M&E. It would be rolled	NACO	Dec.2009

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	the system. The model used by the TB control programme serves as a good example.		out across all centers.		
	As the future lies with an electronic record keeping system, clear policies on hardware (computers) and related issues (such as UPS) and data capturing should be issued and institutionalised.	HIV/AIDS	NACO MOHFW concurs with the recommendation. Specific instructions will be issued as Phase II of Computerised Project Financial Management System (CPFMS) and roll out of new SIMS. The preferred agency for an integrated CMIS is likely to be engaged within the next fortnight.	NACO	Dec.2008
	Registers should be done away with once the electronic system is in place and working	HIV/AIDS	NACO MOHFW concurs with the recommendation. Once NACO is convinced of the sustainability of the electronic system, instructions will be issued to dispense with registers. This is closely linked with behavior change at the facility level to feel comfortable with electronic monitoring. Extensive training of all counselors is starting in 1 st week of September.	NACO	May 2009
	A clear policy on side effects of drugs and second line treatment should be distributed to all ART centres.		Operations manual for 2 nd Line ART is being worked out. The same would be distributed after finalization.	NACO	Dec, 2008
	Written supervision reports should be left with ART Centres after each formal supervisory meeting.	HIV/AIDS	NACO MOHFW concurs with the recommendation. Instructions being issued to all SACS.	NACO	Sept.2008
	ART Centres should be designed	HIV/AIDS	NACO MOHFW concurs with the recommendation.	NACO	Dec.2009

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	so that the space required for patient privacy is adequate.		This is a primary concern and being closely monitored. In some instances facilities have inadequate space but quality of care providers being high there is reluctance to shift. Option to construct new accommodation etc. under process and is time consuming. In the meanwhile, orders to constitute committee of all stake holders under the chairman ship of Secretaries of Health have been issued to review these aspects and see report once every two months.		
9	Written supervision reports should be left with ICTC centres after each formal supervisory meeting.	HIV/AIDS	NACO MOHFW concurs with the recommendation. Instructions being issued to all SACS.	NACO	Sept.2008
	There should be in-service training at all levels so that there is a common understanding of what the positivity and yield rates ¹² at ICTC facilities mean.	HIV/AIDS	NACO MOHFW concurs with the recommendation. Yearly in service training of 5 day duration for counselors and 3 days duration for laboratory technicians working in ICTCs is currently being implemented. Yearly written competency tests are also conducted and grading given. The issues mentioned will be appropriately stressed during these trainings so as to have common/better understanding.	NACO	Ongoing
10	Written supervision reports should be left with CCC after visits	HIV/AIDS	NACO MOHFW concurs with the recommendation. Instructions being issued to all SACS.	NACO	Sept.2008
	Review the M&E data elements	HIV/AIDS	NACO MOHFW concurs with the recommendation.	NACO	Dec.2008

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	to ensure that only essential data is collected		The M&E System for CCC is revised to collect essential data based on periodic reviews.		
11	Every effort should be made to get all TB patients in the 14 high risk states tested for HIV.	TB	MOHFW concurs with the recommendation. This has already been accorded priority in the Feb 2008 guideline issued by CTD and NACO. Referral has increased 3 fold in the past 2 years and continues to have an upward trend.	CTD, MOHFW, GOI	N/A
	An indicator for the proportion of all TB patients tested for HIV should be added to the core (dashboard) indicators.	TB	MOHFW concurs with the recommendation. This has already been added to the routine M&E system for these 14 states. Results will be available from August 2008. In addition, it is already part of Round 4 and Round 6 programme performance indicators.	CTD, MOHFW, GOI	N/A
12	The malaria program should develop a 5 year strategic plan which will guide the strategic direction of the programme as well as provide overall targets (e.g. proportion of under fives and mothers in malaria areas having Long Lasting Insecticide Impregnated Nets - LLINs)	Malaria	MOHFW concurs with the recommendation. The Government of India draws Five Year Plan for every disease. The current plan period is from 2007-2012. The Five Year strategic plans are implemented by the states through Annual Plan. The five year plan includes the targets for performance and outcome. The programme strategies are well defined and areas specific depending on epidemiological situation. A operational plan for control of malaria has been in place since 1976 and the operational plan are being modified from time to time based on the prevailing transmission dynamics of malaria and introduction of new interventions (tools) in the programme. Based on the approved five year plan the Dte. of NVBDCP is developing a comprehensive strategic plan document for guiding	Dte. NVBDCP	Of By 30 th September' 2008

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			the programme implementation to guide the states for effective implementation of programme strategies during the remaining period of five year plan. Draft under preparation.		
	The capacity of the malaria programme should be increased by filling all managerial and technical posts at central, state and district levels	Malaria	MOHFW concurs with the recommendation. Efforts are being made to fill up positions at all levels.	Dte of NVBDCP, MOHFW, GOI	
	The technical and operational guidelines should be updated and integrated into a single comprehensive manual.	Malaria	MOHFW concurs with the recommendation. A draft Operational Manual on Malaria Control in High Endemic Districts (2008) has been developed including the latest guidelines and will be finalized for printing. Final Prints will be sent to the states/ sub recipients by the end of the year'2008.	Dte of NVBDCP	By 30 th September' 2008
	There should be regular (at least quarterly) M&E reports at district, state and central level	Malaria	MOHFW concurs with the recommendation. At least quarterly M&E reports at district, State and Central level would be generated.	Dte of NVBDCP, State, Districts	30 th September' 2008
	Annual reports on the malaria programme should be written at state and central level	Malaria	MOHFW concurs with the recommendation. Efforts will be made to prepare annual reports on the Malaria programme both at the Central and State levels.	Dte of NVBDCP, State	
	Clear annual plans with	Malaria	MOHFW concurs with the recommendation. On	Dte of	

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	operational targets should be written at state and central level		going annual activity	NVBDCP, State, Districts	
13	A clear strategic policy for the integration of HIV with the NRHM should be produced with associated target timeframes for the achievement of this.		MOHFW concurs with the recommendations. Efforts are being made for the integration of HIV AIDS programme with the NRHM.		
Program Oversight And Risk Management					
14	The India CCM should develop an oversight plan to guide it in fulfilling its oversight responsibilities.		MOHFW concurs with the recommendations. Efforts are being made to strengthen the oversight role of CCM.	CCM Secretariat	
	India should consider seeking financial resources from the Global Fund to adequately finance the CCM. Consideration might be given to appointing a CCM Operating Officer with experience in dealing with multiple stakeholders to provide the necessary leadership to the CCM secretariat. The suggested operating officer should be supported by the necessary administrative staff.		MOHFW concurs with the recommendations. Efforts are being made to strengthen the oversight role of CCM.	CCM Secretariat	
15	Consideration should be given to expanding the scope of the statutory audits carried out by		MOHFW partially concurs with the recommendations. Auditors have the freedom to visit any field site for satisfying the audit	N/A	N/A

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	the Comptroller and Auditor General of India and the audits conducted under the NRHM auspices for TB and Malaria to cover field visits to programmatic activities.		requirements.		
17	The MOH&FW should ensure compliance with TGF grant agreement provisions of tax exemption for purchase of any goods or service using grant funds. Taxes paid by the states should not be billed to TGF. And all taxes paid with grant funds should be calculated and paid back by the GOI into program bank accounts.		MOHFW partially concurs with the recommendations. Done at Central level. Compliance at the State level with the TGF agreement would also be ensured.	NACO CTD Dtte of NVBDCP	

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Annex 2

TGF South and West Asia Regional Team's Response to Recommendations and Management Action Plan

No.	Recommendation	Response and action	Responsible	Completion Date
16	The Country Programs Cluster should give consideration to increasing the scope of the LFA verification of implementation visits to cover procurement and supply chain management issues.	Agree 2008 LFA data verification includes PSM and this expanded scope will be continued with new LFA [OIG note: This is specific to grants in India only. In OIG's view the scope of LFA verification should be increased to include PSM in all grant programs.]	Regional Team Leader, South and West Asia	November 2008
	The Country Programs Cluster should ensure that the MOH&FW elaborates a Management Action Plan to address the recommendations in the PWC India PSM assessment reports.	Management Action Plan not developed, however Central TB Division and Malaria program (NVBDCP) conveyed actions respectively. Management Action Plan will be developed by November 30, 2008	Regional Team Leader, South and West Asia	November 30
	The Country Programs Cluster of TGF should strengthen its oversight of grant programs by instituting regular monitoring of the procurement and supplies chain management and by increasing the frequency of LFA site visits to program sites. Such site visits if conducted regularly should have identified many of the issues flagged by the OIG team in this audit and would provide TGF with the requisite information on the challenges facing the grants on an on-going basis to enable appropriate corrective actions to be taken in a timely manner.	LFA work scope has been expanded in 2008. Appointment of PWC as procurement LFA in late 2007 allowed quicker identification of PSM issues. LFA data verification now includes procurement related verification at the field level. In addition, Price Reporting Mechanism reviews by LFA has now been institutionalized.	Regional Team Leader, South and West Asia	December 2008

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	The Country Programs Cluster of the Global Fund should ensure that adequate staffing and budgetary resources are allocated for its oversight function of the grants to India. Given the size of the India grant portfolio, management should give consideration to appointing a full-time fund portfolio manager for India who should ensure that a multi-sectoral oversight plan is drawn up for the Indian grant portfolio.	Additional staff positions were approved by Board for 2008 but Recruitment has been delayed. The new FPM will join the team on September 10, 2008. Therefore, from October 01, a full time experienced FPM will be assigned to manage India grants. A full time Program Officer will also be assigned to work with the FPM. The Regional Team Leader will provide oversight of India grants.	Regional Team Leader, South and West Asia	November 30, 2008, and ongoing
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