

Board Chair Cover Note**Audit & Investigation Reports issued by the Global Fund's
Office of the Inspector General on 1 November 2011**

Dear Reader,

Today, the Global Fund has released eight audit reports, three investigation reports and one review of Global Fund systems by its Office of the Inspector General. The Inspector General regularly conducts audits and investigations. The audits are part of the Global Fund's regular and routine efforts to ensure that grant money is used as efficiently as possible. The investigations have arisen out of suspected wrong-doing found during audits.

It is unusual to release so many reports at one time. Ordinarily, reports of the Office of the Inspector General are released to the Board as and when they are finalized. On this occasion we agreed that these reports would be finalized after completion of the *'The Final Report of the High Level Independent Review Panel on Fiduciary Controls and Oversight Mechanisms of the Global Fund'*. This ensured that the Global Fund Board, Secretariat and Inspector General could focus fully on the report of the High Level Panel and its recommendations.

The reports are:

- Audit Reports: Dominican Republic, Sri Lanka, Nigeria, Swaziland; four reports relating to the work of Population Services International (South Sudan, Madagascar, Togo, and Headquarters)
- A Review of the Global Fund Travel and Travel-related Health and Security policies
- Investigation Reports: Mauritania, India, and Nigeria

The country-specific reports cover grants from different Global Fund financing 'Rounds', and have implementation start dates commencing at various times since early 2004. Together, the reports review around US\$ 1 billion of grant financing. These reports take into account as far as possible, a number of the High Level Panel's recommendations. The Reports include comments from the Principal Recipients and contain a thorough management response and action plan from the Secretariat. Increased attention has been paid by the Office of the Inspector General to the tone of the Reports, without diluting the important message that each carries.

Specifically, the Reports tell us that the Global Fund must seek to recover up to US\$ 19.2 million from grants in eight countries. Around US\$ 17 million of this amount is for activities that are poorly accounted for, were not budgeted in the work plan, or fall within the Global Fund's current definition of an ineligible expense, which is an area that the High Level Panel report suggested be clarified for Principal Recipients. Some of the grant implementer responses contest relevant findings. From the perspective of the Office of the Inspector General, the reports present the evidence that has been found and recovery should be sought in full.

The Nigeria investigation report, which led from the audit, brings to the surface once again issues with the Local Fund Agent engagement model – raised very proactively also in the Inspector General’s reports for Mali in December of last year.

Whilst in no way seeking to reduce the importance of the concerns that come from the three investigation reports, they do come at a time when the Global Fund knows that it has to transform how it manages its grants – and how – most importantly – it proactively addresses risk in its portfolio. This cannot entirely prevent mismanagement in all grants, but it will certainly provide a better framework on which resources are channeled to partner countries.

At its November 2011 meeting, the Global Fund Board will consider a Consolidated Transformation Plan to bring into effect the High Level Panel’s recommendations on risk, grant management and improved fiduciary oversight.

More reports will come from the Inspector General and irregularities will continue to be found given the increasingly complex environments in which the Global Fund works. The Global Fund continues to strive to prevent loss, and we must ensure that the organization has the systems that enable us to take purposeful and immediate action when irregularities are discovered. Where there is dishonesty, we must pursue those involved.

The Global Fund is committed to the mission of saving lives and assisting countries in building strong and sustainable health systems. Emerging as an issue over the last years, but now very firmly confirmed from the Report of the High Level Panel, the Global Fund must be transformed at all levels.

The Consolidated Transformation Plan will provide the Secretariat, the Office of the Inspector General, and the Board with the means to make this transformation, and ensure ongoing service and accountability to the people whose lives we must save, and to those that fund that cause.

Best regards,

Simon Bland
Board Chair



THE OFFICE OF THE INSPECTOR GENERAL

The Global Fund to Fight AIDS, Tuberculosis and Malaria

Country Audit of Global Fund Grants to the Kingdom of Swaziland

Audit Report GF-OIG-10-013
31 October 2011

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Abbreviations

ACT	Artemisinin-based Combination Therapy
AIDS	Acquired Immunodeficiency Syndrome
AMICAALL	Alliance of Mayors' Initiative for Community Action on AIDS at the Local Level
ANC	Antenatal Care
APMR	AIDS Patient Medical Record
ART	Anti-Retroviral therapy
ARV	Anti-Retroviral
AU	African Union
BCC	Behaviour Change Communication
CCM	Country Coordinating Mechanism
CMS	Central Medical Stores
COHSASA	Council for Health Service Accreditation of Southern Africa
CP	Conditions Precedent
DHS	Demographic Health Survey
DMS	Drug Management System
DOTS	Direct Observed Treatment Short course
DQA	Data Quality Assurance
E&Y	Ernst and Young
EFR	Enhanced Financial Reporting
FAR	Fixed Assets Register
FEFO	First Expiry First Out
GF	Global Fund
HIH	Hand in Hand
HIV	Human Immunodeficiency Virus
HIVQUAL	HIV Quality
HMIS	Health Management Information System
HR	Human Resources
HSS	Health System Strengthening
HTC	HIV Testing and Counselling
ICAP	International Center for AIDS Care and Treatment Programs
IEC	Information, Education and Communication
IP	Implementing Partner
LLIN	Long-Lasting Insecticide-treated Nets
M&E	Monitoring and Evaluation
MDR	Multi-Drug Resistant
MESS	Monitoring and Evaluation System Strengthening
MOE	Ministry of Education
MOH	Ministry of Health
MOT	Modes of Transmission
MOTAD	Ministry of Tinkhundla Administration and Development
MOU	Memorandum of Understanding
MTCT	Mother To Child Transmission
NCP	Neighbourhood Care Point
NERCHA	National Emergency Response Council on HIV/AIDS

NGO	Non-Governmental Organization
NMCP	National Malaria Control Program
NSF	National Strategic Framework
NTCP	National TB Control Program
OIG	Office of the Inspector General
OPD	Out Patient Department
OVC	Orphans and Vulnerable Children
PEPFAR	U.S. President's Emergency Plan for AIDS Relief
PLWH	People Living With HIV
PMPU	Program Monitoring and Planning Unit
PMS	Patient Management System
PMTCT	Prevention of Mother to Child Transmission
PO	Purchase Order
PR	Principal Recipient
PSM	Procurement and Supply Management
PUDR	Progress Update and Disbursement Request
QI	Quality Improvement
RDQA	Routine Data Quality Assessment
REMSHACC	Regional Multisectoral HIV and AIDS Coordination Committee
RFQ	Request for Quotation
SADC	Southern African Development Community
SB	Sebanta
SBCC	Social and Behaviour Change Communication
SHAPMOS	Swaziland HIV and AIDS Program Monitoring System
SID	Strategic Information Department
SNAP	Swaziland National AIDS Programme
SOP	Standard Operating Procedure
SR	Sub-Recipient
STC	Save the Children
STI	Sexually Transmitted Infections
SWAGAA	Swaziland Action Group Against Abuse
TB	Tuberculosis
TOR	Terms of Reference
UN	United Nations
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNDP	United Nations Development Fund
UNGASS	United Nations General Assembly Special Session
USAID	United States Agency for International Development
VPP	Voluntary Pooled Procurement
WFP	World Food Programme
WHO	World Health Organization
WLSA	Women in Law around South Africa
WV	World Vision
XDR	Extreme Drug Resistant

EXECUTIVE SUMMARY¹

Introduction

1. As part of its 2010 work plan, the Office of the Inspector General (OIG) carried out an audit of Global Fund grants to the Kingdom of Swaziland from 2 August to 3 September 2010. The audit covered grants totalling USD142 million, of which USD102 million had been disbursed², from 1 September 2003 (the inception date of the first grant) to 30 June 2010. The Principal Recipient (PR) for all grants was the National Emergency Response Council on HIV/AIDS (NERCHA).

2. While Swaziland has made impressive strides in its response to HIV/AIDS, Tuberculosis and Malaria, and the PR's capacity to manage Global Fund grants has grown from 2003 to 2010, there are still key areas where the PR needs to strengthen its capacity to properly implement the Global Fund grant programs. The OIG noted the need to strengthen its controls in the areas of: (i) financial and program asset management, (ii) procurement, (iii) the monitoring of sub-recipients, (iv) certain aspects of service delivery, and (v) compliance with the terms of the grant agreements.

The Public Health Response

3. Swaziland has the highest HIV prevalence and TB incidence in the world, and has a heavy burden of malaria. With the assistance of the Global Fund, Swaziland has achieved impressive results in scaling-up HIV services including ART coverage, ensuring blood safety, reducing the risk of mother-to-child-transmission (MTCT) of HIV, and equipping health facilities. Global Fund grants have facilitated access to primary school education for orphans and vulnerable children (OVC).

4. Malaria cases have declined by over 60% and the national strategy aims at elimination. Swaziland's TB incidence, however, has increased fivefold since 1990. TB treatment success rates have been increasing but are still below the WHO recommended rate of 85%. An estimated 200 cases of Multi-Drug Resistant (MDR) TB occur annually, 10% of which may be extreme drug resistant (XDR). TB/HIV collaborative activities are not implemented as recommended by the WHO.

5. A major limitation on the capacity of the health system to deliver quality services is the shortage of health staff in Swaziland. The HSS grant was designed to address this problem; however, this grant has been beset by ownership and leadership issues which have led to significant delays in implementation.

¹ This summary highlights the findings arising from the audit. The detailed findings and recommendations are contained in the rest of the report which should be read in order to ensure full comprehension of the results of the audit.

² Global Fund website as at 1 July 2010

6. There is a need to improve data quality across the programs by strengthening M&E capacity, standardizing data collection tools and taking action to avoid the irregular/inconsistent data entry observed during the OIG audit.

Financial Management

7. There is a need to strengthen budgetary controls by the PR and sub-recipients (SRs) in order to avoid the unbudgeted expenditures and budget overruns observed. There is also a need to strengthen controls over advances and to stop comingling of grant funds. There is a further need to better control program assets, in particular vehicles.

Procurement and Supplies Management

8. There is a need to strengthen procurement policies and procedures and to put in place appropriate controls to ensure that procurement in future is open, competitive and transparent. More accurate quantification and monitoring of stock levels will avoid stock outs and expiry. In turn, strengthened forecasting, and improved reliability of consumption data, would improve consistency in quantification. There is a need to strengthen quality control requirements for pharmaceuticals, and to ensure that the Central Medical Stores (CMS) has an adequately equipped laboratory for product testing.

9. A 2009 forensic investigation of the CMS by Ernst & Young found no misappropriation or loss of Global Fund grant funds or drugs, but reported inadequacies in record keeping and in controls over financial transactions, as well as conflict of interest. These control shortcomings had not been acted on substantively at the time of the OIG audit.

10. There is a particular need for improved management of construction projects. The OIG observed that 1,340 buildings (Neighbourhood Care Points) were constructed with non-certified construction plans and bills of quantity; we also noted errors in the size of the buildings and overcharging on the quantity of material used in construction. A forensic audit commissioned by the PR found lack of monitoring of the construction materials; payments made to contractors despite partial delivery and non-delivery of goods and services; and evidence of misappropriation of 450 bags of cement.

Oversight

11. While the CCM had an oversight committee, there is a need for a technical working group responsible for reviewing and reporting on grant implementation and performance. There is a need to ensure that potential conflict of interest is avoided in the CCM, given that half of its members are grant recipients. The PR selection process needs to be strengthened.

12. PricewaterhouseCoopers has been the LFA since the inception of the grants to Swaziland, thus providing continuity over time. However, there is a need for the LFA to conduct an assessment of country and PR risk and to

include verification work in high risk areas in the scope of the LFA's PUDR reviews. The OIG identified several issues that were not captured in the LFA's PUDR reviews even though they were within the LFA's scope of work.

13. There is a need to ensure that the Global Fund Secretariat consistently ascertains PR compliance with grant requirements before making disbursements, and that the Secretariat maintains good records, particularly for older grants.

Conclusion

14. Based on the outcome of this audit, the OIG is not able to give reasonable assurance that grant funds disbursed to Swaziland are always used appropriately, and that value for money is assured in Global Fund investments. This report includes a table that identifies an amount of USD 5.8 million of funds that should be recovered to the grants due to budget overruns and unbudgeted expenses, adequate and complete supporting documents not being provided, ineligible expenses and reporting variances, assets not identified during the audit exercise, weak SR monitoring and errors in procurement and supplies management.

Events Subsequent To the Audit

15. Following the preliminary audit findings, the Global Fund Secretariat and NERCHA corrected a number of shortcomings. We were informed of the following:

- A new national Neighbourhood Care Point strategy is being finalized by NERCHA. Disbursements to NCPs is subject to an approved cost management and oversight plan, including sustainability measures;
- NERCHA has set up a Grants Management Unit, including an audit manager;
- The Regional Team now requires a three-month advance approval for material deviations from the budget or work plan;
- An independent firm will undertake physical verification of products in the CMS warehouse;
- NERCHA will continue using VPP until its procurement capacity is enhanced;
- NERCHA's archiving/filing has been completed by a service provider;
- The LFA verifies the selection process prior to contracting by the PR;
- UNAIDS, MSH, the Clinton Foundation and WFP have provided technical support to enhance NERCHA's capacity; and
- A midterm evaluation and in-country assessment of the LFA has been done.

AUDIT OVERVIEW

Audit Objectives

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

- i. Compliance with Global Fund grant agreements, related policies and procedures, and relevant laws and regulations.
- ii. Safeguarding of grant assets against loss, misuse or abuse.
- iii. Achievement of value for money from funds spent.
- iv. Accomplishment of programmatic objectives.

Audit Scope

17. The audit covered all eight Global Fund grants to Swaziland.

Round No.	Grant Agreement	Component	Grant Amount USD	Disbursed Amount USD
2	SWZ-202-G01-H	HIV/AIDS	49,276,920	47,878,166
2	SWZ-202-G02-M	Malaria	1,478,928	1,477,328
3	SWZ-304-G03-T	Tuberculosis	2,506,000	2,453,156
4	SWZ-405-G04-H	HIV/AIDS	19,310,179	19,310,179
7	SWZ-708-G05-H	HIV/AIDS	53,392,057	23,748,980
8	SWZ-809-G06-M	Malaria	5,051,555	2,561,700
8	SWZ-809-G07-T	Tuberculosis	4,163,873	970,176
8	SWZ-809-G08-S	Health System Strengthening	7,173,715	3,473,013
Total			142,353,227	101,872,698

Table 1: Summary of Grants

Source: the Global Fund website as at 1 July 2010

Audit Universe and Sample Methodology

18. The audit looked at the operations of the Principal Recipient (PR), the National Emergency Response Council on HIV/AIDS (NERCHA), and its interactions with its sub-recipients and implementing partners (SRs/IPs), as well as the supply chain for the goods and services purchased with GF grant funds, and the oversight functions performed by the Country Coordinating Mechanism (CCM), the Local Fund Agent (LFA) and the Global Fund Secretariat.

19. The audit tests included the review of the supporting documents of expenses incurred and tests of controls in place. The OIG sampled

transactions worth USD33 million out of a total of USD96 million of total PR expenses incurred at the time of the audit (35%).

Prioritization of Audit Recommendations

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

- High Priority: Material concern, fundamental control weakness or non-compliance, which if not effectively managed, presents material risk and will be highly detrimental to the organization's interests, significantly erodes internal control, or jeopardizes achievement of aims and objectives. It requires immediate attention by senior management;
- Significant Priority: There is a control weakness or noncompliance within the system, which presents a significant risk and management attention is required to remedy the situation within a reasonable period. If this is not managed, it could adversely affect the organization's interests, weaken internal control, or undermine achievement of aims and objectives; and
- Requires Attention: There is a minor control weakness or noncompliance within the system and remedial action is required within an appropriate timescale. Here the adoption of best practice would improve or enhance systems, procedures and risk management for the benefit of the management of the grant programs.

PROGRAM OVERVIEW

Program Implementation

21. NERCHA is the only Principal Recipient (PR) of GF grants to Swaziland. NERCHA was established in 2001 under the Prime Minister's Office, and subsequently ratified through an Act of Parliament. NERCHA was created to coordinate and facilitate the multi-sectoral HIV/AIDS response and oversee the implementation of the strategic plans and frameworks at a national level.

22. Since the inception of the first Global Fund's grant in 2003 and until June 2010, the PR has implemented program activities through 25 SRs and 27 IPs. The total amount implemented since inception of the grants is USD54,395,221:

	Number	Total Implemented (USD)
Sub-Recipients	25	17,444,194
Implementing Partners	27	36,951,027
		54,395,221

Table 2: Summary of Total Amount Implemented through SRs & IPs

23. The SRs and IPs are either government entities or Non-Governmental Organizations (NGOs). SRs receive funds directly from the PR and manage them for the implementation of programs. Organizations that did not meet the financial capacity criteria during the selection process were categorized as IPs. For these organizations, all third party expenses are paid by the PR directly to the vendor, with only personnel and administrative costs being reimbursed directly to the IP.

Program Achievements

24. The Global Fund-supported programs contributed towards the following achievements:

- i. Scale-up and expansion of HIV, TB and malaria programs
 - High coverage for BCC interventions - 99% of Swazis aged 15-49 have heard about HIV
 - High coverage for HIV services - 60,289 people received ART and PMTCT (86% first ANC visits tested; 81% received ARV for PMTCT)³
 - 100% Blood screening for HIV⁴
 - Expanded laboratory support for HIV (CD4 testing)
 - Increasing treatment success rates for TB: 42%, 58% and 68% in 2007, 2008 and 2009 respectively

³ MOH 2010 1st quarter HIV and AIDS report page 2 Table 1.1

⁴ 2009-2014 NSF for HIV and AIDS page 23

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- Malaria clinical cases declined from 49.5 per 1,000 in 2002 to 18 per 1,000 in 2007 with the strategy changing from control to elimination
- ii. Improved strategic planning
 - Malaria and TB programs both now have strategic plans
 - Plans are evidence-based - e.g., HIV multi-sectoral National Strategic Framework and Social BCC Strategy is informed by the 2007 Demographic Health Survey results and the Malaria communication strategy by the 2008 Knowledge Attitude Practice survey
- iii. Improved staffing, confidence and competence
 - TB program staffing has increased from 7 personnel in 2003 to 17 in 2010
 - GF grant focal points in TB and Malaria programs
 - Laboratory and MOH M&E staff - the GF is supporting many laboratory technologists, microscopists, phlebotomists and M&E staff at both national and regional levels
- iv. Increased civil society organization involvement for the HIV grants
- v. Progressive growth of the M&E function
 - Establishment of the MOH Strategic Information Department
 - Establishment of a non-health sector HIV program M&E unit
 - Technological advance: electronic data management systems for HIV, Malaria and Health Management Information
- vi. M&E Systems Strengthening workshop has recently been undertaken for both health and non-health sectors using the GF MESS tool

PRINCIPAL RECIPIENT

Institutional Capacity

25. The PR's capacity to manage Global Fund grants has improved over the years. However, there are still key areas noted in this report in which the PR does not have sufficient capacity to implement the GF grant programs. In particular, the OIG noted weak controls in the areas of procurement and supply management, financial management, and the management of SRs and IPs.

26. Certain policies and procedures necessary for the PR to properly manage GF grants were non-existent, incomplete, or still in draft:

- i. There were no policies and procedures for the management of SRs and IPs.
- ii. The financial manual was only a draft and was found to be incomplete:
 - Several sections were left in blank: Staff Advances, Sub-Recipients Advances, Grant Closure, Filing of Accounting Documents, and Archiving of Documents.
 - Certain matters were not included: Allocation of shared or indirect costs, month-end close procedures, and periodic data backups.
 - The section dealing with fixed assets did not include procedures for: The periodic physical verification of assets, disposal of assets, and the tracking of usage and repair of vehicles.
- iii. There was no guidance on how to manage conflict of interest in financial and programmatic activities.
- iv. Procurement policies and procedures were found not to cover many aspects of the procurement cycle adequately (see PSM section of this report for more details).

27. The OIG also noted inadequate communication between the PR's M&E unit, responsible for monitoring SR/IP program implementation, and the PR's technical unit, responsible for finance and administration. For example, the M&E unit did not provide feedback to the technical unit following program monitoring visits. This, which meant, for example, that the change in the construction plan for the NCPs being constructed by the SRs was not communicated to the technical unit. This resulted in overpayment being made to the SRs as the new design required less materials however the technical unit continued to pay based on original budget.

Recommendation 1 (High)

The Global Fund Secretariat should take urgent action to ensure the PR has the capacity to properly implement Global Fund grants and that adequate internal controls are in place to safeguard Global Fund resources.

To do this, the Global Fund Secretariat should, with the involvement of in-country stakeholders, consider providing technical assistance to help the PR strengthen its capacity in the areas of procurement and supply management, financial management, and the management of SRs and IPs.

Recommendation 2 (High)

The Global Fund Secretariat should work with NERCHA to ensure that:

- (a) Organizational structure and processes are modified to promote effective communication among the units managing the GF grant programs. In particular, the M&E unit should provide the technical unit with the programmatic information necessary to make appropriate disbursement decisions.*
- (b) All policies and procedures necessary to manage GF grants are developed, approved, rolled out and duly complied with. In particular:*
 - i. Implement policies and procedures for the management of SRs and IPs, covering activities such as capacity assessment, selection, disbursement of funds, monitoring and reporting.*
 - ii. Finalize and approve the financial manual by: completing the blank sections; including coverage of allocation of shared or indirect costs, month-end close procedures, and periodic data backups; and include procedures for periodic physical verification of assets, disposal of assets, and the tracking of usage and repair of vehicles.*
 - iii. Implement policies and procedures to manage conflict of interest in financial and programmatic activities.*

Compliance with Grant Agreement

Non-compliance with CPs and special terms and conditions

28. The grant agreements specify CPs and special terms and conditions that must be complied with by the PR before disbursement of funds can be made. The OIG noted, however, instances where funds were disbursed even though CPs or special terms and conditions had not been met. Some examples of these are:

- i. PR did not submit the revised M&E plan and budget for Round 4 HIV/AIDS and Round 8 HSS to the Global Fund for approval.
- ii. Half-yearly report on the training activities conducted by the PR and the SRs was not submitted to the Global Fund (Round 7 HIV/AIDS).
- iii. PR did not submit evidence that appropriate systems had been institutionalized to allow PR to capture patient and inventory related information (Round 7 HIV/AIDS).
- iv. PR did not submit the baseline and annual targets for annual staff retention rate (Round 8 HSS).

- v. PR did not submit a report on the progress of health product procurements (Round 8 Malaria).
- vi. PR had not reviewed the functions of its technical department to improve its role in supporting the National Malaria Control Program (Round 8 Malaria)

29. A CP for the Round 2 Malaria grant specified that the PR was required to design and adopt an internal audit function. The approach taken by the PR was to hire an external consultant to perform internal audits of the Global Fund grants. However, these reviews had only been undertaken once a year in recent years, and several issues highlighted in the internal auditor's most recent report (August 2009), had not been addressed by the PR at the time of the OIG audit (mid-2010).

Recommendation 3 (Significant)

NERCHA should:

- (a) *Ensure compliance with all CPs and special terms and conditions specified in the grant agreements.*
- (b) *Ensure more frequent internal audits take place in order to ensure appropriate coverage of all key aspects of the GF grant programs. Additionally, all the observations highlighted during the internal audits should be addressed within a reasonable timeframe.*

Reporting to the Global Fund

30. There were differences between the expenses reported to the Global Fund in the Enhanced Financial Reporting (EFR) and Progress Update/Disbursement Requests (PUDRs) and those in the PR's financial records. The PR was unable to explain these differences, which were as follows:

Grant Details	Expenses as per EFR/PUDR* USD	Expenses as per financial records USD	Difference Over/(Under) USD
Round 3 Tuberculosis	2,468,877	2,437,738	31,139
Round 4 HIV/AIDS	17,140,847	17,164,806	(23,959)
Round 7 HIV/AIDS	20,494,047	20,799,682	(305,635)
Round 8 Malaria	2,041,162	2,050,947	(9,785)
Round 8 Tuberculosis	805,354	821,774	(16,420)

* includes expenses as per financial records for the period PUDR/EFR was not available

Table 3: Unreconciled differences between PUDRs/EFR and PR's financial records

31. PUDRs and EFR were not submitted to the Global Fund within 45 days after the end of each reporting period as specified in the grant agreement. Delays of up to 30 days were noted for the most recent PUDRs, though previously delays of 90 days or more were common. In some instances

PUDRs were submitted for reporting periods that were not consistent with the period specified in the grant agreement [Appendix 1].

32. The EFR submitted by the PR was not prepared in accordance with the EFR guidelines issued by the Global Fund. The details of budgets and actual expenses of IPs for Rounds 2, 3 and 4 were not presented in the EFR reports separately under the required sections. Further, the sub-grant budgets of eight SRs for Round 7 HIV/AIDS were underreported by a total of USD 273,588 in the EFR [Appendix 2].

Recommendation 4 (Significant)

NERCHA should:

- (a) Follow the reporting guidelines for preparing PUDRs and EFR and ensure these reports are submitted to the Global Fund on a timely basis.*
- (b) Ensure that PUDRs and EFR are properly reconciled to financial records before being submitted to the Global Fund. The over-reported amount of USD31,139 for R3 Tuberculosis should be refunded.*

Financial Management

Weak Budgetary Control

33. The review of budgetary control established by the PR identified that:
- i. PR was not able to provide the basis for preparing initial grant budgets or detailed work plans for Round 2 and Round 4 grants.
 - ii. The accounting software could not correctly generate budget vs. actual reports, and significant manual rework is required prior to reporting. A number of manually reworked reports were not accurate.
 - iii. Both unbudgeted expenditure and budget overruns that had not been approved by the Secretariat were seen:

Description	Amount USD
Purchase of 38 unbudgeted vehicles [App. 5]	1,180,656
Payment of salary to 17 unbudgeted staff for Rounds 4 and 7 HIV [App. 30]	296,161
Establishment of unbudgeted PMTCT sites at Hlatikhulu	79,428
Purchase of 489 metric tons of unbudgeted food items (rice, peanut butter, soup and sugar) for Round 7 HIV/AIDS	448,600
Other unbudgeted expenses, including construction and procurement of urea, sodium, potassium, chloride & CO ₂ [App. 5]	242,673
Total	2,247,518

Table 4: Unbudgeted Expenditure

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Description	Expense Amount	Budgeted Amount	Budget Overrun USD
Scholarship to OVC HIV/AIDS R2	2,642,457	1,400,000	1,242,457
16 youth centres HIV/AIDS R2	1,174,663	800,000	374,663
Information and Training centre HIV/AIDS R2	525,624	294,500	231,124
Equipment HSS R8 & Insecticides Malaria R2	59,756	41,687	18,069
Total	4,402,500	2,536,187	1,866,313

Table 5: Budget Overruns

Recommendation 5 (Significant)

NERCHA should:

- Strengthen the budgetary control system by ensuring the accounting software is able to generate complete and accurate budget vs. actual reports.*
- Obtain prior approval from the Global Fund for any deviation from the budget or detailed work plan approved by the Global Fund.*
- Provide evidence that the 38 unbudgeted vehicles exist and were used to achieve Global Fund grants purposes. Failure to do this should result in the refund of the amount of USD1,180,656 to the corresponding grants.*
- Review the budgeted positions at the time of recruiting new employees. Number of employees hired should not exceed the staff budgeted in the detailed budget without prior approval from the Global Fund.*

Recommendation 6 (Significant)

The Global Fund Secretariat should take into account the purchase of the 38 unbudgeted vehicles in determining whether there is a need to scale down the number of vehicles required for Rounds 7 and 8.

Control weaknesses in the accounting function

34. The PR did not have an adequate archiving system in place that allowed the timely retrieval of documents requested. There was no referencing system which allowed the user to trace financial transactions in the accounting system to the supporting documentation maintained in hard copy.

35. The OIG selected a sample of expenditure transactions for testing with a total value over USD33.5 million. The following exceptions were noted:

Description	Amount USD
No supporting documentation for expenditure related to training, HR,	312,930

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infrastructure, equipment, and management costs [Appendix 3]	
Expenses not supported with evidence of receipt of goods/services or the vendor invoice [Appendix 12]	535,846
Expenses only supported with a photocopy of the vendor's invoice [Appendix 13]	1,071,150
Payment made for construction activities without obtaining certification of completion of work [Appendix 16]	312,537
Unallowable expenses (taxes and duties) or invalid expenses (duplicate charges or charges for which no goods or services were received) [Appendices 7, 8 and 9]	51,909
Expenditure for which purchase requisitions were not authorized by the finance manager [Appendix 15]	226,375

Table 6: Exceptions found during expenditure testing

36. The PR did not have a tracking system in place to monitor the recovery of advances to its employees for training activities. The advances were expensed in the financial records on disbursement of the advance [Appendix 6].

37. There were inadequate procedures for the review of transactions prior to posting them in the accounting system. Transactions amounting to USD409,899 were charged in the wrong account head resulting in incorrect reporting to the Global Fund. In addition, 953 adjusting entries to rectify accounting errors were found to have been posted since the inception of the grants [Appendix 4].

38. A review of the accounting software highlighted the following internal control weaknesses:

- The system does not restrict the posting of duplicate invoices; and
- Incompatible access rights were assigned to the Financial Accountant who had access to book expenses, process payments and delete transactions resulting in inadequate segregation of duties.

Recommendation 7 (High)

In order to strengthen controls in the accounting function, NERCHA should:

- (a) Recruit an archiving specialist to establish a system for the proper archiving of accounting documentation that enables ease of retrieval.*
- (b) Refund the amount of USD312,930 that has no supporting documentation, and also the total of USD51,909 related to unallowable/invalid expenses.*
- (c) Ensure all expenditures are properly supported with an authorized purchase requisition, original vendor invoice, evidence of receipt of goods/services, and a certification of completion of work for construction activities.*

- (d) Establish a mechanism for tracking the disbursement, liquidation and recovery of advances to employees. Advances should only be expensed in the accounting records once they are liquidated.*
- (e) Strengthen the review and approval procedures prior to posting the transactions in the accounting software.*
- (f) Configure the accounting software to prevent the posting of duplicate invoices and ensure access rights are in line with employee job descriptions.*

Cash and bank account management

39. For each Round 8 grant, the PR maintained a US dollar bank account and a local currency bank account. All disbursements were received in the dollar bank account and transferred to local currency bank account. Balances in the local currency bank account were subsequently transferred to a pooled bank account through which expenses were paid. The pooled bank account commingles grant funds with other donor funds, and allows the PR no mechanism to ascertain the Global Fund's grant fund balances.

40. The PR did not determine its cash needs on the basis of program performance and activities projected during the disbursement period. The disbursement requests were prepared on the basis of budgeted amounts for the period and balance available from the previous quarter.

Recommendation 8 (Significant)

In order to strengthen its treasury management procedures NERCHA should:

- (a) Use the bank account dedicated for each grant for the payment of each grant's expenses. For the common expenses that need to be paid from several grants, for example salaries or office supplies, a monthly budget should be established for each grant and transferred as an advance to the NERCHA pooled bank account. At the end of the each month the amount advanced should be cleared.*
- (b) Ensure cash needs are determined on the basis of progress updates. The PR should demonstrate that the amount requested in its request for disbursement is based on reasonable cash flow needs during the period for which the disbursement is requested.*

Weak controls over payroll processing

41. The OIG noted weak controls over the PR's payroll processing:
- The PR did not perform a reconciliation of current month's payroll to previous month's payroll to verify the accuracy of the payroll processing [Appendices 32 and 33].
 - Valid employee contracts were not available for 18 employees for Rounds 2 and 4 HIV, Round 2 Malaria, and Round 3 TB. The total value of the monthly salaries of the 18 employees was USD48,388 [Appendix 31]

Recommendation 9 (Significant)

In order to strengthen payroll processing procedures NERCHA should:

- (a) Perform a reconciliation of current month's payroll to previous month's payroll to verify the accuracy of the payroll processing.*
- (b) Maintain an approved employee contract for all employees.*

Program Asset Management

42. The OIG's review of the PR's fixed asset management procedures highlighted the following:

- i. Assets acquired during Round 2 HIV/AIDS, Round 2 Malaria and Round 3 TB were not updated in the fixed asset register (FAR) at the time of acquisition. The FAR was prepared on the basis of a physical verification that was performed during 2009 at the request of the Global Fund.
- ii. Essential fields such as serial number, vehicle registration number, vehicle chassis number, engine number and General Ledger transaction number were not updated in the FAR [Appendix 25].
- iii. PR did not perform periodic reconciliation of FAR with the general ledger.
- iv. There is no practice of tagging the fixed assets purchased with grant funds.
- v. Physical verification of assets has not been performed on a periodic basis. The OIG performed physical verification of assets on a sample basis and was not able to trace 21 vehicles with total value USD821,889, which 12 vehicles were purchased under Round 2 HIV (this number includes 10 unbudgeted vehicles), three vehicles under Round 2 Malaria and six vehicles Round 8 HSS [Appendix 26].
- vi. In 33 instances, there was no evidence of the acknowledgement of the receipt of vehicles by IPs [Appendix 27].

Recommendation 10 (High)

In order to strengthen fixed asset management, NERCHA should:

- (a) Ensure the fixed assets register (FAR) is properly updated with the details of all fixed assets purchased using GF grant funds. The FAR should be reconciled to the general ledger on periodic basis.*
- (b) Ensure all fixed assets are tagged with the unique number which should be updated in the FAR.*
- (c) Conduct physical verification of fixed assets on a periodic basis. The physical verification report should be reviewed and approved by the appropriate authority.*
- (d) Prepare an action plan to locate the 21 vehicles that could not be traced. The existence of the vehicles should be verified by the LFA; otherwise the cost of the vehicles should be refunded.*

(e) Provide the Global Fund Secretariat with the acknowledgment receipts testifying the receipt of the 33 vehicles by the IPs.

43. During the closure of the grants for Round 2 HIV, Round 2 Malaria and Round 3 TB, the Global Fund had approved the donation of the vehicles to IPs provided that the IPs agreed in writing to use the donated vehicles for grant-related activities. The OIG review of the process of donation highlighted that out of the 92 vehicles donated:

- Only 11 vehicles had a memorandum evidencing the donation [Appendix 28].
- Two vehicles were sold by the PR for USD15,857 for which the sales proceeds were not credited to the grant. Furthermore, documents relating to the disposal were not available for review [Appendix 29].
- One vehicle earmarked for donation was already sold by an IP for USD8,429 without informing to PR. The sales proceeds were not credited to the grant.

Recommendation 11 (Significant)

NERCHA should submit the signed memorandum for all the vehicles donated to the IPs and should ensure that the sale proceeds for the three vehicles are refunded to the Global Fund.

Construction of Kagogo Centres

44. The construction of 328 Kagogo centres was funded under Round 2 HIV/AIDS as part of the strategy to mitigate the impact of HIV/AIDS on OVC. The construction of Kagogo centres was managed by the PR. The Round 2 HIV/AIDS grant is closed and the PR is no longer managing any construction activity. However, the PR had weak monitoring procedures during the construction of the Kagogo centres, as highlighted by the following observations:

- i. Though the PR had established standard designs and costs for the construction of Kagogo centres, the PR did not document the specifications for materials to be used while building each centre. As a result the PR could not monitor if the correct specification of materials was used for construction.
- ii. Total expenditure incurred on the construction of the 328 Kagogo centres amounted to USD3,416,451 against a budgeted amount of USD2,368,889, which resulting budget overruns of USD1,047,562 that were not approved by the Global Fund [Appendix 24].
- iii. The construction plan used by one SR who constructed 40 Kagogo centres was not approved by PR.
- iv. There was no oversight over the activities performed by the contractor the PR hired to construct the Kagogo centres for the first two years of the grant. The PR did not review the prices charged by the contractor, assess the quality of vendors used by the contractor or monitor the consumption of material during construction. No third

party quality checks were performed on the Kagogo centres constructed [Appendices 17 and 18].

PROCUREMENT AND SUPPLY MANAGEMENT

Procurement Policies and Procedures

45. NERCHA has a procurement manual to guide the procurement activity. There is a Tender Board that approves procurement of both health and non-health products. There are national clinical care guidelines which are periodically updated to incorporate WHO recommendations.

46. A number of the NERCHA procurement manual provisions are not applied in practice, such as particular procurement methods, quality checks for pharmaceuticals and the treatment of deviations in tenders.

47. The NERCHA procurement manual does not adequately cover many important aspects of the procurement process such as bid security, performance guarantees, manufacturer's authorization, power of attorney, confidentiality undertakings, and evaluation of the technical, production and financial capacity of bidders. Also, as a public agency, NERCHA should follow the public procurement regulations which were prepared with technical assistance from Crown Agents. These regulations are exhaustive and address all the elements of procurement cycle.

Recommendation 12 (Significant)

NERCHA should:

- (a) Strictly enforce compliance with the NERCHA Procurement Policy and Manual.*
- (b) Adopt the public procurement regulations and update the NERCHA Procurement Policy and Manual accordingly.*

48. The present mechanism of tendering does not require the bidders to provide ownership details, in the absence of which it was not possible to ascertain relationships with other parties involved in the tendering process. In practice not all persons involved in the tender process had signed declaration of interest forms as required by the NERCHA procurement manual.

Recommendation 13 (Significant)

NERCHA should establish an independent ethics committee with the terms of reference to coordinate submission of: (i) a statement of declaration of interest from staff involved in the PSM activity; and (ii) a statement of ownership and interest from all suppliers. These statements should be based on pre-approved templates. The ethics committee should collate and compare the statements of declaration of interest and statements of ownership and interest to detect any conflict of interest situation in the PSM activity.

Procurement Capacity and Segregation of Duties

49. Repeated RFQs had been used instead of international competitive bidding. The Procurement Manager and the Procurement Officer are not conversant with donor-funded procurement and they have not had any formal training in health sector procurement.

50. There was no one in the organization chart who could take responsibility for:

- Taking forward the recommendations of the Bid Evaluation Committee;
- Continuously following up on compliance by the bidders with contract and PO terms and conditions.

51. There was no clear segregation of duties of personnel engaged in the procurement activity.

Recommendation 14 (Significant)

NERCHA should:

- (a) Strengthen procurement capacity by providing training on health and non-health sector procurement and consider appointing a pharmaceutical procurement expert.*
- (b) Consider the use of a procurement agent.*
- (c) Appoint a Contract Officer to undertake the contracting function including ensuring compliance with contract provisions.*
- (d) Review the structure of the procurement and supply chain management activity to establish a clear segregation of duties.*

Poor controls over procurement process

52. Clear responsibilities and timelines for completing each activity in the procurement cycle were not in place.

53. Proper records documenting the nature and extent of solicitations of prospective vendors and the basis of award of contracts and orders were not maintained. Examples of documents there were not available for review by the OIG included purchase requisitions, RFQs, vendor quotations, bid comparative analyses, POs, contracts and GRNs [Appendix 11].

54. There was a lack of standardization of documents relating to the procurement process. For example, analysis is performed on loose sheets of paper for the various stages of the evaluation process.

55. Correspondence related to a particular tender, such as RFQs, was not found in one file. Also the tender board meeting minutes are filed by meeting. This made it difficult to establish the sequence of the procurement process and final award.

56. The format of the PO does not capture the delivery term or penalties for delayed delivery. In almost all cases in which NERCHA was able to secure a signed contract, the provisions of the contract relating to penalties for delayed delivery were not enforced. Penalties totalling USD26,320 were not collected for nine delayed deliveries during 2009 and 2010 [Appendix 61].

57. NERCHA did not have a system in place to track amendments to POs and obtaining approvals for releasing amended POs to the vendor, which may result in unauthorised procurement. POs were being amended after the POs had been sent to the supplier to convert the currency and to change the donor or to split the PO amongst donors.

58. Open POs (due for delivery) were not followed up by NERCHA's procurement department. 45 POs amounting to USD 691,061 had been outstanding for more than 90 days, which may result in delay in program implementation [Appendix 10].

Recommendation 15 (Significant)

NERCHA should:

- (a) Establish clear responsibilities and timelines for completing each activity in the procurement cycle.*
- (b) Establish a system that maintains detailed records related to procurements which should include the basis of selection of the vendor, PO, receiving, invoice and basis of payment to the vendor.*
- (c) Standardize documents e.g. templates for tender evaluation, tender checklist, standard operating procedures, etc.*
- (d) File all correspondence and meeting minutes related to a particular tender by tender in each tender evaluation file.*
- (e) Update purchase order form to include details of delivery schedule and associated penalties for late delivery.*
- (f) Apply the delayed delivery penalty clause in the case of suppliers who deliver products with a delay. An amount of USD26,320 should be recovered.*
- (g) Define procedures for the approval and release of amended POs. The details of amended POs should be recorded in the purchase register.*
- (h) Undertake periodic review of open POs and follow-up with the vendor for performance against aged POs.*

Forecasting

59. The OIG observed stock outs, rationing of supplies, overstocking and expired stock in health facilities as a direct consequence of inaccurate quantification. A combination of different forecasting tools is being used. There was an absence of reliable consumption data from the field. This has resulted in great uncertainty in forecasting and frequent changes to required quantities.

60. The country has a computerized Drug Management system (DMS) and Patient Management System (PMS) at all facilities to record the patient regimen and drug data. The DMS and PMS share the same database and a new version of this system has recently been rolled out. The quality of the data in this system was, however, adversely affected by:

- Frequent system failure in the health facilities requiring staff to dispense without the system which results in data entry accumulation. Most of the facilities visited complained about this problem.
- HR constraints in the health facilities and CMS. There were generally too few dispensing staff and only one pharmacy technician in each health facility. Data entry problems can often build up when the pharmacy technician is absent.
- Inadequate training and guidance on the system. Data clerks and pharmacists at the facilities and the CMS were not fully aware of the features and usage of the system. In addition to not having proper understanding of how to enter data, staff were not conversant with the menu options for generating reports, with some reports not installed. Some functionalities of the system were not being used, e.g., setting maximum and minimum stock levels to enable automatic order generation.

61. Adequate forecasting is also hampered by:

- Poor monitoring of stock levels;
- Treatment regimens not being standardized and entered in the system;
- The lead time of suppliers not being factored in;
- Changes in prescriptions (e.g. due to resistance or side effects), unexpected variation in patient numbers (e.g. for voluntary testing), and changes in treatment guidelines.

Recommendation 16 (Significant)

MOH in consultation with NERCHA should:

- (a) Identify the reasons for the frequent DMS/PMS system failures and take the necessary measures to ensure the system remains operational.*
- (b) Address HR constraints at health facilities and CMS, for example by appointing more dispensing technicians and store keepers.*
- (c) Provide staff working at the CMS and the health facilities with operational guidelines and training on the functions, usage and operation of the DMS/PMS system, in particular on how to enter data and generate periodic reports. Also ensure the optimal use of all the functionalities of the system such as installation of necessary reports*

and setting maximum and minimum stock levels for each item to enable automatic order generation for the facility.

- (d) Ensure that regimens are standardized in the system nationally, based on standard treatment guidelines.*
- (e) Define lead time and economic order quantities for all critical medicines.*
- (f) Ensure that expected changes in treatment guidelines are taken into account at the time the annual quantification work is being undertaken.*

Procurement

Good tendering practices not being followed

62. During the last seven years, procurement activity had generally been undertaken by the PR using requests for quotations (RFQs) and single source awards by repeatedly obtaining tender waiver to avoid using open tender. The PR's procurement policy specifies that open tender should be used for all procurement over SZL200,000 (approximately USD29,000) and that tender waiver should only be used in exceptional circumstances.

63. The following examples where the tendering practices followed by the PR were not conducive to ensuring value for money:

- CD4 machines, reagents, LLIN, lab equipment, and HIV rapid test kits are being purchased on a single source basis without establishing the reasonableness of prices. In particular, the technical specifications for CD4 machines, reagents, HIV rapid kits were drafted in a way that favoured particular suppliers. Various reasons were cited by the PR for purchasing on a single source basis, such as the urgency of need, the criticality of the products, and the highly specialized and technical nature of the products [Appendix 59].
- The PR entered into contract with certain suppliers of ARV drugs in 2004 and continued to purchase from these suppliers at the same prices without undergoing any fresh procurement process for the subsequent two years. In view of the falling prices of ARV drugs globally, this does not achieve value for money. For example, in 2006 an order was placed for the purchase of Efavirenz 200mg tablets based on prices contracted in 2004 [Appendix 60].
- Certain solicitations were localised through domestic newspapers and restricted to Swaziland registered companies, for example for food items and construction materials. Also solicitations were being made to agents and suppliers rather than to manufacturers directly.
- Procurements of the same products were not planned well in order to bundle requirement products together on an annual basis. Products were generally procured many times throughout the year based on need or on receipt of requisition. Requirements were split between SRs for procurement. For example, the procurement of ARV drugs was

done throughout the year based on quantities advised through requisitions on a quarterly basis, and procurement of construction materials for NCPs was split between the PR and seven SRs.

- For the food distribution program, bids were solicited for many different food items (maize meal, beans, vegetable oil, peanut butter, rice, soup and sugar) as a single lot. This practice limited the suppliers participating in the procurement process to those who could offer all products. Also, during bid analysis, the total cost of the food items offered by each vendor was compared instead of the cost of individual food items. This meant that the lowest cost of individual food items was not obtained in several cases [Appendix 19].

Recommendation 17 (Significant)

NERCHA should:

- (a) Adopt good tendering practices, to obtain value for money through transparent and competitive bidding by having open tenders rather than Requests for Quotation and single source awards.*
- (b) Avoid drafting technical specifications that match the specifications of a particular supplier.*
- (c) Advertise tenders on websites like “dgmarket”, and remove restrictive conditions limiting participation, such as the requirement that bidders should be Swaziland registered companies.*
- (d) Promote value for money in product selection by bundling annual requirements.*
- (e) Ensure the requirements for food are grouped in separate lots by food item so that competitive prices are obtained from the suppliers of individual items, e.g. sugar suppliers, maize suppliers, etc.*

Inadequacies in bid evaluation

64. The OIG noted cases where the PR did not award the bid to the lowest compliant bidder without justifying the reason for doing so, e.g., in the ARV tender for 2009/10; or where the quantity was split between bidders instead of awarding just to the lowest compliant bidder, e.g., in the tender for construction material for NCPs.

65. The bid evaluation process had the following inadequacies:

- Bid documents did not distinguish between manufacturer bidders and non-manufacturer bidders and there were no criteria for evaluating them as such. No distinction was made between domestic and imported goods in price schedules in order to ensure duties and taxes were excluded from the prices quoted.
- There was no reasonableness check for bid prices, e.g., a comparison with the approved budget and the last procured price of the good or service.

- Bidders were disqualified if they made an arithmetical error in their bids without clarification being sought, e.g., the tender for construction material for NCPs. The PR's procurement manual provides a mechanism for the correction of arithmetical errors and seeking clarifications from bidders.

Recommendation 18 (Significant)

NERCHA should:

- Put in place a standard template for both financial and technical evaluation of bids. Any mistakes made by bidders should be captured on this template at the time of bid opening. These mistakes should be addressed according to procurement policy.*
- Ensure that bid evaluation is strictly based on the criteria in the bid documents with little scope for interpretation and, once the responsiveness of bidders is established, ensure that the award be made to the lowest compliant bidder.*
- Ensure detailed post-qualification evaluation criteria for manufacturer and non-manufacturer bidders are added to the bid document.*
- Ensure distinction is made between domestic and imported goods in price schedules in order to ensure duties and taxes are excluded from the prices quoted by the bidders.*
- Perform a reasonableness check on bid prices by comparing prices to the approved budget and to the last procured price of the good or service.*

Use of VPP has resulted in procurement delays

66. The PR opted to conduct certain procurements via Voluntary Pooled Procurement (VPP) in order to benefit from more timely procurement, stringent quality standards and favourable pricing. The OIG found, however, that out of the six tenders requested for procurement via VPP so far, the country did not receive the supplies when they were needed, with delays of more than ten weeks in four cases. For example, LLINs were delivered in January 2010. By this time the malaria season, which starts in November/December, was already well underway.

67. There were several reasons for the supplies not being received when they were needed. Firstly, the PR did not communicate the requisition for tender on a timely basis taking into account the expected VPP process time. The VPP agent, in several cases, took excessive time to send the offer to the PR, and subsequently the PR took a long time to accept the offer. For example, in separate tenders for ARVs and Cotrimoxazole, the VPP agent took eight weeks to provide the offer to the PR, and the PR took five weeks to accept the offer.

Recommendation 19 (Significant)

NERCHA should closely monitor procurements that are planned under VPP to ensure that drugs are secured in good time. In particular, requisitions for tenders should be communicated to the VPP agent on a timely basis.

Quality Assurance

68. Since there is no Drug Regulatory Authority in Swaziland, specific criteria for drug quality assurance were designed and were agreed by the Global Fund in 2004. These criteria are in line with the GF's Policies on Procurement and Supply Management, and the GF Quality Assurance Policy for Pharmaceutical Products.

69. However, not all quality control requirements for pharmaceuticals were complied with. For example, no post-delivery batch testing was performed, since the CMS did not have an adequately equipped laboratory for product testing and there were no alternative procedures existed.

Recommendation 20 (Significant)

CMS in consultation with MOH and NERCHA must ensure quality control for pharmaceutical products by conducting post-shipment random testing. WHO-prequalified laboratories should be contracted to undertake the testing of the samples.

70. There was no documented evidence of monitoring and periodic evaluation of performance of suppliers regarding the quality of goods and services supplied.

Recommendation 21 (Significant)

NERCHA should implement a system for monitoring the performance of suppliers with respect to product and supply chain quality.

Inventory Management

Stock discrepancies and inadequate controls over stock

71. There were no oversight arrangements in place to check and/or monitor and verify the accuracy of records and physical stock. Neither the CMS nor NERCHA were able to provide drugs store records prior to 2005. Physical verification at the CMS of 56 batches of ARV drugs with a total value of USD1,583,243 showed discrepancies totalling USD136,319 in 40 batches [Appendix 62]. The only explanation provided by the CMS for the discrepancies was "human error" during issue or stock taking. Discrepancies in several batches of TB and malaria drugs that were counted were also attributed to human error.

72. CMS staff performs monthly inventory counts and any discrepancies found are adjusted in the stock system without adequately ascertaining the reasons for the discrepancies.

73. A basic report for each drug providing opening stock, receipts, issues and closing stock could not be generated from the RX Solution inventory management system. The CMS explained that the system can only provide the listing of issues, receipts and closing stock separately.

74. Stock earmarked to be issued to facilities is booked out of stock and generally not counted at the time of physical verification even though it may still physically be in the warehouse. Sometimes this stock is left on the main shelves or otherwise it is segregated in another area.

75. Drug labelling did not identify drugs as Government supply not for re-sale. This increases the risk of pilferage given that ARV drugs are available locally in pharmacies without prescription.

76. Security procedures at the CMS were absent or not enforced as people and vehicles could freely enter and exit without security checks.

Recommendation 22 (High)

NERCHA should:

- (a) Commission an independent physical verification of all products in the CMS warehouse procured with GF grant funds. This task should include reconciliation to inventory records plus verification of receipts and issues, and all adjustments made to book stock as a result of the monthly inventory counts.*
- (b) Work with the MOH to ensure appropriate oversight arrangements are put in place to monitor and check that inventory records are properly maintained and stock is properly safeguarded.*
- (c) Require boxes and blisters to indicate that the drugs are Government supplied and not for re-sale.*

Recommendation 23 (High)

The MOH and the CCM in collaboration with NERCHA should:

- (a) Ensure that all discrepancies found during monthly inventory counts are thoroughly investigated and duly reported to the appropriate authority. No adjustments should be made in the stock system to adjust for these discrepancies without proper authorization and adequate resolution of the underlying cause of the discrepancy.*
- (b) Ensure that the inventory management software is able to produce a full range of management reports, including a report for each drug providing opening stock, receipts, issues and closing stock.*
- (c) Ensure that stock that is earmarked to be issued to facilities is only booked out of stock on the date of dispatch and also ensure that this stock is always counted during physical verification as long as it is still physically in the warehouse.*

- (d) *Post security guards at the gate and monitor and check all entries and exits.*
- (e) *Consider introducing a bar code system at the CMS for easy tracking of batches.*

Expired stock and non-moving stock at the CMS

77. The CMS held a large stock of expired drugs as well a large stock of drugs that was no longer moving as a result of changes in regimen, calculated at a total value of USD126,817 [Appendix 58].

78. Several instances were detected where FEFO was not adhered to. Five batches expiring later were recorded as having been issued first, and eight instances of issue of short-expiry drugs (within a month of issue) were noted.

79. Storage space at the CMS was severely constrained due to the large quantity of expired drugs and drugs that are no longer moving. At the time of the audit there was no site earmarked for the destruction of expired drugs.

Recommendation 24 (High)

The MOH and NERCHA should;

- (a) *Ensure that FEFO is strictly adhered to.*
- (b) *Identify a new site for timely destruction of expired drugs*

Stock outs and poor stock monitoring

80. During visits to health facilities it was seen that full quantities requisitioned of AZT/3TC/EFV, Lamivudine and Tenofovir, were not sent by CMS due to stock not being available. In 2009 and 2010 the following stock outs at the CMS for ARV drugs took place:

	AZT/3TC/EFV	Lamivudine	Tenofovir
2010	-	Feb to Mar	Jan to Apr
2009	Mar to May & Jul to Sep	-	Jun to Jul

Table 7: Stock Out of ARV Drugs

81. Close monitoring of minimum stock and reorder levels to avoid stock outs was lacking. In spite of clear information on depleted stock levels, indicative of an approaching stock out situation, no preventive action was taken to replenish the stock as demonstrated by the stock situation as on 19 August 2010 for ARV drugs [Appendix 57]:

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	AZT/3TC/EFV	Lamivudine	Tenofovir
Balance as per bin card on 19th August	1,864	2,496	2,352
4 months minimum stock based on 6 months average monthly consumption	24,029	36,213	22,017
Shortfall in stock	22,165	33,717	19,665

Table 8: Physical Stock vs. WHO Minimum Recommended Stock

Recommendation 25 (High)

The MOH and NERCHA should ensure the close monitoring of stock levels with respect to the minimum stock and reorder levels so as to avoid stock-out situations.

Ernst & Young Forensic Investigation of the CMS

82. In 2006 the MOH commissioned E&Y to conduct a fraud vulnerability review of the Swaziland public procurement process. Several control weaknesses were identified and recommendations were made to strengthen the overall control environment. Subsequently in 2008, several newspaper articles alleged that the MOH was unable to supply the pharmaceutical needs of the Swazi people and pointed to irregularities in the procurement, storage and distribution of pharmaceuticals. The MOH, based on the allegations, appointed E&Y again to conduct a forensic investigation. No misappropriation or loss of GF funds or drugs was reported as a result of this investigation. E&Y did however report major weaknesses such as serious inadequacies in record keeping at the Ministry and CMS, inadequate control over financial transactions, and conflict of interest.

Recommendation 26 (High)

The MOH and NERCHA should put in place an action plan for implementation of the recommendations of the E&Y investigation report.

Other findings

83. Drugs with a total value of USD6.4 million procured with GF funding were reflected in the inventory management system of the CMS as belonging to the Government account instead of the Global Fund account. No valid explanation could be provided for this discrepancy.

84. All facilities visited had storage space constraints. For example, at Pigg's Peak Hospital, only one wooden cabinet was allocated for storage, and drugs were found piled up in the data room without any segregation, cooling or security. Due to this, only a two month supply of stock is kept at the facility. Global Fund grants are addressing this storage constraint problem by funding the construction of Regional Medical Stores.

85. There were no temperature recorders at the CMS, though the air conditioners were working well.

Recommendation 27 (Significant)

NERCHA should closely coordinate with the CMS in order to ensure that the segregation of inventory based on funding sources is correctly maintained in the inventory records.

Recommendation 28 (Significant)

The MOH should:

- (a) Expedite the construction of Regional Medical Stores to help address the storage capacity constraints faced by health facilities.*
- (b) Install temperature recorders at the CMS and ensure proper temperature monitoring.*

SUB-RECIPIENTS AND IMPLEMENTING PARTNERS

Management of SRs and IPs by the PR

86. No capacity assessment of SRs and IPs was made before they were selected, and though capacity assessments were conducted by the PR subsequent to selection, various financial management capacity issues affected the SRs. These issues have been reported in the section 'Visits to SRs and IPs'.

87. The OIG noted the following issues regarding sub-grant agreements and MOUs for Rounds 2 and 4:

- Although supporting documents for SR expenditure were available, the PR had not signed a sub-grant agreement with Sebanta for Rounds 2 and 4. Total disbursement to Sebanta under these grants was USD840,088.
- The sub-grant agreements between the PR and AMICAALL for Rounds 2 and 4 were not available for OIG review. Furthermore, the supporting budgets, work plans and M&E plans were also not available. Total disbursement to AMICAALL for these rounds was USD1,729,911.
- No MOUs were executed with 75 of the 86 IPs that participated in Round 2 Malaria. As a consequence the PR had made the payment of salary totalling USD181,124 to the employees of IPs without any valid contract or MOU [Appendix 34].

88. The PR had not obtained the reports of internal audits performed at the SRs; independent audits of IPs were not undertaken during Rounds 2 and 4 HIV/AIDS; and independent audits of SRs for Round 7 HIV/AIDS were not made available to the OIG despite repeated requests to the PR.

Recommendation 29 (Significant)

NERCHA should:

- (a) Establish an SR/IP selection manual that should include the financial and the programmatic criteria to be met before SR/IP selection.*
- (b) Ensure all sub-grant agreements and MOUs are duly signed and securely archived, along with supporting budgets, work plans and M&E plans.*
- (c) Obtain copies of the reports of internal audits performed at SRs/IPs, and ensure that periodic independent audits are conducted at SRs/IPs.*

Inadequate management of advances to IPs and SRs

89. The review of the disbursement, settlement and approval of advances to IPs and SRs demonstrated that:

- In certain instances IPs were paid advances despite a low rating on financial management capacity. The PR did not verify the liquidation of these advances. A review of a sample of transactions showed that IPs received advances amounting to USD1,028,947 without any supporting documents.
- The PR had disbursed funds amounting to USD9,129,206 to SRs before the liquidation of previous advances.
- Advances totalling USD999,447 to 19 SRs were outstanding for more than 135 days.
- Four advances totalling USD830,624 were disbursed to SRs without approval of the designated PR personnel.

Recommendation 30 (High)

NERCHA should:

- Ensure advances are not given to IPs given that IPs are distinguished from SRs by their poor financial management capacity. IPs should not be allowed to independently procure goods or services with GF grant funds.*
- Ensure advances are paid to SRs only after the proper liquidation of the previous advances.*
- Follow up with SRs to secure the liquidation of long outstanding advances.*
- Ensure that advances can only be disbursed with proper approval.*

Visits to SRs and IPs

90. The PR had implemented programs through 25 SRs and 27 IPs during the period covered by this audit⁵. The total amount disbursed to SRs from the inception of the grants was USD17,444,194. The OIG selected a sample of seven SRs to review in Swaziland. Details of the amount disbursed to these SRs are as follows:

	SR Visited	Amount Disbursed USD
1	World Vision (WV)	847,860
2	Save the Children (STC)	566,699
3	Alliance of Mayors' Initiative for Community Action on AIDS at the Local Level (AMICAALL)	459,869
4	Hand in Hand (HIH)	233,706
5	Sebanta (SB)	123,660
6	Women in Law around South Africa (WLSA)	43,929
7	Swaziland Action Group Against Abuse (SWAGAA)	37,216
Total		2,312,939

Table 9: OIG Sample of SRs Visited

⁵ Audit scope: September 2003 until June 2010

91. The OIG also selected three IPs to visit:

- i. Ministry of Education (MOE)
- ii. Ministry of Health (MOH)
- iii. Ministry of the Tinkhundla Administration and Development (MOTAD)

Compliance with Sub-Grant Agreement

92. The OIG noted the following instances of non-compliance with sub-grant agreements by the SRs:

- SRs had not submitted SHAPMOS form to the Regional Aids Coordinator (WV/STC/SB).
- Unutilized grant funds were not maintained in separate, interest-bearing accounts (WLSA/WV/SWAGAA).
- SR AMICAALL had not signed a sub-grant agreement with one SSR (Khulisa Umtfwana) for Round 7. Total disbursement to this SSR was USD75,509.
- PR had disbursed funds to AMICAALL during Round 7 without compliance with the following CPs stated in the sub-grant agreement: 1. Submission of specimen signature list, and 2. Submission of the detailed activity plan identifying service provider, the urban areas to be covered and the number of children in each non-formal school.

Recommendation 31 (Significant)

NERCHA should ensure that all terms and conditions specified in sub-grant agreements are complied with, and should not make disbursements to SRs until all CPs have been complied with.

Reporting

93. Financial reports submitted by the SRs demonstrated the following: Delays in submission (WV/STC) [Appendix 35]; overstatement by a total of USD89,093 compared to SR accounting records (STC/WV/SWAGAA) [Appendix 36]; cash balance as per books of account at 30 June 2010 was USD358,105 more than the figure reported to PR (WV) [Appendix 41]; and incorrect reporting of the number of facilitators hired (e.g., Over-reporting by 248 facilitators for the Q2 R7 (SB) - [Appendix 37]).

Recommendation 32 (Significant)

NERCHA should:

- (a) *Establish a reporting mechanism to ensure accurate and timely submission of the reports by the SRs. In particular, reports should be reconciled to financial records before being submitted to the PR.*
- (b) *Ensure the overstated amounts totalling USD89,093 are refunded.*
- (c) *Ensure WV ascertains the reasons for the USD358,105 cash balance difference at 30 June 2010 between the books of account and the report submitted to PR.*

Financial Management

94. SRs need to strengthen their financial management in the following areas:

- i. **Policies and Procedures are lacking for:** Acquisition and transfer of assets (STC); human resources (WV/HH/WLSA); authority matrix for purchases (HH); and travel claim approval, travel and meal rates, and access rights to financial records (STC).
- ii. **Budgetary Control:** Budget availability not verified at time of initiation of the expense (AMICALL/STC/WLSA); reasons for variance between budgeted and actual expenses not documented (AMICALL/STC); detailed line item budget not available (WV/STC/SWAGAA); unbudgeted vehicles purchased USD71,253 (STC/AMICALL) [Appendix 39]; unbudgeted salary USD1,707 (AMICALL) [Appendix 38]; and salaries paid at higher than budgeted rate USD15,107 (WV) [Appendix 40].
- iii. **Accounting Controls:** Excel spread sheets were used to maintain books of account (SB/WLSA); inadequate segregation of duties (WLSA); inadequate control over advances (HH/STC/WLSA/AMICALL) [Appendix 43 and 44]; and transactions recorded in incorrect account head (WV/AM) [Appendix 52].
- iv. **Payroll processing:** payroll not reconciled to previous month to check accuracy (STC/WV/SB); statutory contributions for certain months not been submitted to government authorities (WV/WLSA); and no defined basis for charging salaries of employees working under multiple donors (STC).

Recommendation 33 (Significant)

NERCHA should ensure:

- (a) *SR policies and procedures are implemented for the following: Acquisition and transfer of assets (STC); human resources (WV/HH/WLSA); authority matrix for purchases (HH); and travel claim approval, travel and meal rates, and access rights to financial records (STC).*
- (b) *SR budget monitoring procedures are strengthened by including identification of reasons for variances, verification of budget availability at the time of initiation of expense, and obtaining the required pre-approvals in case of unbudgeted expenses.*
- (c) *All the following controls are in place for the accounting functions of SRs:*
 - i. *Basic software is used for maintaining books of accounts;*
 - ii. *Adequate segregation of duties;*
 - iii. *Tracking of advances and follow-up of outstanding advances on a periodic basis;*

- iv. *Proper review and approval controls over the posting of transactions.*
- (d) *SR payroll processing is strengthened by ensuring that:*
 - i. *SRs perform monthly reconciliation of previous and current month's payroll to ensure accurate payroll processing;*
 - ii. *All statutory dues are deposited with the government authorities within the due dates;*
 - iii. *SR defines the basis for allocation of shared donor expenses.*

Inadequate controls over expenditure

95. The following exceptions in the occurrence and payment of expenses by SRs were observed in the review of supporting documents:

Description of Exception	SR	Total Amount USD
Expenses incurred on behalf of other donors incorrectly charged to grant [Appendix 23 and 47]	WV/HHH	221,726
Transactions charged twice in the books of account [Appendix 46]	WV/SWAGAA AMICAALL	89,830
Double charging of training costs [Appendix 42]	WLSA	28,440
No supporting documents made available for review [Appendix 50]	AMICAALL/ SWAGAA	47,773
Certain key supporting documents not available for review [Appendix 48]	AMICAALL	23,022
Certain key supporting documents only available as photocopies [Appendix 51]	AMICAALL	28,508
Ineligible expenses charged to the grant [Appendix 49]	WV AMICAALL	8,175
No proof of delivery of goods [Appendix 45]	AMICAALL	66,588
No proof of delivery or valid PO [Appendix 21]	HHH	2,285

Table 10: Exceptions found during expenditure testing

Recommendation 34 (High)

NERCHA should ensure that:

- (a) *Expenditures are properly charged to the Global Fund programs, and all ineligible and unsupported expenses are refunded.*
- (b) *SR expenditures are properly supported with an authorized purchase requisition, original vendor invoice, evidence of receipt of goods/services, and, in the case of construction activities, a certification of completion of work.*

Procurement

96. SRs did not follow tendering procedures for high value procurements of food items and construction materials, which may have resulted in the procurement of goods at higher prices than the prevailing market prices (WV/STC/HH/WLSA). In particular:

- NCP construction material amounting to USD176,847 was procured without any evidence of competitive bidding. Furthermore, payment was made without any verification of receipt of goods (HH).
- A contract with value USD24,163 was awarded to an existing vendor at revised prices without comparing to prices offered by other vendors (STC) [Appendix 22].

Recommendation 35 (Significant)

NERCHA should ensure that SRs strengthen their procurement processes by introducing tendering for high value procurements so as to ensure that goods are procured at competitive prices. Alternatively, NERCHA should explore the possibility of centralizing the procurement of NCP construction material in order to achieve value for money due to economies of scale and better control over procurement procedures.

Program Asset Management

97. Controls over program assets had the following weaknesses:

- i. SRs did not perform physical verification of assets on a periodic basis (WV/STC/WLSA);
- ii. Fixed assets were not tagged to enable identification (WV);
- iii. Fixed assets register was incomplete and did not capture key details such as date of purchase, supplier name, asset code, serial number, cost of asset, estimated life of asset and location (WLSA);
- iv. GF vehicles were used on projects funded by other donors (STC) [Appendix 54];
- v. No logbook was maintained for tracking vehicle usage (WLSA);
- vi. IPs did not review vehicle usage to ensure that use was solely for program purposes, and there was no monitoring of running and maintenance costs against standards (MOE/MOH/MOTAD).

Recommendation 36 (Significant)

NERCHA should ensure that all SRs and IPs comply with the following controls over program assets:

- (a) *Periodic physical verification of assets is performed;*
- (b) *Assets are tagged with a unique identifier;*
- (c) *Fixed asset register is kept up to date and records all asset details including date of purchase, supplier name, asset code, serial number, cost of asset, estimated life of asset and location;*

- (d) Assets purchased under the program funded by the Global Fund are used solely for program purposes;*
- (e) Vehicle logbooks are maintained;*

Maintenance and running costs for vehicles are compared with standards for these costs.

Food Distribution

98. The food distribution program at schools, Kagogo centres and NCPs was part of Global Fund Rounds 2, 4 and 7. The OIG observed the following:

- i. Food was not available for distribution at 37 out of the 74 NCPs visited by the OIG;
- ii. Periodic physical verification of food stock at the schools was not conducted by the PR or the MOE;
- iii. No field visits were performed by the PR or the MOE to monitor the distribution of food to the children under the program;
- iv. The SR (WV) was awarded a grant to undertake food distribution to OVC. The OIG compared the list of 267 NCPs supplied by WV with the list of NCPs supplied by another donor (WFP) and noted that the SR had distributed food to 17 NCPs which were also being supplied by WFP;
- v. The PR supplied food to an SR (SB) for distribution to students. No stock register was maintained by the SR for the receipt and issue of food for distribution. Further, no procedures were defined for physical verification or quality assurance for the food stored by the SR;
- vi. No proper attendance registers were maintained to record the details of the children associated with each NCP;
- vii. There was no process in place to verify the quantity and type of food requested by the IP (MOE) against standard consumption. Food purchases did not always the approved budget and changes in commodities purchased should have been pre-approved.

Recommendation 37 (Significant)

NERCHA should:

- (a) Verify the request for the food raised by the IPs against standard consumption.*
- (b) Undertake periodic visits to the distribution food sites (schools, Kagogo centres and NCPs) to monitor food distribution and to perform physical verification of stock.*
- (c) Review the allocation of NCPs among implementing agencies and reallocate them to ensure that there is no overlap.*
- (d) Ensure SR inventory management procedures are strengthened through the inclusion of periodic physical verification, maintenance of stock records, and inventory quality checks.*
- (e) Ensure food is available for distribution at each NCP.*

- (f) *Ensure attendance registers are maintained to record the details of the children associated with each NCP.*

Construction of NCPs

99. The construction of 1,340 Neighbourhood Care Points (NCPs, based on standard designs approved by the PR) under Round 7 was funded through sub-grant agreements with seven SRs and one IP as part of the strategy to mitigate the impact of HIV/AIDS on OVC. The seven SRs were: World Vision, Hand in Hand, Save the Children, AMICAALL, Church Forum, Red Cross, and the Council of Churches. The IP was MOTAD.

100. Funds were disbursed directly to the SRs, who managed all aspects of the construction. However, for the IP, the PR undertook the tendering process for construction materials and made payments to suppliers and contractors based on requests from the IP. The management of the contracts to build the NCPs and supply blocks and sand was entrusted to the IP.

Forensic audit of project managed by MOTAD to construct 332 NCPs

101. Following a tip-off of possible procurement malpractice at the IP, the PR conducted an investigation in June 2010 by selecting a sample of transactions to identify possible misappropriation of project materials and funds. The PR found cases of non-delivery of some of the materials intended for the construction sites and possible fraudulent practices. The PR then engaged an independent firm of consultants to conduct a forensic audit of construction project transactions for the period 1 January to 30 June 2010. In their report, the consultants concluded that the project suffered from poor management, in particular due to: poor coordination and information sharing between the PR and IP; failure to implement adequate financial management policies and procedures; and inadequate HR practices at the IP (problems with reporting lines, inadequate assignment of responsibilities, perceived nepotism, and employees working without valid contracts). The specific findings of the report included:

- There was no monitoring of the quantities of materials consumed for the construction of each NCP.
- Payments to the contractors were made in full against the partial delivery or non-delivery of goods and services.
- Misconduct by an IP employee with regard to deliveries of materials. The consultants obtained evidence that this employee had sold 200 bags of cement and failed to deliver a further 250 bags to NCP sites.

Recommendation 38 (High)

NERCHA should implement the recommendations of the forensic audit report on the NCPs constructed by MOTAD. An action plan should be developed and submitted to the Global Fund Secretariat for periodic monitoring.

Deficiencies regarding NCP location

102. The PR did not define criteria for where the NCPs should be built (number of local OVC, number of care givers, etc.) This may result in poor value for money.

103. The location of the 1,340 NCPs constructed by the SRs/IP was not known to the PR and the structures are not tagged with a unique identifier. The PR is thus obliged to rely on the SRs and IPs to be able to visit the NCPs, which could be misleading as some SRs have constructed similar NCP structures for other donors.

Recommendation 39 (High)

NERCHA should:

- (a) Define the criteria for selection of NCP location that ensure the optimal utilization of the NCPs.*
- (b) Establish a mapping system that shows the location of all NCPs completed and to be constructed.*
- (c) Ensure that the NCPs are tagged with a unique identifier which includes the details of the donor and sub-grantee to enable proper tracking.*

OIG findings from visits to NCPs

104. The OIG visited 74 NCPs built by three SRs (HIH/WV/STC) with a team of chartered quantity surveyors. This highlighted the following:

- i. The Bills of Quantity and construction plan were not certified by the independent engineer/quantity surveyor.
- ii. The average area of NCPs was around 10% less than the approved design.
- iii. The actual quantity of materials consumed was less (2% to 12%) than the quantity claimed by the SRs, resulting in excess cost [Appendix 20].
- iv. Left over construction materials were found at NCP sites.

Recommendation 40 (High)

NERCHA should ensure that:

- (a) Bills of quantity and construction plans are certified by an independent engineer/quantity surveyor.*
- (b) NCPs are constructed as per the approved plan and all completed NCPs are certified by the quantity surveyor.*
- (c) Only the actual quantity of materials consumed in the construction of the NCPs is charged to the grant, and also ensure that the SRs refund the excess quantities claimed.*
- (d) All left over construction materials are used in the construction of other NCPs, or are returned to the vendor.*

SERVICE DELIVERY AND M&E

Principal Recipient

105. NERCHA is Swaziland's equivalent of a National Aids Council. Over the years, NERCHA has had to evolve into a body that could perform two roles, Global Fund grant management as well its coordination role of the national response to HIV. Until June 2010, NERCHA also played a third role as the CCM's secretariat. These multiple roles have been confusing to many stakeholders with some perceiving NERCHA as a funder and not understanding its coordination role.

106. After the provision of technical support by Grant Management Solutions in October 2009, NERCHA has undergone restructuring, which resulted in improvements in the management of the Global Fund grants.

107. NERCHA includes: 1. The Technical Directorate which is the administrative and operations arm of NERCHA. The head of this directorate is in charge of GF grants management; the directorate includes two staff who are focal points for the TB, Malaria and HSS grants; and 2. The Coordination Directorate, which is the national HIV response arm of NERCHA which includes all national programmatic coordinators for the HIV response. It contains the Program Monitoring and Planning Unit (PMPU), whose role is to monitor the progress on the implementation of the GF HIV program work plans. The OIG found the following shortcomings:

- i. The naming of the two directorates in NERCHA is confusing given their function.
- ii. The separation of staff dedicated to GF management creates confusion in reporting lines.
- iii. Neither of the two staff for TB, Malaria and HSS has a health background.

Recommendation 41 (Significant)

NERCHA should:

- (a) Consider the renaming of the Technical Directorate to be the Administrative and Operations Directorate.*
- (b) Strengthen the TB/Malaria/HSS team with public health expertise by including an individual with a health background to facilitate grant management for the three health sector based programs;*
- (c) Consider the integration of the PMPU into the Technical Directorate (administrative and operations arm) where all the other GF grant management dedicated persons are placed in order to clarify supervision lines and improve communication.*

HIV program

MOH National HIV Program

108. The MOH has a Public Health Directorate headed by the Public Health Director in charge of the programs funded by the GF.

109. The Swaziland National AIDS Program (SNAP) is the health sector HIV program. It is headed by a manager with coordinators for ART, Prevention, BCC and PMTCT. Two issues were noted:

- i. The ART, Prevention, BCC and PMTCT coordinators were in practice working in parallel to the SNAP Manager and reported directly to the Deputy Director of Public Health for technical matters and to the Undersecretary for disbursement requests. The SNAP Manager was not involved in the day-to-day management and supervision of the coordinators even though the SNAP organogram would imply this to be the case.
- ii. The MOH includes two focal persons for PMTCT; one in SNAP and another in the Sexual and Reproductive Health department. Poor definition of the roles of these staff has led to conflict and non-implementation of activities under the Round 4 and 7 grants. This matter was discussed at a 2009 PMTCT meeting in Nairobi, which resulted in the recommendation to integrate PMTCT into Sexual and Reproductive Health. This has not been done.

Recommendation 42 (Significant)

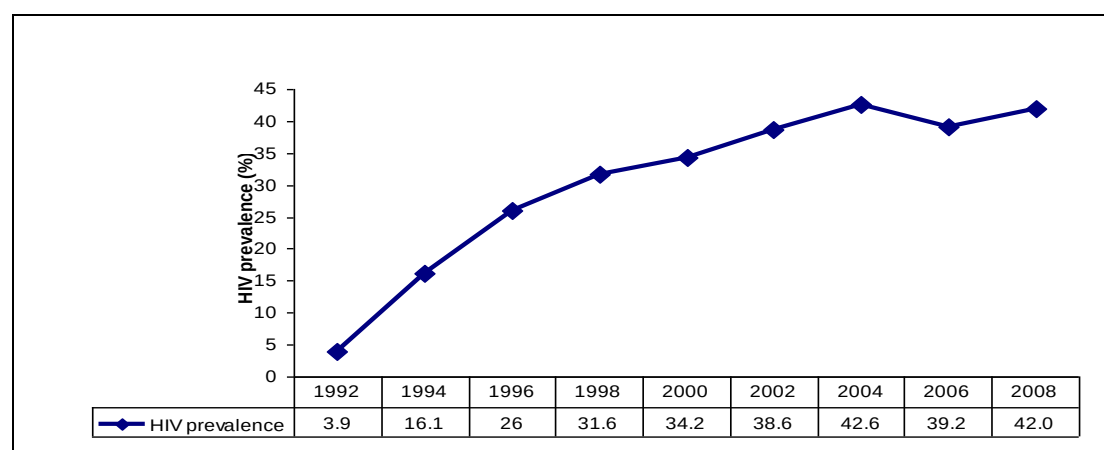
MOH and the CCM in collaboration with NERCHA should:

- (a) Review the job specifications for the SNAP Manager position and ensure that the SNAP manager is involved in the day-to-day management and supervision of the coordinators who should report directly to him.*
- (b) Implement the recommendation from the Nairobi PMTCT meeting held in 2009 and ensure that the management of PMTCT is integrated within the Sexual and Reproductive Health department.*

Context

110. Swaziland is the country with the highest HIV prevalence in the world. HIV Sentinel Surveillance data show that the prevalence of HIV among antenatal care (ANC) clients rose from 3.9% in 1992 to 26 % in 1996 and 42% in 2008.

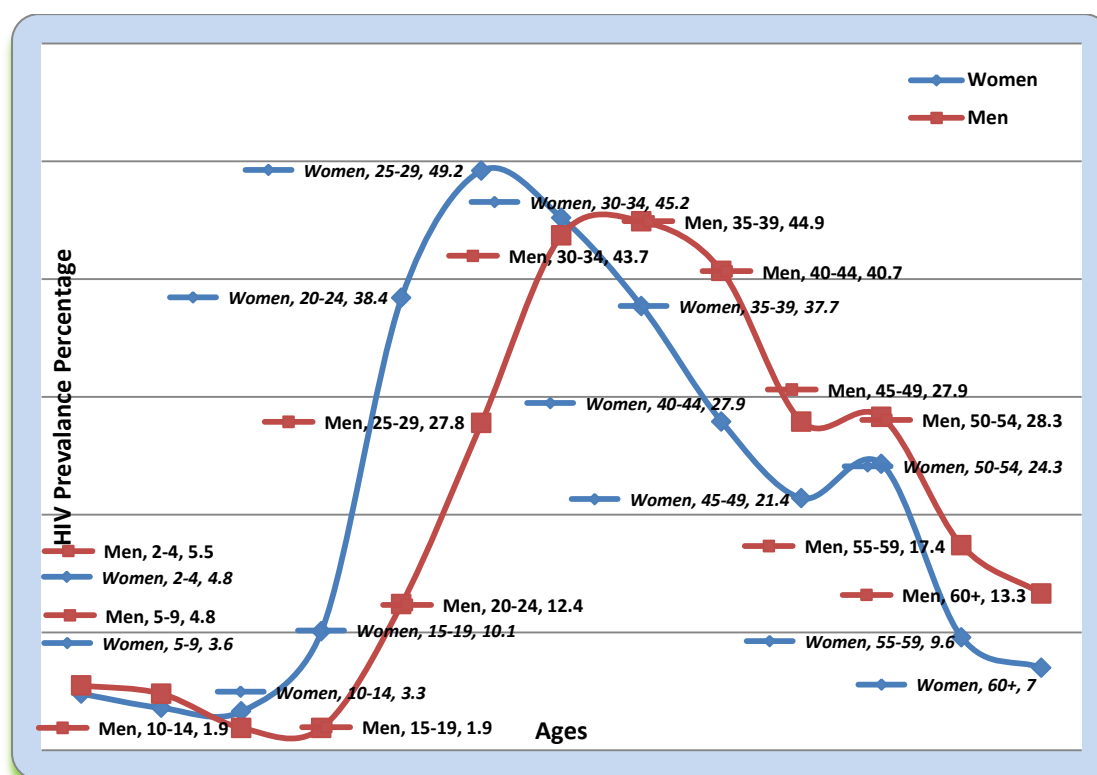
Figure 1. HIV prevalence among ANC clients



Source: HIV sentinel surveillance report 2008

111. The HIV Population Based Survey that was integrated into the 2007 Demographic Health Survey (DHS), showed that the prevalence for the reproductive age group of 15-49 is 26% with women having a higher prevalence of 31% compared to that of men of 20%. HIV prevalence peaks earlier for women than men. The prevalence is higher in urban areas.

Figure 2: Swaziland Prevalence by Age



Source: Swaziland DHS 2007

112. This hyperendemicity has led to a dramatic fall in life expectancy from 60 years in 1997 to 31 years by 2007. The crude death rate has more than doubled from 13.1 deaths per 1000 population in 1997 to 31.1 in 2007. Approximately 23% of children under age 18 are orphans; approximately 60-

70% of these are AIDS orphans. AIDS causes high medical costs, absenteeism due to prolonged illness as well human resource reduction in all labour sectors. The primary health care sector has been dealt a double blow: Designed to treat acute illnesses, it now has to deal with large numbers of chronic care patients in the context of the attrition of its own workforce through AIDS.

113. 94% of all new infections arise from heterosexual contact with a majority (68%) occurring in women and men aged 25 years and older. Many adults have multiple and concurrent sexual partnerships with low and inconsistent use of condoms. The sharp increase in prevalence seen in young women aged 15-30 is attributed to early sexual debut and intergenerational sex. Male circumcision was low. Commercial sex work is not widely practiced, accounting for less than 10% of new infections. Other important factors in Swaziland's HIV epidemiology include migration due to work, income and gender inequality, sexual violence and alcohol abuse.

114. Swaziland has put in place policies conducive to HIV, including policies on children, HIV/AIDS, blood transfusion as well as important acts on girls, women and marriage. Recent pro-AIDS policies include male circumcision and the sexual offence and domestic violence bill.

HIV Prevention

115. The Swaziland HIV prevention programs are summarized in Table 11.

Category	Type of program most frequently implemented
1.Knowledge/attitude change	Interpersonal communication/ mass media campaigns
2.Risk reduction	Condom distribution, provision of universal precaution equipment to traditional medicine practitioners
3.Biomedical Interventions	Use of universal precaution equipment in health facilities, provision of post-exposure prophylaxis for health workers, PMTCT, blood safety, STI diagnosis and treatment and male circumcision
4.Hybrid interventions	HIV testing and counselling and condom social marketing

Table 11: HIV Prevention Programs

116. Blood Safety has been successful, with 100% of donated blood undergoing quality screening between 2007 and 2009⁶. Male Circumcision is a priority in the NSF and is implemented with the support of PEPFAR funding. 81% of HIV positive pregnant women had received ARVs to reduce the risk of MTCT⁷ in 2010, higher than the 80% target for 2014 in the NSF. The

⁶ 2009-2014 NSF for HIV and AIDS pg 23

⁷ MOH 2010 1st Quarter HIV and AIDS Report Pg 2 Table 1.1

recommendations from the new Global Fund MTCT elimination policy are yet to be adopted.

117. Behavioural Change Communication (BCC) programs have targeted youth and the general population. BCC messages follow the ABC pattern (Abstain, Be faithful and use Condom), with no specific message to address multiple concurrent partnerships known to be the driver of the HIV epidemic in Swaziland. Messages against intergenerational sex have been part of BCC but there have been no policies or programs put in place to address the social norms and structures that enable this behaviour despite being identified in the 2008 MOT study and partly addressed in the 2009 NSF. A national Condom policy does not exist. A Behaviour and Social Survey has not been done in Swaziland and there are gaps in information on risk groups such as men having sex with men and commercial sex workers.

118. Laws relevant to HIV prevention sometimes clash with traditional law practiced in Swaziland. Communities in Swaziland to feel that leaders in the country do not set a good example in their personal behaviour and sexual practices and do not protect women and children from abuse.

Recommendation 43 (Significant)

NERCHA as the convener of the National Prevention Technical Working Group should:

- (a) Accelerate the implementation of HIV strategies outlined in the most recent HIV policy documents (NSF and SBCC) that are well informed by in-country evidence.*
- (b) Ensure that there is a specific BCC intervention for intergenerational sex and that a policy to address social norms and structures that create an enabling environment for intergenerational sex is developed and implemented.*
- (c) Develop and implement a National Condom policy.*
- (d) Undertake the Behaviour and Social Survey planned for 2010.*

Recommendation 44 (Significant)

The MOH should adopt the new PMTCT policy of elimination of MTCT by reprogramming of PMTCT activities as recommended in the 2010 Nairobi Global Fund PMTCT meeting.

HIV Care and Treatment

119. ART coverage has increased from 64% in 2007 to 77% by the end of 2009⁸. This drops to 59% under the WHO criteria for starting ART at a CD4 count of 350.

120. In 2005 there were 17 ART sites in the country. Due to the implementation of task shifting and decentralization of services, the

⁸ Swaziland UNGASS 2010 report

country has improved access to ART with 31 sites providing advanced level HIV services and a further 60 being refill sites. Swaziland has developed a successful public private partnership with government purchasing and supplying ARVs to private doctors to improve access. Of the 31 ART sites providing advanced level HIV services, 14 are private health facilities which provide ARVs free of charge.

121. Global Fund grants have been instrumental in equipping health facilities with laboratory equipment for ART follow up. CD4 testing was available in all the 7 ART sites visited by the OIG. Haematology and Biochemistry testing was also readily available in these sites.

122. Pre-ART services had not been standardized. The OIG team found that some health facilities (e.g., Raleigh Fitkin Memorial Hospital) offered these services in the Outpatient department, some (e.g., Piggs Peak hospital) in the ART clinic and some (e.g., Mbabane Government hospital) in the HIV Testing and Counselling (HTC) unit. There was no patient follow-up form for the follow-up of pre-ART patients and the NGO ICAP (funded by PEPFAR) provided a patient file in many of the facilities visited. There is no M&E system for pre-ART patients.

123. TB/HIV collaborative activities were largely implemented by the TB program rather than shared by the TB and HIV programs as recommended by WHO. This leads to the inadequate implementation of intensified TB case finding, isoniazid prophylaxis and infection control. In ART sites visited, the method for TB screening was through a TB screening officer supported by PEPFAR. All the ART sites visited by the OIG had an average of 100 or more consultations per day and more than one clinician (doctors + nurses), but only a single TB screening officer who was not able to see all patients. The patient follow up form in the ART patient's file as well as the electronic patient monitoring system do not capture TB data. This gap leads to incomplete reporting of TB data, with consequences such as the inability of Swaziland to report on UNGASS indicator number 6.

124. Swaziland MOH has been implementing the Council for Health Services Accreditation of Southern Africa (COHSASA) Quality Improvement initiative for all health facility services, including HIV, since 2007. All the five hospitals visited by OIG were found to be implementing this initiative with Good Shepherd hospital having set up a Quality Assurance Unit. At national level SNAP had been trying to implement HIVQUAL (a PEPFAR funded quality assurance QI initiative developed specifically for HIV services) since 2009. Even though HIVQUAL has been incorporated into Swaziland's 2009-2014 Health Sector Response to HIV&AIDS plan (SNAP strategic plan), challenges remain in its implementation due to conflicts with the COHSASA initiative. SNAP has piloted it in few health facilities offering ART services. A big challenge is the large number of patients on ART. All health facilities visited by the OIG had over 2,000 patients on treatment, which translates to an average of over 100 consultations per day and long waiting times.

Health Facility	Total number of patients on ART	Estimated consultations per day	Average waiting time in hours
Mbabane Government Hospital	7,345	300-500	1-2
Good Shepherd Hospital	6,073	200-250	3-4
Raleigh Fitkin Memorial Hospital	6,062	200-250	2-4
Piggs Peak Hospital	3,144	100-150	2-4
Hlatikulu Hospital	3,708	100-150	1-2
Emukuzweni Health Centre	1,918	50-100	1-2
Nhlangano Health Centre	2,990	100-150	3-4

Table 12: ART patient follow up in health facilities visited by OIG

125. Human resource constraints limit the capacity of the health system to deliver quality services, which has necessitated the importation of expatriate doctors to run ART sites. These doctors are funded through the Global Fund grant. Doctors in the five hospitals and two health centres visited by the OIG were foreigners whose contracts were funded by the Global Fund Grant. There was no information as to whether the MOH would renew these contracts, with implications for managing the caseload.

Recommendation 45 (High)

MOH and the CCM in collaboration with NERCHA should:

- Standardize Pre-ART services keeping in mind integration (into other outpatient services) and task shifting to optimize the limited human resources in the health sector. Pre-ART services do not need specialized management and can be provided by all health workers managing other outpatient services such as those in OPD or HTC unit.*
- Develop a long-term health sector human resources development plan to address sustainability.*

Recommendation 46 (High)

SNAP and the CCM in collaboration with NERCHA should:

- Take leadership of the implementation of the three is (Intensified case finding, Isoniazid prophylaxis and Infection control) component of the TB/HIV collaborative activities and develop policies for Isoniazid prophylaxis and TB infection control in PLWH.*
- Integrate HIV Quality Improvement (QI) initiatives such as HIVQUAL into the already existing MOH service delivery Quality Improvement initiative rather than starting a parallel QI initiative for patients utilizing HIV services.*

Recommendation 47 (Significant)

NERCHA in consultation with the MOH should ensure the integration of TB screening into the clinical consultations done by doctors or nurses (or other cadres of health workers doing consultations in the ART units). The TB

screening form should be a part of the ART patient's file as a guide for the clinician rather than an extra form that has to be filled in duplicate. A space should be created in the patient's follow up form for reporting on this activity when done during the consultation visit. This is in order to fill in the gap of reporting on the activity. This should in turn be replicated in the electronic patient monitoring system (APMR) so that TB screening information is available on the APMR.

Impact Mitigation

126. HIV/AIDS in Swaziland has caused a high number of orphaned and vulnerable children. Only 22% of children under 18 lived in a household with both parents and 33% do not live with either parent. 1 in 4 children had lost one of their parents and 31.1% of all children aged below 18 years were classified as OVC according to the 2007 DHS.

127. Swaziland recognized and prioritized impact mitigation programs for OVC early on in the country's response to HIV as evidenced by the setting up of the OVC school fees fund in 2002, the inclusion of programs targeting OVC in the first HIV GF proposal (Round 2). The results of the National AIDS Spending Assessment done in 2008 found that in 2006/2007 a high proportion of HIV /AIDS funds in the country had been spent on OVC (31%) followed by Treatment (19%) and Prevention (17%). Global Fund Rounds 2 and 4 HIV grants contributed the bulk of this spending with funds being used in the facilitation of access to primary school education through the OVC school fees fund. The 2007 DHS found that the difference between orphans and non-orphans in school attendance was very small (orphans 90% and non-orphans 92.7%).

128. Despite the many stakeholders involved and the funding available, the response has been fragmented, poorly coordinated and varied in quality, thus resulting in inadequate coverage of OVC by the programs (the 2007 DHS reported that only 41.2% of households with OVC had received free basic external support in caring for the child). The OIG audit found evidence that the implementation of the interventions for the construction of Kagogo centres and NCPs was not well coordinated, bringing about two parallel interventions with the same objective, resulting in the Kagogo centre eventually becoming redundant. What is now known as the Kagogo centre was originally planned to be a feeding centre. During the OIG audit, documents provided by NERCHA described the current function of the Kagogo centre as a Community Information Centre where all HIV implementers in the community should report their activities and have their programs documented as well as a source of information for the community. Not only was this a deviation from what the Kagogo centre was originally planned for, but findings from field visits found that none of these centres were fully functional information centres. The major reason given by REMSHACC staff interviewed in the Manzini and Shiselweni regions was that these centres did not have the necessary furniture and equipment to function as information centres. The deviation from its original intended

function was explained to have been necessitated by the mushrooming of the community initiative NCPs supported by other stakeholders (NGOs and donors). Further OIG investigations revealed that many NCPs were not functional either and suffered the problems described in the financial systems section of this report.

129. Despite the challenges, developments are moving towards addressing the big gaps in coordination and strategic planning of impact mitigation activities. The social welfare department was moved from the MOH to the deputy prime minister's office and a National Children's Coordination Unit was created in the same office to better coordinate programs targeting children. A comprehensive National Children's Policy was approved by the cabinet in 2009. The government has begun to implement free primary education (starting with the first two grades) in 2010. Impact mitigation remains one of the key thematic areas of the multi-sectoral NSF with the following programs being prioritized: Food and Nutrition, Education for OVC, Protection and Socialization of OVC, Psychosocial Support and Community Systems Strengthening. Nevertheless, there continues to be a lack of information and knowledge on the impact of programs that have been implemented to address the socio-economic effects of HIV. Such information would be useful in guiding policy and strategic planning. A Quality of Impact Mitigation Survey (QIMS) was planned for 2010 to address this gap.

Recommendation 48 (High)

The planned Quality of Impact Mitigation Survey should be implemented to fill in the information and knowledge gaps. Information is urgently needed on other structures (e.g. Youth Centres) constructed using GF grants as well as on the effectiveness of all impact mitigation activities in general.

Recommendation 49 (High)

NERCHA should review the role of the Kagogo Centres and ensure that the Kagogo Centres and the NCPs that are already constructed are functional.

Recommendation 50 (High)

NERCHA should ensure that the NCP initiative is institutionalized by the government and a policy developed and implemented.

Monitoring and Evaluation

130. In 2002 NERCHA had neither an M&E plan nor an M&E unit. Partly due to reporting demands for Global Fund grants, there has been a progressive growth in M&E systems in the country. Even at regional level, NERCHA now has M&E units with staff. A new multi-sectoral HIV M&E framework is in place that clearly stipulates indicators and targets for the programs and interventions described in the NSF. The results framework has been widely disseminated. An electronic program monitoring system, the Swaziland HIV and AIDS program monitoring system (SHAPMOS) together with written

guidelines and Data Quality Assurance (DQA) procedures is also in place. In early 2010 an M&E systems strengthening (MESS) workshop was held and the Global Fund MESS tool used to assess the non-health sector M&E system in fulfilment of a Condition Precedent.

131. The MESS identified the following key weaknesses: Lack of an M&E action plan that describes data collection mechanisms and reporting frequency in detail; inadequate implementation of SHAPMOS guidelines and DQA procedures; no clear budget for the M&E framework; no assessment for quality and impact of training, which comprises a quarter of the value of grants; as well as the poor implementation of the dissemination strategy.

132. NERCHA M&E unit staff blamed understaffing on the inability to carry out data quality audits, with a vacant position of research manager and thus delayed research activities. Other problems included, the vacant Lubombo region M&E position, the lack of transport dedicated to M&E activities, low bandwidth for IT equipment, and weak capacity of the M&E systems of grant sub-recipients. Late reporting by the SRs was a common occurrence.

133. There were no standard data collection tools at service delivery level for non-health sector interventions implemented and the SRs visited by the OIG were using a variety of tools and mechanisms to provide data and information required for grant monitoring to NERCHA. For example, World Vision developed different data collection tools for their programs for caregivers, Youth, OVCs and NCPs, and directly reports to NERCHA head office without using the existing SHAPMOS form designed for reporting to the regional offices every 3 months. On the other hand, AMICAAL had developed a guideline for implementers at the service delivery level on what data to include in their reports. They used the SHAPMOS implementer's forms and reported to the regional M&E office quarterly.

134. The OIG noted issues with certain GF HIV grant indicators. The target for the number of people receiving home-based care was not met, which may have been due to over targeting. Reporting on NCPs was being done only for the number of NCPs constructed rather than number of functional NCPs as stated in the GF performance framework.

135. The MOH exhibited a comparable growth of M&E systems, partly catalysed by GF reporting demands. The most recent development was the creation of the Strategic Information Department (SID) from what had been the SNAP M&E unit and the Statistics Unit. HIV M&E is incorporated into the multi-sectoral M&E framework and the health sector M&E framework directly linked to the Health Sector Strategic Plan. A health sector MESS workshop was held in early 2010 resulting in the development of an integrated action plan to address weaknesses identified during the assessment of the M&E systems. The MESS workshop focused on the broader M&E issues in the MOH. Key weaknesses identified were: the lack of a comprehensive M&E plan and a budget for M&E as well as the poor integration of programs into the SID. The HMIS does not capture all relevant data across programs.

136. There had been no progress in implementing the action plan to address weaknesses of the M&E systems developed at the MESS workshop in early 2010.

137. The MOH has introduced electronic systems for HMIS and ART follow up. The HMIS is a nationwide networked electronic system that captures all outpatient, inpatient, and other programmatic data such as that of HTC and PMTCT. The AIDS Patient Medical Record (APMR) is the system currently in use for monitoring follow-up of ART patients. The MOH recognized that these electronic systems had shortcomings, a major one being the lack of Data Quality Assurance. It entered into the Enhanced Strategic Information Capacity Project funded by USAID to develop a data quality improvement strategy with the following interventions: Data Profiling and Routine Data Quality Assessments (RDQA) and Audits. The first RDQA has recently been completed. Data Quality audits are being implemented since 2010 with visible results in data quality.

138. Major findings on the APMR observed during the OIG visits were corroborated in the RDQA report relate to irregular and inconsistent data entry in many sites. Piggs Peak hospital had not entered data for six months, with the responsible M&E staff blaming the non-functionality of the system for this. All Health Facilities visited reported the non-reliability of the APMR. When asked to qualify these statements some said the “system was down” for long periods leading to data not being entered. No health facility had a written copy of the guideline on the utilization of the APMR or a Quality Assurance protocol.

139. The ART patient follow-up form in the patient file has gaps in type of data that can be collected. There is no provision for the collection of TB screening, treatment, Isoniazid prophylaxis and adherence. Data collection at health facilities is for reporting only. For example cohort analysis for retention and other variables is only done at national level. Target setting is also done only at the national level. Both PMTCT and ART service level data collection tools have not been updated to keep up with change of guidelines when the country has adopted new WHO recommendations especially with regards to regimens.

Recommendation 51 (High)

Both MOH and NERCHA should implement the action plans developed during the health and non-health sector MESS workshops to address all M&E weaknesses identified.

Recommendation 52 (High)

NERCHA should recruit for the vacant posts in the M&E unit of research manager and Lubombo region M&E officer. The PR should also develop a service delivery level data collection tool for the non-health sector HIV response interventions and undertake a review of problematic indicators and targets.

Recommendation 53 (High)

MOH and the CCM in collaboration with NERCHA should:

- (a) Update all data management tools to reflect changes in guidelines.*
- (b) Review the ART patient follow-up form in the patient file.*
- (c) Develop a Pre-ART patient follow-up form.*
- (d) Address the various issues causing failure of data entry into the APMR that are outlined in the 2010 Routine Data Quality Assessment (RDQA) report.*
- (e) Continue to implement and expand Data Quality Assessments activities and ensure that the APMR is completely functional.*

Recommendation 54 (Significant)

SID should decentralize data analysis and evaluation activities (e.g. cohort analysis, target setting, etc.) further, beyond the regional level up to the health facility so that health workers at that level can analyse their data and use them for planning and forecasting.

National TB Control Program

140. Despite the expansion and scale-up of TB interventions with GF and other donor funding, the TB situation in Swaziland continues to be serious. Swaziland is the country with the highest incidence of TB in the world (1,155 cases per 100,000 population, a fivefold increase from 1990). TB mortality has increased from 76 per 100,000 in 1990 to 278 in 2006. HIV prevalence among TB patients is 54%, also one of the highest in the world. is another challenge that the country faces. There are an estimated 200 cases of Multi-Drug Resistant (MDR) TB annually, 10% of which may be extensively drug resistant (XDR). At the time of the audit, the country had 50 MDR-TB patients registered on treatment and 1 on XDR treatment⁹.

141. Even though the TB treatment success rate has been improving, it is below the recommended WHO rate of 85%. Treatment completion rates were low and decreased from 2008 to 2009. See Figure 3.

142. Another worrying situation is the increasing death rate and failure rate as seen in Figure 4.

143. At the time of the development of the Round 3 TB grant proposal there was neither a strategic plan nor an M&E plan. The first National TB Control Program (NTCP) strategic plan was developed for the period 2006 to 2011, aligned to the WHO Stop TB strategy. The TB M&E framework, in turn aligned to the 2006-2011 Strategic Plan, was developed in 2008. TB program data management and M&E was running parallel to the MOH SID. TB data were transferred directly from health facilities to the national level through monthly reports without any involvement of the regional SID offices. Data management tools were manual and were working well (OIG observed no

⁹ Swaziland NTP Strategy, 2010

discrepancy between the quarterly reports at the health facilities and those at the national level). However, there was no data management system for Directly Observed Treatment (DOTS) activities. Even though data quality assurance guidelines and SOPs did not exist, there was evidence of a DQA initiative at the NTCP level in the form of a data audit tool developed in 2007 and a data audit report presentation from 2007. No information on follow up DQA activities after 2007 was available and this initiative was not implemented at health facilities visited.

Figure 3: Treatment Success, Cure and Completion Rates for TB

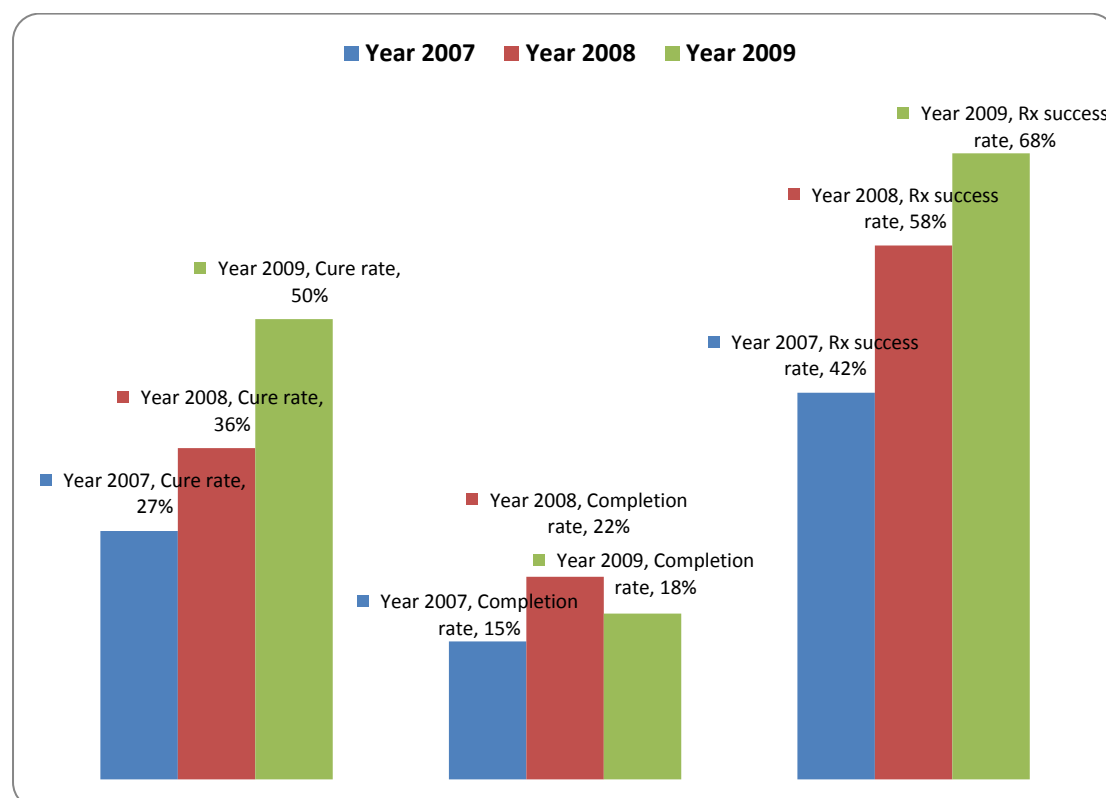
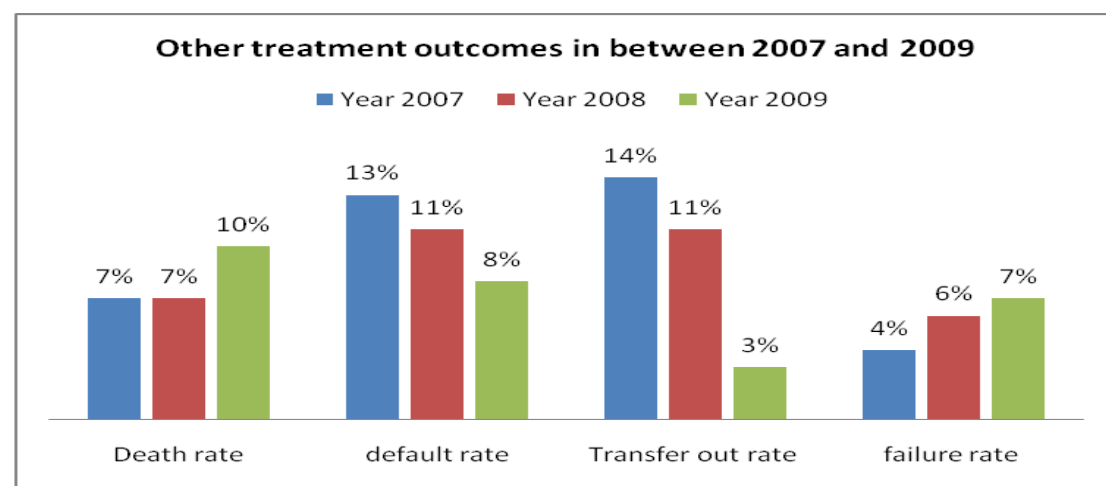


Figure 4: Treatment outcomes between 2007 and 2009



144. The National TB control program was a very small unit at the beginning of the implementation of the Round 3 GF grant. A significant component of that grant was used to strengthen the human resource capacity in the TB program with the creation of a substantial number of new positions. These staff are still in place and their salaries continue to be supported by the GF grant. The TB program has a TB program manager and five program officers for the various sections; DOTS, TB/HIV collaborative activities, M&E, MDR, and the Swaziland STOP TB partnership response. There was also a Global Fund focal person and a program finance manager. This national team was sufficient for the implementation of the GF grants. A large number of staff at both national and peripheral levels were funded by the GF. These included the M&E coordinator, Global Fund focal person, finance manager, four regional coordinators, 17 adherence officers and 100 community-based treatment supporters. In the laboratory section there were three laboratory technologists at national level and twelve microscopists peripherally, whose salaries are paid by the Round 8 TB grant. The rental for the TB program was supported by the GF grant. This is a big reliance on the donor support and risk of non-sustainability of the program. HR shortage was observed at all the TB sites visited by the OIG. The TB clinic staff were extremely busy and barely had time to be interviewed.

Recommendation 55 (High)

The MOH should:

- (a) Intensify and accelerate the interventions being implemented to curb TB in order to minimize the effects of the disease and avert a potential MDR/XDR TB epidemic;*
- (b) Integrate TB M&E into the SID and enforce the implementation of the NTCP DQA initiative;*
- (c) Begin to integrate the TB program staff positions on GF payroll into the MOH staff cadres for long term sustainability of the program and develop a time-bound Global Fund staff absorption plan.*

Recommendation 56 (Significant)

The TB program should:

- (a) Develop tools to manage data related to DOTS implementation.*
- (b) Ensure that the NTCP data quality assurance initiative is implemented at health facilities.*

National Malaria Control Program

145. During the development of the Malaria Round 2 GF grant proposal there was neither a disease specific strategic plan nor an M&E plan. Nonetheless, Swaziland achieved a decline of malaria clinical cases from 49.5 per 1000 in 2002 to 18 per 1000 in 2007. Due to this achievement Swaziland was selected by the SADC and AU for the WHO Malaria elimination strategy. An elimination strategic plan (2008-2015) is in place together with

an M&E plan (2009-2013). Indicators and targets in the Round 8 GF grant proposal are aligned to those in these two strategic documents.

146. This change of strategy necessitated program restructuring, including an increase in staff. The National Malaria Control Program (NMCP) continues to have one Program Manager but now has an officer and an assistant for each of the 4 thematic areas of its national elimination strategic plan, viz. Case Management, Integrated Vector Control, Active Surveillance and IEC. There is an addition of a grant manager for reporting, which has strengthened the linkage with the PR.

147. Long Lasting Insecticidal Net (LLIN) distribution that was previously based at health facilities is now based at the community level. Vector control officers undertaking Indoor Residual Spraying also carry with them the LLINs and do the distribution to the people in the house as they spray the houses. A Geographical Information System M&E system is in place to monitor vector control activities.

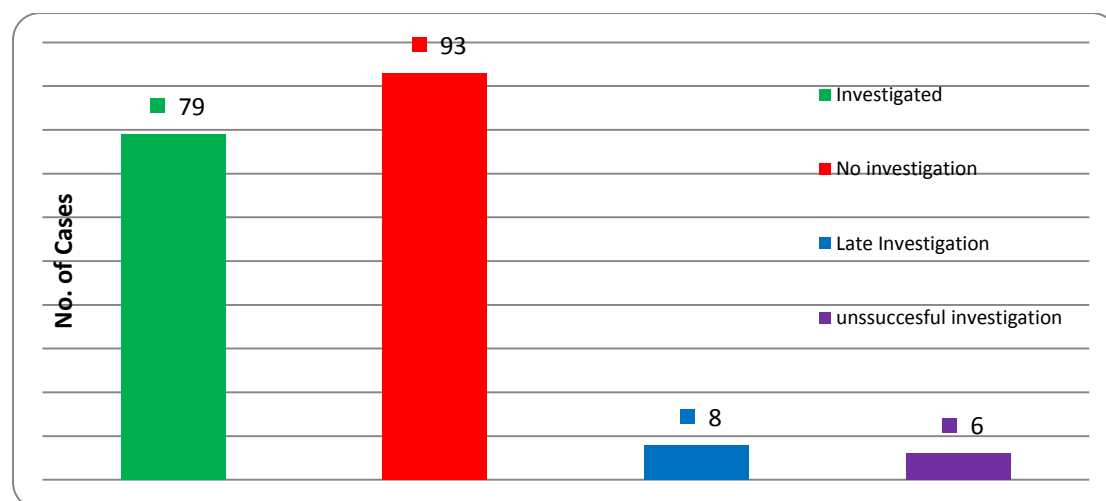
148. The M&E system for NMCP reporting continues to be parallel to the SID with huge discrepancies observed between NMCP malaria reported cases and the HMIS outpatient morbidity report for the same period as seen in the table below. This sample of data raises questions as to the reasons for the variances, as well as the actual burden of malaria in Swaziland.

	Jan	Feb	March	April	May	June
NMCP	32	7	14	21	11	12
HMIS	362	291	158	193	201	82

Table 13: Number of malaria cases reported to the NMCP program compared to the HMIS out-patient malaria morbidity report during the same time period

149. The program continues to experience difficulties in collecting data for Artemisinin-based Combination Therapy (ACT) due to the lack of data collection tools. The NMCP Case Report sent to GF M&E focal point is dated October 2009 to June 2010 notwithstanding a quarterly reporting period. Targets on the malaria performance framework for year one were not met, e.g., the percentage of local epidemics that have been responded to within 2 weeks of onset. The target for the first year was 95% with a result of zero. The reason for the variance given in the performance framework was that there were no reported epidemics during the first year owing to the fact the surveillance team was able to conduct successful investigations of positive cases. However, as shown in the graph below from the NMCP October 2009-June 2010 case report, the majority of cases were not investigated or were unsuccessfully investigated.

Figure 5: Different actions taken on reported cases



Recommendation 57 (High)

MOH should integrate malaria M&E into SID in order to address the discrepancies in NMCP and SID data. MOH should also undertake an assessment of the malaria M&E systems to address for example the reporting, discrepancy and lack of ACT data collection tools issues raised above and consider the implementation of a Data Quality assurance initiative in order to improve malaria program M&E.

Recommendation 58 (Significant)

The NMCP should review the indicators with unmet targets in the GF performance framework.

Health System Strengthening

150. The Round 8 Health System Strengthening (HSS) grant was developed in the absence of a national strategy and without much involvement of the MOH. As a result, when the grant was approved, MOH engagement was slow. This has since improved, but management problems continue to exist, resulting in significant delays in the implementation of the grant. The department of planning was designated as being responsible for the HSS grant and an HSS focal point appointed awaiting the recruitment of the HSS coordinator proposed in the grant. But due to reasons not known to the OIG, this focal point did not function as planned. Those activities that have been implemented were led by SID staff.

151. Delayed activities include: Recruitment of key staff (the HSS coordinator, procurement manager, senior procurement officer and a second procurement officer); the acquisition of laboratory sample transport vehicles; and the contracting of technical assistance for the development of MOH policy (health care worker performance framework, health care worker retention package and the private sector M&E strategic plan). The planned training of an extra stream of nursing students at the faculty of health sciences could not take place as intended. It has now been moved to the Nazarene Institute in Manzini.

152. There were no fora for communication and coordination with technical partners and other stakeholders supporting the MOH in HSS.

Recommendation 59 (High)

The MOH should:

- (a) Address the ownership and leadership issues facing the HSS grant within the Ministry;*
- (b) Improve communication and coordination with all HSS technical partners;*
- (c) Develop an HSS policy;*
- (d) Recruit the following HSS Global Fund grant key staff: HSS coordinator, Procurement manager, senior procurement officer and a procurement officer as well as the technical assistance required for the development of the important MOH policies in the grant.*

OVERSIGHT

153. A Country Coordinating Mechanism (CCM) is responsible for overseeing the GF grant-funded programs. A Local Fund Agent (LFA) provides independent assurance to the GF Secretariat on program progress and financial accountability. The GF Secretariat monitors program effectiveness and makes decisions on future funding based on performance.

Country Coordinating Mechanism

154. The Swaziland CCM has 16 substantive members, who have voting rights, and has the following representation:

- Government (8 members)
- Multilateral and bilateral development partners (2 members)
- Academic/education sector (1 member)
- NGOs/Community-Based Organizations (1 member)
- People living with the diseases (1 member)
- Religious/faith-based organizations (1 member)
- Private sector (1 member)
- Traditional health organizations (1 member)

The CCM also has two government, one NGO and one development partner ex-officio members who do not have voting rights.

Potential Conflict of Interest

155. Eight of the 16 substantive members, including the CCM Vice-Chair, managed GF grant funds as either SRs or IPs. This creates a potential conflict of interest concerning their independence when monitoring implementation activities, evaluating program performance and selecting PRs. Some of these SRs and IPs were also members of the CCM Oversight Committee and the CCM Executive Committee, which assist CCM members understand the status of each grant and make management decisions that do not require the full CCM to convene. The CCM does have an article on conflict of interest in their by-laws; however, this lacks the details needed to manage the above observations.

156. Until February 2010, NERCHA performed the role of the CCM Secretariat. This created a conflict of interest and undermined the grant oversight role of the CCM. The CCM has now established an independent secretariat.

Inadequate Processes for PR Selection

157. According to the GF guidelines, CCMs are required to put in place and maintain a transparent, documented process to nominate PRs. However, for the PR selection process for Round 10, insufficient time was given for the preparation and submission of proposals. The call for expression of interest was advertised in local newspapers on Wednesday 14th and Saturday 17th July 2010, with a submission deadline of 19 July 2010.

158. Proposals were received from CANGO, PACT and NERCHA. The CCM Oversight Committee evaluated the proposals and recommended the selection of NERCHA and CANGO as PRs. The following observations highlight procedural inadequacies:

- One of the four Oversight Committee members was a NERCHA IP.
- CCM members, including NERCHA SRs and IPs, voted to accept the Oversight Committee's recommendation for the selection of NERCHA as PR.
- PACT was rejected on the basis of being an international NGO; however, no such basis for rejection was included in the call for expression of interest. The call was open to all organizations registered in Swaziland without any mention that NGOs must be national.

159. The OIG also noted that:

- Proposal writing for Round 10 was developed by a proposal team with majority membership from the selected PRs: NERCHA (3 members); CANGO (1 member); development partners (2 members) and Government (1 member). This proposal team was also chaired by a NERCHA SR.
- By-laws introduced by the CCM in February 2009 do not include guidelines for the selection of PRs or SRs/IPs.

Recommendation 60 (High)

In order to mitigate the risk of perceived or real conflict of interest and ensure transparent processes, the CCM should:

- (a) Consider including additional members in the CCM who are independent of program implementation.*
- (b) Include specific provisions in the conflict of interest article of the CCM by-laws to clarify that CCM members who are SRs and IPs must not:*
 - *Take part in deliberations or decisions related to PR selection.*
 - *Assess the performance of the PR to which they report.*
 - *Serve on CCM committees where a conflict of interest could arise.*
- (c) Develop the following guidance:*
 - *Guidelines for the PR selection process which should include: criteria for selection, timeframe, advertisement, scoring, assessment, approval, and conflict of interest.*
 - *Guidelines for the process that the PRs must follow in selecting SRs and IPs.*
 - *Guidelines to ensure that proposals are not written according to PR specifications where organizations involved in the proposal writing process also bid as PRs.*

160. The CCM has developed an oversight manual and approved an oversight plan. However, the technical working group to help the Oversight Committee fulfil its responsibility to review and report on grant implementation and performance has not yet been set up.

Recommendation 61 (Significant)

The CCM, in collaboration with development partners, should ensure that the technical working group is promptly established and the necessary technical support is provided to the CCM Oversight Committee.

Local Fund Agent

161. The LFA as the ‘eyes and ears’ of the Global Fund plays a crucial part in the Global Fund’s system of oversight and risk management. PricewaterhouseCoopers had been the LFA since the inception of the Global Fund grants in Swaziland.

162. The LFA had not performed a risk analysis to ensure a risk-focus for the PUDR review work it carries out. The LFA Manual stipulates that the PUDR review should be undertaken from a risk management perspective, looking at both grant risk and country risk.

163. The LFA’s PUDR reviews did not include verification work in high risk areas such as procurement, SR expenditure, and IP salaries. The issues of weak PR capacity in procurement and SR management had been highlighted in the LFA’s PR assessment reports.

164. At the time of the OIG audit the LFA was conducting a PUDR review with only two finance professionals. The LFAs proposal mentioned five finance professionals for this type of review. In the OIG’s view, two finance professionals is an insufficient resource to be able to ensure a high quality review.

165. Certain OIG findings in this report highlight issues that were not captured in the LFA’s PUDR reviews even though they were within the LFA’s scope of work. Some examples of OIG findings not identified by the LFA in PUDR reviews are:

- Differences between the expenses reported in the PUDRs/EFRs and the PR’s financial records.
- Commingling of GF funds with the funds of other donors and the inability of the PR’s systems to split the bank cash balance by donor.
- Unbudgeted expenses and budget overruns.
- Instances of non-compliance with CPs.

Recommendation 62 (Significant)

The LFA should:

- (a) Undertake an assessment of country and PR risk and develop a review plan that ensures coverage of the key risks identified. This should guide all LFA work.*
- (b) Ensure that sufficient resources are employed on the PUDR reviews in order to ensure a high quality review.*

Recommendation 63 (Significant)

The Global Fund Secretariat should ensure that the scope of the LFA's work includes verification in high risk areas such as procurement, SR expenditure and IP salaries.

Global Fund Secretariat

166. The role of the GF Secretariat is to provide oversight to grant implementation and to ensure that all parties involved in grant implementation adhere to the provisions of the grant agreements.

167. The GF Secretariat released disbursements in several instances where CPs had not been fulfilled by the PR, e.g., CP1 from Round 4, which required evidence of the proper functioning of financial accounting software capable of meeting the Global Fund's reporting requirements.

168. Due to weaknesses in the GF Secretariat's archiving system, the GF Secretariat was not able to provide the OIG with all documents requested, especially for the earliest grants. The Country Programs Cluster has undertaken an initiative to find the final grant documentation for all active grants, which are mostly Round 4 to Round 9.

Recommendation 64 (significant)

The Global Fund Secretariat should:

- (a) Ensure consistent follow up of the PR's compliance with all grant conditions and should ensure that no disbursement is made until proof of fulfilment has been received.*
- (b) Find and store in an accessible location the final grant documentation for the earliest grants (Rounds 1 to Rounds 4).*

Annex 1: Country Coordinating Mechanism Overall Comments

SWAZILAND GLOBAL FUND COUNTRY COORDINATING MECHANISM [CCM]

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18 October 2011

Mr. John Parsons
Inspector General
The Global Fund to Fight AIDS, Tuberculosis and Malaria
Chemin de Blandonnet 8
1214 Vernier, Geneva, Switzerland

~~Dear Mr. Parsons,~~ Dear Mr. Parsons,

THE OIG AUDIT REPORT ON SWAZILAND

ort does not Your letter of 7th October 2011 on the above subject refers. Even though the report
important in mention or indicate any fraud on our part, we consider the action points very important in
mitigating the financial risks to Global Fund assets.

oked proper We note the increase from \$5.7m to \$6.2m of the total expenses which either lack
lated in our supporting documents and /or were over the approved budget. Our stance as articulated
September 1, 2011 still stands.

ributable to We wish to highlight the following achievements and interventions which are attributable to
Global Fund grants in the country:

- | | |
|--------------|--|
| try | 1. The scale up of Voluntary Counselling and Testing Services in the country including the introduction of Health Provider Initiated Testing and Counselling services. |
| selling | |
| ment. | 2. Start ART and achieve 3 by 5 target, with drug now provided by Government. |
| cilities | 3. Scale up of ART sites with outreach services to Primary Health Care Facilities from main hospitals ; |
| | 4. Scale up laboratory services and improve test turn around times. |
| | 5. Provide adequate drug storage for ARVs. |
| | 6. Scale up PMTCT services. |
| to take-up | 7. Introduction of OVC education grants that encouraged the Government to launch such programme and introduce a budget for OVC education grants. This was followed by the gradual introduction of free primary education in the country in the financial year of 2010/11 for grade1 and 2 and in the current financial year for grade 3. |
| has been | |
| untry in the | |
| ear for | |
| ant fed | 8. Introduction of School Feeding at primary schools under the Round 2 grant feeding more than 200 000 children in the country. This led to government increasing the budget for all primary schools in 2009; |
| roducing a | |
| 00 children | 9. Introduction of feeding children in high schools (under Round 7 +85 000 are being fed) and Government is preparing to sustain this after the end of Round 7. |
| of the | |
| eeding that | 10. Scale up of OVC feeding (+40 000) at community level through NCP feeding which was previously supported by WFP but in only food insecure areas. |

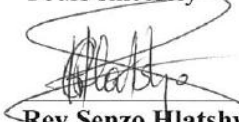
11. Introduction of community responses through the support of the Kagogo centres and chiefdom OVC farming under Round 2. These projects were used to mobilise the community to take care of their own responses. The various community dialogues in preparation for implementing these programs lead to community leaders getting involved in the HIV/AIDS response.
12. Global Fund made decentralisation of health services and other social services possible and thus furthered the goals of universal access to prevention and treatment.

On the report of the motor vehicle cost, the OIG's figure has now increased from \$1.1m to \$1.8m and we suspect duplication is the reason for the overall unallowable expenditure to have increased from \$5.7m to \$6.2m. Since some of the vehicles in question related to grants that have been closed (Rounds 2 and 3) it may help for Global Fund to instruct the LFA to perform a verification as soon as possible as most of these have been disposed to SRs and IPs in accordance with the approved grant closure processes.

On article 154, kindly replace "June" with "February" because the independent CCM Secretariat actually took over from NERCHA [PR] in February 2010.

CCM is grateful that OIG audited the Global Fund grants in Swaziland and highlighted the gaps and made recommendations on how these could be addressed. Lessons learned will be used to improve the risk management. The CCM looks forward to continued collaboration with OIG in the near future.

Yours sincerely



Rev Senzo Hlatshwayo
CCM Chairperson

Cc: Dr Debrework Zewdie, Deputy Executive Director, the Global Fund
Mr Mark Edington, Director Country Programs, the Global Fund
Mr Samuel Boateng, Unit Director a. i. Africa
Mr Oren Ginzburg, Unit Director, Quality Assurance and Support Services Unit
Dr Victor Bampoe, Regional Team leader, Southern Africa
Mr Dominique Johnson, Fund Portfolio Manager Swaziland
Ms. Sindy Mabuza, CCM Vice Chairperson
Mr. Dumisani Kunene, Technical Director, NERCHA [PR]

OIG response to the CCM overall comments

Based on your letter dated 1 September 2011 and additional information provided by NERCHA, the OIG revisited the question of the vehicles, which had given rise to an increase in the 'unallowable expenditure' amount. After the comparison of 21 vehicles that were not traced by the OIG during the audit with the 38 unbudgeted vehicles procured by NERCHA, OIG confirms that ten vehicles were reported twice in the potential recovery table. The amount corresponding to these ten vehicles (USD 414,200) has been deducted. The total amount of recoveries after this update now stands at USD 5,815,116 (See Annex 5 Summary of unallowable expenditure).

Annex 2: Global Fund Secretariat Overall Comments

18 October 2011

John Parsons
Inspector General
Office of the Inspector General
Chemin de Blandonnet 8
1214 Vernier- Geneva

Country Audit of Global Fund Grants to Swaziland

Dear John

The Secretariat would like to thank the Office of the Inspector General (OIG) for its collaboration during the audit of the Global Fund grants in Swaziland. Following the receipt of the report on 7 October 2011, this letter represents the Secretariat's response to the OIG findings.

The Secretariat appreciates the OIG's inputs and will ensure that it is incorporated into the Global Fund programs managed by the National Emergency Response Council on HIV and AIDS ((NERCHA) in Swaziland. The Secretariat will continue to work closely with the Swaziland CCM, PR, Development Partners and LFA to monitor the implementation of the agreed upon audit recommendations. In particular, these will be given due consideration in the current negotiation and signing of the Round 10 TB Single Stream of Funding grant, for which NERCHA will be the Principal Recipient (PR).

This letter provides a brief contextual background to the Global Fund supported programs in Swaziland and indicates the specific actions that the Secretariat and PR have taken and will take to address the challenges and key risks in the portfolio, as noted in the report.

A. Contextual background

Swaziland has the highest HIV prevalence worldwide among adults aged 15-49 (26.1%) and the highest Tuberculosis incidence rate (1257 TB cases/100,000/year). One of the challenges that the country faces in the HIV/TB co-epidemic is human resource constraints. Furthermore, according to IMF, Swaziland is currently experiencing a financial crisis and the country will continue to face severe liquidity constraints in 2011.

The Global Fund has invested significant resources in HIV/AIDS, Tuberculosis, Malaria and health systems in Swaziland. A total of USD 122,390,998 has been disbursed to date, including USD 108,378,258 (88%) under the Round 2, 4 and 7 HIV grants. Through the Global Fund supported programs the country has been able to achieve commendable results amidst a challenging environment which includes the following:

- As of 30 June 2011, 67,871 adults and children with advanced HIV infection were receiving ARV treatment;
- Treatment success rate is 69% among smear -positive TB patients; and
- Malaria cases have declined by over 60% and the country has a Malaria Elimination strategy in place.

B. Summary of key recommendations and action by the Secretariat

Institutional Capacity	
Recommendation 1 The Global Fund Secretariat should take urgent action to ensure the PR has the capacity to properly implement Global Fund grants and that adequate internal controls are in place to safeguard Global Fund resources. To do this, the Global Fund Secretariat should, with the involvement of in-country stakeholders, consider providing technical assistance to help the PR strengthen its capacity in the areas of procurement and supply management, financial management, and the management of SRs and IPs	<i>The Secretariat agreed with this recommendation and has been working with the PR to develop and structure a Grants Management Unit (GMU) in PR. In August 2011 the Secretariat approved the new GMU structure and organogram. The recruitment for the new positions is currently underway and in September 2011 the Grants Coordinator (head of the GMU) was appointed. GMU is in the process of filling the other key positions and once hiring is finalised and the unit is operational, the Secretariat will carry out an assessment in mid-2012 to confirm if the structure is properly aligned and ensures adequate internal controls.</i> <i>The Secretariat will work with the CCM, PR and Partners to ensure that a coordinated program of Technical Assistance (TA) is provided to the PR. The following TA has recently been provided: MSH and Clinton Foundation currently support the PR in forecasting, quantification and the USAID is Strengthening Pharmaceutical Systems Program (SPS); UNAIDS has seconded a Civil Society/SR capacity building officer to the PR, the PEPFAR Local Capacity Building Project will provide TA to strengthen the GMU. In addition, the Secretariat is also finalizing a Private Sector Partnership with Deloitte Consulting to provide TA to the PR in Procurement and Supply Management.</i>
Recommendation 2 The Global Fund Secretariat should work with NERCHA to ensure that: (a) Organizational structure and processes are modified to promote effective communication among the units managing the GF grant programs. In particular, the M&E unit should provide the technical unit with the programmatic information necessary to make appropriate disbursement decisions. (b) All policies and procedures necessary to manage GF grants are developed, approved, rolled-out and duly complied with. In particular: Implement policies and procedures for the management of SRs and IPs, covering activities such as capacity assessment,	<i>As indicated above the Secretariat is strengthening the capacity of the PR and will work closely with management to ensure effective communication amongst the various functional units, in particular, the M technical unit in the context of SR disbursement decisions.</i> <i>The Secretariat will work with the PR to help ensure the development, updating and adoption of required policies and procedures noted in the recommendation.</i> <i>Kindly note, recent Phase 2 grants include the requirement for (i) SOPs detailing the</i>

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selection, disbursement of funds, monitoring and reporting. Finalize and approve the financial manual by: completing the blank sections; include coverage of allocation of shared or indirect costs, month-end close procedures, and periodic data backups; and including procedures for periodic physical verification of assets, disposal of assets, and the tracking of usage and repair of vehicles. Implement policies and procedures to manage conflict of interest in financial and programmatic activities	<i>arrangements for management of grants including financial and administrative procedures, payment authorizations, budgetary controls and asset management, and (ii) SOPs detailing the arrangements for procurement, forecasting, quantification, storage and inventory management distribution.</i> <i>In addition, in the R10 SSF TB grant the Secretariat will work with the PR and require the PR to develop, update and adopt a (iii) Financial Manual and (iv) a SR manual.</i>
<i>Recovery of Ineligible and Unsupported Expenditures</i>	
The OIG has identified a recoverable amount of USD 6,229,318 for ineligible and unsupported expenditures. [NB: The above amount is based on a draft version of this report. The final report identifies the following amount: USD 5,815,116.]	<i>The Secretariat notes that the OIG identified a recoverable amount totalling USD 6,229,318. Some of the figures have been contested by the CCM/PR through official communication. In their response they notified the OIG that verification reports and/or supporting documentation are available for the OIG to review.</i> <i>The Secretariat will work with the OIG, CCM and PR to ensure the additional supporting documents are reviewed in a timely manner and loss figures revised accordingly.</i> <i>The available options include a follow-up mission by OIG to Swaziland or a review by the LFA. In second option the Secretariat and the OIG will agree to a defined scope of work for the LFA. The Secretariat will pursue and recover all amounts that are not cleared through the follow up review.</i>
<i>Weak Budgetary Control</i>	
Recommendation 5 NERCHA should: (a) Strengthen the budgetary control system by ensuring the accounting software is able to generate complete and accurate budget vs. actual reports. (b) Obtain prior approval from the Global Fund for any deviation from the budget or detailed work plan approved by the Global Fund. (c) Provide evidence that the 38 unbudgeted vehicles exist and were used to achieve Global Fund grants purposes. Failure to do this should result in the refund of the amount of USD1,180,656 to the corresponding grants.	<i>(a) The PR currently uses the ACCPAC accounting system. The Secretariat will work with the PR to help ensure that the GMU and Finance unit are orientated to the new system and help ensure the development of accurate actual vs. budget financial reports.</i> <i>(b) The PR currently informs and requests the Secretariat's approval for deviations from the budget, if applicable. In light of the items noted on the unbudgeted vehicles and human resource costs, the Secretariat will work with the PR to ensure that the agreed budget is complied with, or if a justifiable deviation occurs, the PR requests prior</i>

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(d) Review the budgeted positions at the time of recruiting new employees. Number of employees hired should not exceed the staff budgeted in the detailed budget without prior approval from the Global Fund.	<i>approval.</i> <i>(c) Please see the Secretariat's response to the recovery of ineligible and unsupported expenditures.</i> <i>(d) The PR's new GMU structure will contribute towards the resolution of the noted items on weak budgetary control. In terms of procedures and policies, the Secretariat will work with the PR and will require an updated SOP for Grants Management and a Financial Manual.</i>
Recommendation 7 In order to strengthen controls in the accounting function, NERCHA should: (a) Recruit an archiving specialist to establish a system for the proper archiving of accounting documentation that enables ease of retrieval. (b) Refund the amount of USD312,930 that has no supporting documentation, and also the total of USD51,909 related to unallowable/invalid expenses. (c) Ensure all expenditures are properly supported with an authorized purchase requisition, original vendor invoice, evidence of receipt of goods/services, and a certification of completion of work for construction activities. (d) Establish a mechanism for tracking the disbursement, liquidation and recovery of advances to employees. Advances should only be expensed in the accounting records once they are liquidated. (e) Strengthen the review and approval procedures prior to posting the transactions in the accounting software. (f) Configure the accounting software to prevent the posting of duplicate invoices and ensure access rights are in line with employee job descriptions.	<i>(a) The PR contracted a local firm to reconfigure the filing and archiving system. The Secretariat will work with the PR to ensure that the system is functioning appropriately and the filing and archiving is being maintained as required.</i> <i>(b) Please see the Secretariat's response to the recovery of ineligible and unsupported expenditures</i> <i>(c) The Secretariat will work with the PR to help ensure that the recommendations are implemented and that:</i> <i>- Expenditures are supported by archived source documents.</i> <i>- The PR has a system in place in which advances are recorded as receivables and expensed on receipt of supporting documents.</i> <i>- The PR has an adequate system of segregation of duties in place for processing financial transactions.</i> <i>(d) The PR currently uses the ACCPAC accounting system which does not permit the duplicate posting of invoices.</i> <i>(e) The PR's new GMU structure will contribute towards the resolution of the noted items on weak budgetary control. In terms of procedures and policies, the Secretariat will work with the PR and will require an updated SOP for Grants Management and a Financial Manual.</i>
Procurement and Supply Management	

Recommendation 12 NERCHA should: (a) Strictly enforce compliance with the NERCHA Procurement Policy and Manual. (b) Adopt the public procurement regulations and update the NERCHA Procurement Policy and Manual accordingly.	(a) <i>Parliament has recently passed the Public Procurement Bill. The Secretariat will work with the CCM, PR and government to obtain confirmation as to how the Bill applies to the PR as a parastatal.</i> (b) <i>The PR is required under the standard terms and conditions of its grant agreement to comply with the specific Global Fund procurement and quality assurance principles.</i> <i>The Secretariat will therefore work with the PR to revise and improve its Procurement Policy and Manual which includes the basis of the Public Procurement Bill, while also addressing and including the Global Fund's specific requirements on procurement and quality assurance.</i>
Recommendation 14 NERCHA should: (a) Strengthen procurement capacity by providing training on health and non-health sector procurement and consider appointing a pharmaceutical procurement expert. (b) Consider the use of a procurement agent (c) Appoint a Contract Officer to undertake the contracting function including ensuring compliance with contract provisions. (d) Review the structure of the procurement and supply chain management activity to establish a clear segregation of duties.	(a) <i>The new structure of the GMU has been approved and includes the expansion of the Procurement Unit with a Procurement Specialist (Unit Head) and a Contracts Manager in addition to the Procurement Manager and 2 Procurement Associates.</i> (b) <i>In September 2011 the PR informed the Secretariat of its provisional needs for the procurement of specific products via VPP for the HIV, Malaria and TB grants. The Secretariat will continue to monitor and ensure that the VPP registration letter is signed before VPP related procurement orders are placed, in accordance with the Global Fund's OPN on VPP.</i> (c) <i>After the additional recruitments have taken place and the GMU has been operational, the Secretariat will complete an assessment of the GMU in mid-2012 to align the structure and further strengthen internal controls, including segregation of duties.</i>
Inventory Management	
Recommendation 22 NERCHA should: (a) Commission an independent physical verification of all products in the CMS	(a) <i>In September 2011 the PR selected an auditing firm to complete an exercise at the</i>

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warehouse procured with the Global Fund grant funds. This task should include reconciliation to inventory records plus verification of receipts and issues, and all adjustments made to book stock as a result of the monthly inventory counts (b) Work with the MOH to ensure appropriate oversight arrangements are put in place to monitor and check that inventory records are properly maintained and stock is properly safeguarded. (c) Requires boxes and blisters to indicate that the drugs are Government supplied and not for re-sale	<i>CMS which includes the reconciliation and physical verification of all Global Fund procured health products that have been ordered, received and distributed by the CMS with what has been ordered, received and dispensed by the health facilities. The Secretariat will follow-up on the findings and recommendations of the exercise.</i> <i>(b) The requirement of a new CMS organogram and structure together with a clear transition plan from MoH/Public Service Commission has been included in the R8 Phase 2 TB grant.</i> <i>(c) The Secretariat will work with the PR, MoH and Partners to determine the feasibility of the labelling recommended by the OIG.</i>
Recommendation 23 The MOH and the CCM in collaboration with NERCHA should: Ensure that all discrepancies found during monthly inventory counts are thoroughly investigated and duly reported to the appropriate authority. No adjustments should be made in the stock system to adjust for these discrepancies without proper authorization and adequate resolution of the underlying cause of the discrepancy. Ensure that the inventory management software is able to produce a full range of management reports, including a drug-wise report providing opening stock, receipts, issues and closing stock. Ensure that stock that is earmarked to be issued to facilities is only booked out of stock on the date of dispatch and also ensure that this stock is always counted during physical verification as long as it is still physically in the warehouse. Post security guards at the gate and monitor and check all entries and exits. Consider introducing a bar code system at the CMS for easy tracking of batches.	<i>(a) The PR, MoH and Partners have provided a PSM Country Profile and Action Plan. Following the audit and LFA feedback, the Secretariat will work with the PR and Partners to develop an updated PSM Action Plan to address the identified issues amongst others such as:</i> <i>- weaknesses in the CMS storage and inventory control arrangement,</i> <i>- organizational structure at CMS and interrelation between MoH with regards segregation of duties and responsibilities,</i> <i>- weaknesses in ART patient and drug management systems,</i> <i>- on-going TA support in CMS and</i> <i>- capacity and procedural weaknesses within the PR's procurement</i> <i>(b) In particular, the Secretariat will work with the PR, MoH and Partners to determine and confirm whether:</i> <i>- The revised CMS SOPs includes processes related to reporting and resolution of discrepancies in inventory counts;</i> <i>- The management software is able to provide the required reports;</i> <i>- The Rx Solution training which has been used in the orientation of CMS staff, included procedures on stock booking and verification as recommended by the OIG;</i> <i>- Adequate security has been put in place; and</i> <i>- The barcoding and scanning at the ARV warehouse is fully operational as planned.</i>

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Recommendation 26 The MOH and NERCHA should put in place an action plan for implementation of the recommendations of the E&Y investigation report.	<i>The MoH provided the final E&Y report in December 2010. In February 2011 the PR submitted to a CMS action plan to address the recommendations of the E&Y report. Following the audit and additional LFA feedback, the Secretariat will work with the PR, MoH and Partners to request the development of an updated CMS Action Plan</i>
Sub-recipients and Implementing Partners	
Recommendation 30 NERCHA should: Ensure advances are not given to IPs given that IPs are distinguished from SRs by their poor financial management capacity. IPs should not be allowed to independently procure goods or services with the Global Fund grant funds. Ensure advances are paid to SR's only after the proper liquidation of the previous advances. Follow up with SRs to secure the liquidation of long outstanding advances. Ensure that advances can only be disbursed with proper approval.	<i>The Secretariat will work with the PR to ensure that the PR completes payment and procurement on behalf of IPs and does not transfer funds to them, including for training activities.</i> <i>(b) To ensure tighter and more controlled SR follow-up, financial reconciliation, identification of ineligible expenses and disbursements to SRs based on PBF principles and reporting, the PR management has decided to set a monthly disbursement cycle. The Secretariat will work with the PR to help ensure that advances to SR are liquated prior to making subsequent SR disbursements, long outstanding advances are liquated and, lastly, that advances are made according to policy.</i> <i>(c) The PR's new GMU structure will contribute towards the resolution of the noted items on SR management. In terms of procedures and policies, the Secretariat will work with the PR and will require an updated SOP for Grants Management, Financial Manual and SR Manual.</i>
Recommendation 32 NERCHA should: (a) Establish a reporting mechanism to ensure accurate and timely submission of the reports by the SRs. In particular, reports should be reconciled to financial records before being submitted to the PR. (b) Ensure the overstated amounts totalling USD 89,093 are refunded. (c) Ensure WV ascertains the reasons for the USD 358,105 cash balance difference at 30 June 2010 between the books of account and the report submitted to PR.	<i>(a) The PR management has decided to set a monthly disbursement cycle for tighter control of SRs. The Secretariat will work with the PR to help ensure that the required reporting mechanisms are in place and functioning as recommended.</i> <i>(b) Please see the Secretariat's response to the recovery of ineligible and unsupported expenditures.</i> <i>(c) The PR's new GMU structure will contribute towards the resolution of the noted items on</i>

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	<i>SR management. In terms of procedures and policies, the Secretariat will work with the PR and will require an updated SOP for Grants Management, Financial Manual and SR Manual.</i>
Recommendation 33 (a) SR policies and procedures are implemented for the following: Acquisition and transfer of assets (STC); human resources (WV/HH/WLSA); authority matrix for purchases (HH); and travel claim approval, travel and meal rates, and access rights to financial records (STC). (b) SR budget monitoring procedures are strengthened by including identification of reasons for variances, verification of budget availability at the time of initiation of expense, and obtaining the required pre approvals in case of unbudgeted expenses. (c) All the following controls are in place for the accounting functions of SRs: - Basic software is used for maintaining books of accounts; - Adequate segregation of duties; - Tracking of advances and follow-up of outstanding advances on a periodic basis; - Proper review and approval controls are maintained over the posting of transactions. (d) SR payroll processing is strengthened by ensuring that: - SRs perform monthly reconciliation of previous and current month's payroll to ensure accurate payroll processing; - All statutory dues are deposited with the Government authorities within the due dates; - SR defines the basis for allocation of shared donor Expenses	<i>(a) The Secretariat will work with the PR and require the PR to develop, update and adopt a Grants Management SOPs and SR manual which addresses and include the recommended items.</i> <i>(b) The Secretariat will work with the PR to help ensure that SRs are required to monitor budget variances through accounting packages or where no other means are feasible, Microsoft Excel sheets. The requirement should be captured in the Grants Management SOPs and SR Manual.</i> <i>(c) The Secretariat will work with the PR and LFA to determine which SRs have the capacity to adequately implement the key accounting controls noted. If strengthening and corrective measures are not effective, the Secretariat will work with the PR to help to ensure that the PR processes payments on behalf of the implementers, rather than transferring funds to the applicable organisation.</i> <i>(d) The PR is currently completing an audit on SRs to determine the internal control environment, including payroll controls, accounting systems, and capacity. The Secretariat worked with the PR to develop a scope of work for this exercise.</i> <i>Further, the LFA will carry out periodic checks at both PR and SR level to reconcile payroll to personnel data and confirm that the payroll is accurately computed.</i>
Recommendation 40 NERCHA should ensure that: Bill of quantity and construction plan is certified by an independent engineer/quantity surveyor. NCPs are constructed as per the approved plan and all completed NCPs are certified by the quantity survey.	<i>(a) In light of the various audit findings on NCPs, the overall strategic direction of project has been refined by the NCP stakeholder group which includes Ministry of Tinkhundla Administration and Development (MOTAD), MoE and the PR. Currently government is developing a NCP National Strategy, National implementation plan and a monitoring</i>

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Only the actual quantity of materials consumed in the construction of the NCPs is charged to the grant, and also ensure that the SRs refund the excess quantities claimed. All left over construction materials are used in the construction of other NCPs, or are returned to the vendor	system. (b) The PR has decided that the construction of new NCPs would be outsourced to one construction management firm and that Quantity Surveyors will be involved to determine accurate Bill of Quantities. The PR is currently mapping the location of existing NCPs. (c) Lastly, a condition in the R 7 HIV Phase 2 grant requires the submission of a costed management and oversight plan prior to the disbursement to support the construction of NCPs. The plan is currently being updated by the PR and is expected in October 2011. The CP is therefore in progress and unmet.
Health Systems Strengthening	
Recommendation 59 The MOH should: Address the ownership and leadership issues facing the HSS grant within the ministry; Improve communication and coordination with all HSS technical partners; Recruit the following HSS Global Fund grant key staff: HSS coordinator, Procurement manager, senior procurement officer and a procurement officer as well as the technical assistance required for the development of the important MOH policies in the grant.	To address the noted concerns the Secretariat worked closely with the PR, CCM, technical partners and relevant stakeholders. In response the PR, MoH, CCM created a task force with technical support from WHO with the aim of developing a Recovery/Acceleration Plan. Following the interventions of the Secretariat, CCM, PR and technical partners, a Recovery/Acceleration Plan was submitted to the Secretariat and approved in July 2011. The HSS Coordinator was recruited in February 2011. All budgeted positions apart from the Procurement Manager are now filled.
LFA	
Recommendation 62 The LFA should:) Undertake an assessment of country and PR risk and develop a review plan that ensures coverage of the key risks identified. This should guide all LFA work.) Ensure that sufficient resources are employed on the PUDR reviews in order to ensure a high quality review.	The LFA has developed and provided a Country Risk Assessment to the Secretariat. The document has been used as the basis for on-going LFA services such as the R10 LFA assessment. The Secretariat will work with the LFA to determine the feasibility of an in-country workshop with the stakeholders. In early 2011 the LFA expanded its human resource component to cater for the required services on the portfolio. Lastly, in response to the outcome of a recent mid-term evaluation process, the LFA has provided an action plan which the

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	<i>Secretariat will monitor on an on-going basis.</i>
Recommendation 63 The Global Fund Secretariat should ensure that the scope of the LFA's work includes verification in high risk areas such as procurement, SR expenditure and IP salaries	<i>The Secretariat will ensure scope of services and LFA team structure is tailored to high risk areas when planning for 2012 LFA services</i>

The Secretariat thanks the Office of the Inspector General for the completion of this report and is looking forward to a constructive engagement on matters raised in the letter.

Yours sincerely,

Mark Eldon-Edington
Director
Country Programs Cluster

Annex 3: OIG Responses to the Executive Summary of the Response of the Swaziland CCM to the Swaziland OIG Draft Audit Report

SWAZILAND GLOBAL FUND COUNTRY COORDINATING MECHANISM (CCM)

EXECUTIVE SUMMARY ON RESPONSES TO THE DRAFT AUDIT REPORT OF THE OFFICE OF THE INSPECTOR GENERAL ON THE GLOBAL FUND GRANTS IN SWAZILAND

Introduction

The Office of the Inspector General carried out an audit of all Global Fund grants from the inception date of the first grant, 1st July 2003 until 30th June 2010. The audit took place from the 2nd of August to 3rd of September 2010.

Findings of the OIG

Generally the findings of the OIG, especially with regard to the first rounds of grants for which most of the management challenges were identified (except for the NCP project), are in most respects factual. We must accept that Global Fund processes at the country level on early grants were not properly refined and incorrect assumptions around the flexibility regarding the use of the approved funding were made.

The overriding national focus for implementation of the first grants, especially on HIV/AIDS, was on expediting services and/or materials to those who needed them to save as many lives as possible. To achieve this, efforts were made to create flat management structures and financial controls with limited bottlenecks. This is demonstrated by the exceptionally low PR overhead costs built into grants to date. The PR has maintained lean staff levels in order to maximize program funding available for life saving activities, which limited its abilities to apply the strictest standards of management controls. NERCHA has now established a Grant Management Unit which will focus solely on the management and implementation of Global Fund grants and we are positive that performance of the grants will continue to improve programmatically, while also improving financially.

During the implementation of Round 2, thematic committees (Prevention, Treatment/Care and Support and Impact Mitigation) were established to guide the Principal Recipient on funding activities that would result in appropriate programmatic outcomes. These committees adjudicated over proposals and requisitions from both Government and Non-Government implementers based on their technical expertise on the ground. The strength of these thematic technical committees was strictly programmatic, and while their approvals did not over-ride financial and budgetary controls, they were accepted by the PR system as the guides to good programmatic investments.

With hindsight from the OIG report, it is clear now that the budgetary controls were supposed to override the funding decisions taken during the time. The only budgetary control applied during earlier GF grant implementation was at the objective level – that is, trying not to overspend on the same objective but not necessarily focusing on sub-activity level budgets. Furthermore, there was a problem with the exchange rate used when the original HIV/AIDS grant budget was presented to

the Global Fund for approval. The budget was based on an exchange rate of \$1=E10 but when the funds actually started flowing in the exchange rate was around \$1=E6-E7. This put the whole planning in disarray for some of the national programs.

An example of this is in the construction of Kagogo Centres, where overspending was highlighted by OIG. The budget for constructing Kagogo Centres was \$1.8m in total, theoretically translating to E18m (\$5000 or E50 000 per structure). This was under-budgeting for each structure to begin with, compounded with an additional exchange rate penalty from \$1=E10 to \$1=E7. These changes resulted in the over-expenditure noted by the audit and also led to co-financing from the subvention for HIV/AIDS Coordination received by the Principal Recipient from the Swaziland Government.

***OIG comments:** We appreciate the explanation provided by the CCM, which agrees with that provided to us by the PR during the audit exercise. Given that NERCHA had only been established in late 2001 and signed its first agreement in July 2003, there was limited institutional capacity on hand to manage/oversee the Global Fund-supported programs.*

There was a variance between the exchange rate foreseen in the budget and the exchange rate applied during the grant implementation. This was taken into consideration by us when reviewing the Kagogo Centre-related expenditures (328 centres were constructed in place of 360 planned).

The reasons for the Kagogo Centres' budget overrun were related also to incomplete budget oversight and monitoring during construction:

- (a) Two types of Kagogo centres were planned for construction, which were 1. The block and tile roof costing US\$ 4,716 (E 33018.23) or 2. The stone block and grass roof amounting to US\$ 4,079 (E 28557.11). The PR did not document specifications to be used while building each individual centre. As a result the PR could not monitor whether the correct specification of material was actually used for construction or if the vendor claimed construction material for the more expensive type of centre while actually constructing the low cost type of centre;*
- (b) The construction plan used by one of the SRs (AMICAALL) who constructed 40 Kagogo Centres was not approved by PR; and*
- (c) There was no oversight over the activities performed by the outsourced contractor hired to construct the Kagogo centres for the first two years of construction. NERCHA did not review the prices charged by the contractor, assess the quality of vendors appointed by the contract or monitor the consumption of material during the construction of the Kagogo Centres, even on a sample basis. There were no third party quality checks performed on the Kagogo Centres constructed.*

The total expenses incurred on construction of 328 Kagogo Centres amounted to USD 3,416,451 (E23,915,158) against a budgeted amount of USD 2,368,889 (E16,582,222), resulting in budget overruns of US\$ 1,047,562 (E7,332,936).

Unbudgeted Vehicles

We accept that more vehicles than those in the budget were procured, and have followed up with the recommendations of OIG. The PR engaged KPMG to assist with the physical verification of all the vehicles (which were in fact already verified during the Round 2 and 3 Grant Closures), per recommendations 5(c) and 10(d). The results of this verification are in Appendix 5a and Appendix 5a-32 Vehicles, attached to this report.

In the case of unbudgeted vehicles, we absolutely accept that these should have been cleared with the Global Fund Secretariat. However, must state again that it was in the spirit of achieving the programmatic goals towards which the funding from Global Fund was targeted, and we seriously doubt that some of the reported achievements would have been possible without the additional vehicles. As already mentioned earlier, most of these decisions were based on what was deemed good advice at a country level from our thematic technical committees. These committees were made up of lead programmers in these areas and there was at no point a deliberate move to disregard budgetary controls. In most cases, if time was on our side, we could demonstrate that these decisions made programmatic sense and often also financial sense. A few additional examples are listed below:

- In the Round 2 Grant there was an activity to employ 55 Home Based Care supervisors, to be placed in each of the 55 constituencies in Swaziland. This would have been a total cost of \$510 000 in phase 1 only (in phase 2 original budget this was \$990 000). However, the Ministry of Health observed that it was going to be difficult for the Ministry to absorb these positions, especially since the pre ART and ART programs were supposed to reduce the numbers requiring Home Based Care in the long term. Rather, the Ministry opted to procure only four supervisory vehicles costing less than \$100 000 to supervise this program by region rather than hire the total number of supervisors. This made financial sense and was more sustainable than recruiting 55 supervisors who would then have had to be absorbed by Government. This was under objective 7 of the Round 2 grant.
- In objective 1 of the Round 2 grant there was a program to build/rehabilitate 20 youth centres in various parts of the country at a cost of \$500 000; another \$500 000 was allocated for equipping and buying IEC materials for these centres. In this instance, the centres were equipped with two vehicles to enable the implementing partner to coordinate the construction and delivery of service to these centres.
- Round 4 provided for the procurement and delivery of farm inputs to 360 chiefdoms across the country, but the means of transporting these was inadvertently omitted from the budget.

To get these inputs to the chiefdoms a decision was taken to procure four vehicles, one for each of the four regions of the country, to deliver the inputs as well as coordinate the ploughing and harvesting of the produce.

- Also under Round 4, four vehicles were procured to assist the Ministry of Health decentralise ART services to facilities at a lower level than hospitals and health centres. The outreach programs for ART would not have been possible without vehicles. There was also a supervisory vehicle procured for Central Medical Stores to enable them to supervise ART treatment sites with a view to strengthening drug management and also allow for the movement of stock from facilities with surplus to those with low stock. This was pursuant to the ultimate aim of avoiding stock loss through expiry and overstocking by site. This decision was purely on value for money as GF was still procuring drugs at this stage.

We accept that more vehicles than those provided for in the budget were bought, but reiterate that decisions were appropriately guided in most instances towards achieving local level program goals which would have remained unsatisfactory without these vehicles. Nonetheless, this is not intended to say that budgets were intentionally ignored but rather that overriding program needs dictated the direction of investments and we regret that the Global Fund Secretariat was not approached for clearance regarding these changes.

OIG comments: We do not question that NERCHA identified programmatic reasons for needing additional vehicles. We have requested that NERCHA provide evidence that the 38 unbudgeted vehicles exist and were used to achieve Global Fund grants purposes. To date, NERCHA has identified and evidenced the existence of these vehicles but has not yet shown that these vehicles were/are used in support of Global Fund-funded programs. If NERCHA cannot provide this evidence, we consider that the amount of the unbudgeted vehicles (US\$1,180,656) should be refunded to the corresponding programs.

Over-budget HR and Food Supplies

Overspending on the Human Resources initiatives relates to Laboratory staff and was driven by a decision to exchange the Senior Positions that were funded by the Grant for junior positions. The Laboratory authority had to respond to the decentralisation of services to lower level facilities by increasing its work force as well as decentralising its diagnostic services which were a prerequisite for proper decentralisation. This resulted in trading some of the senior positions like Medical Technologist for more lab technologists and phlebotomists to be placed at lower level facilities.

Another area mentioned in the report is the unbudgeted food commodities under the school feeding program where maize meal in the work plan was replaced by rice. What can be said in this regard is that the intention of the work plan was to provide calories to the children and maize meal was used a proxy for budget purposes. During implementation, the Ministry of Education experienced a lot of constraints at the school level around the management of maize meal and waste due to spoilage. The Ministry thus opted for a quick switch to another product with the same calorie intake as maize. The switch within the calorie range was not considered a serious deviation when the request from Ministry of Education was received, and hence it was processed. However, we recognize the OIG observation that these issues have to be cleared with the Global Fund Secretariat. We would like to say, however, that we remain concerned that this suggests that PRs will constantly have to be engaged in paperwork with the Global Fund Secretariat for clearance even in such instances where the justification is clear and the adjustment small. We strongly recommend that there be guidelines provided to countries to deal with these issues as inflexibilities may compromise the same value for money focus that we are all working towards.

***OIG comments:** We do not question that NERCHA identified programmatic reasons for the above decisions. However, the Global Fund should be informed of any (planned) deviation from the agreed budget and work plan, and if this deviation impacts the achievement of the program either programmatically or financially, the PR should request Global Fund approval. We agree that better guidance from the Secretariat to the PR could have avoided the situation encountered.*

Sub-Recipient Management

With hindsight we believe that had the OIG audit happened immediately after the closure of the earlier Rounds - 5 years after initial implementation - a lot of the issues raised would have influenced SR management both at the PR and SRs themselves. This area lacked implementation of best practices as the PR in the earlier Rounds opted for a more risk-averse approach and transacted for most of the entities instead of disbursing funds to SRs. This is not to say that that disbursement did not occur, but in most cases these were on a reimbursement basis. Therefore during Round 7 implementation, where Civil Society Organisations became SRs, the PR had not firmed up its management capacities in this area, resulting in some of the problems identified during the audit. However, the PR was already seeing these SR management issues from the quarterly reviews undertaken by its internal auditors. Follow-up on the issues at an early stage was constrained by the lack of capacity at the PR as the Round 7 implementation period itself was clouded by major conditions and negotiations with SRs on certain national programs and was later followed by the OIG process. Since the start of Round 7 implementation in 2009 the senior staff of the PR has not been able to take leave from the office. The establishment of the Grants Management Unit, which started operating with limited staff by 1st August 2011, will enhance the PR's capacity in SR management.

Procurement Supply Chain Management

The area of procurement supply chain management has been a concern in most of the earlier grants and remains a condition in current grants as well. This area is being addressed, and the CCM, along with outside partners (PEPFAR through MSH and Clinton Health Access Initiative), are providing all the necessary help in designing systems, streamlining processes and training staff on all aspects of PSCM. The Ministry of Health, through Cabinet, instituted a forensic audit on the running of Central Medical Stores. This helped to identify some of the weaknesses and resulted in huge reforms in procurement and management of CMS. This has been led by Crown agents for more than 18 months. With the partners' support and funding from the Global Fund for Health System Strengthening we are confident that the PSCM environment, especially for health related products, is gradually improving and will save a lot of money for the Government of Swaziland. Further projects for Health System Strengthening are currently being considered and will be proposed for the Global Fund HSS Round 11 grants.

Non Supported Expenditures

On the recommendation (recommendation 7) to refund \$312,930: we feel this will be too punitive and appeal that further efforts of the PR to investigate this area, supported by their external auditors (KMPG), be taken into account in making the final decision regarding whether to penalize the PR this amount or not. The KPMG verification exercise identified \$178,038 of this expenditure, and an additional \$105,894 relates to disbursements to sub recipients for which supporting documentation were still outstanding. Only \$28,998 remains unidentified and relates to payment to International Association of Physicians in AIDS Care (IAPAC) and A&B restaurant.

While we appreciate that all documents should have been provided when the OIG team was here, we also request the consideration that out of \$33m samples the PR was able to provide \$32.7m. Through the KPMG audit, we can prove (per appendix 3 attached to this report) that the funds were actually paid out to Suppliers and SRs and argue that penalising the PR with a refund for these will be putting the PR in a difficult financial position. We deeply regret that this detailed information was not availed to the audit team onsite, but this was likely due to the disruptions associated with the moving of offices during the audit. Finally, regarding the refund of \$51 909 related to taxes paid which is also recommended by OIG, we can confirm that efforts are always made to avoid paying local taxes. Most the tax amount referred to above relates to Value Added Tax paid in South Africa for which the relevant purchaser was not allowed to claim the VAT at the point of exporting the goods to Swaziland.

In all cases, NERCHA has attempted to manage Global Fund grants in a responsible manner, adhering to the stated policies as we understood them. The management of these grants has evolved since 2003, when we were managing the first rounds. During this time we have all learnt valuable lessons and strengthened our processes – which we continue to do with the establishment of a Grant Management Unit. We hope to continue to improve in the future in all aspects of programmatic and financial grant management. We are grateful to the Global Fund for providing such extensive and generous support to the Kingdom of Swaziland.

OIG comments: We fully understand that management controls and record keeping in the early years of grant implementation were weaker. However, according to the grant agreement, the PR has always been required to secure and keep adequate accounting records, books and documents to show, without limitation, all costs incurred and revenues earned. NERCHA should continue its efforts to find all missing supporting documents. We note that NERCHA has identified the documents related to expenses for a total amount of US\$178,038 and also for disbursements to SRs for US\$105,894. We look forward to receiving from NERCHA the original supporting documents related to these expenses, which will allow us to reduce the refund requested.

Document Management

We agree with the observations made by OIG on gaps in document management resulting in the PR not being able to produce original invoices and goods received notes for some of the transaction analysed during the audit. The negative impact on document management comes mainly from the procurement arrangements where the goods and or services are delivered to implementing partners and reliance is placed on these partners forward the original documents to the PR. In some instances the documents from the implementers would get lost, resulting in PR requesting copies of documents from suppliers. The PR would then compare the copy documents to other documents (such as import paper and confirmation from recipient implementer) that goods were delivered. This is an area of document management which will be improved, and going forward the PR will also require suppliers to confirm by letter that goods were delivered. As example of one of the ways this is being done, immediately after the OIG exercise, the PR engaged services of a filing expert to reconfigure the files from requisition-based filing to supplier-based filing. Whilst the requisitions-based filing was good in ensuring that all documents pertaining to that requisitions were in one file it was not adequate for responding to audit queries that in most cases are driven by supplier invoices.

***OIG comments:** Kindly see our comments to the Procurement Supply Chain Management section above.*

Grant Management Improvements

Taking advantage of this submission the CCM is glad to report that most of the five issues flagged during the last debrief by OIG as requiring urgent action have been implemented. These are:

Debriefing Point	Action taken
100% physical verification and reconciliation of all Global Fund procured health products by an independent source.	There was a delay in procuring professional services for this activity but at the time of submitting this report the Global Secretariat had already provided clearance to the PR for the engagement of the accounting firm to undertake this exercise.
Increasing Physical Security at the ARV warehouse	Additional Security was provided in December 2010
Improvement plan for NCPs	The project was suspended during phase 1 and management plan submitted as part of the Round 7 CCM phase 2 requests.
Procurement Capacity at PR	PR sourced Technical Capacity from WFP in procurement which was provided in April 2011.
Archiving at PR	PR engaged a specialist filing company to reconfigure the filing system and re-filed all documents according the new system. This was completed in May 2011.

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Annex 4: Action Plan

Recommendation	Responsible	Response and action plan	Completion date	OIG Comments	Management comments
Recommendation 1 (High) The Global Fund Secretariat should take urgent action to ensure the PR has the capacity to properly implement Global Fund grants and that adequate internal controls are in place to safeguard Global Fund resources. To do this, the Global Fund Secretariat should, with the involvement of in-country stakeholders, consider providing technical assistance to help the PR strengthen its capacity in the areas of procurement and supply management, financial management, and the management of SRs and IPs.	The Global Fund	The Global Fund Secretariat's Comments: Part 1: If this recommendation is taken literally, it would imply that the PR should never have received GF resources. Note that since, and very much driven, by the OIG audit is NERCHA's decision to undertake structural change to improve GF grant management. This important move by NERCHA aims to aggressively address the weaknesses highlighted by the OIG with regard to PR responsibilities - financial systems and management, procurement, implementation arrangements, monitoring and evaluation, and Sub-recipient (SR) and Implementing Partner (IP) management. The RT used the OIG debrief findings and previous PR assessment reports to facilitate the PR's problem analysis as it decided on structural change. In doing so the RT added details of other concerns related to SR capacity, stakeholder management and internal controls. Second disbursements in Phase 2s of the HIV and malaria grants are subject to Board conditions requiring GF approval of the structural changes at the PR. The Secretariat is currently reviewing the LFA reports on the proposed changes at NERCHA. In addition, a management action in the malaria grant requires PR formal revision of financial management policy and practice in line	September 2011	Part 1: The OIG notes the efforts already underway and planned. We wish to stress, however, that the restructuring of the PR will not fully mitigate the risk identified by OIG in relation to the PR's policies and procedures in managing GF grants. The PR has limited capacity to implement GF grants efficiently due to: 1. Absent/incomplete policies and procedures e.g. (SR management, financial management, conflict of interest); 2. Inadequate policies (procurement policies do not cover the whole PSM cycle); The PR should establish policies and procedures to implement efficiently Global Fund grants. Part 2: The OIG agrees with the Secretariat and has amended	The Global Fund Secretariat's Comments: The Secretariat agreed with this recommendation and has been working with the PR to develop and structure a Grants Management Unit (GMU) in PR. In August 2011 the Secretariat approved the new GMU structure and organogram. The recruitment for the new positions is currently underway and in September 2011 the Grants Coordinator (head of the GMU) was appointed. GMU is in the process of filling the other key positions and once hiring is finalised and the unit is operational, the Secretariat will carry out an assessment in mid-2012 to confirm if the structure is properly aligned and ensures adequate internal controls. The Secretariat will work with the CCM, PR and Partners to ensure that a coordinated program of Technical Assistance (TA) is provided to the PR. The following TA has recently been provided: MSH and Clinton Foundation currently support the PR in

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Recommendation	Responsible	Response and action plan	Completion date	OIG Comments	Management comments
		with findings of OIG and PR's external auditor. The RT will introduce similar management actions related to formal revision and adoption of policy and practice related to procurement, M&E, and SR management. The planned restructure of the PR should take into consideration OIG finding with regards to the weak management capacity. The PR should reflect these recommendations in the ToRs of the staff to be recruited and/or hire appropriate technical assistance⁴ in order to overcome the capacity issues. Given that all grants in Swaziland are managed by the same PR so we have to extend it to all grants and to the areas mentioned by the OIG. Finance recommends that this is converted to a Condition to make sure that it is compiled with within a specific timeframe. In addition, a management action, with 1 July 2011 deadline, decided at Phase 2 review of the malaria grant requires the PR to deliver evidence that the Principal Recipient's manual/s of procedures have been formally revised to ensure that policy and practice responds to the financial management issues identified by the Global Fund, the Principal Recipient's external auditor, and the Global Fund Office of the Inspector General. This relates to the areas of asset management, budgetary controls, foreign exchange management, and payment modalities (including for salaries and training costs).		the initial recommendation to establish a TA unit.	forecasting, quantification and the USAID is Strengthening Pharmaceutical Systems Program (SPS); UNAIDS has seconded a Civil Society/SR capacity building officer to the PR, the PEPFAR Local Capacity Building Project will provide TA to strengthen the GMU. In addition, the Secretariat is also finalizing a Private Sector Partnership with Deloitte Consulting to provide TA to the PR in Procurement and Supply Management.

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Recommendation	Responsible	Response and action plan	Completion date	OIG Comments	Management comments
		<i>Reflecting the weight of HIV grant management on the PR relative to the other three grants, the bulk of the cost of the new GF grant management structure has been incorporated and approved in the HIV Phase 2 grant.</i> Part 2: <i>The RT notes the OIG's recommendation and appreciates the focus on investing in capacity building of the PR. Rather than seek to establish a unit, the RT intends to work with the PR and partners such as PEPFAR (which is considering co-investment in the changes at the PR including sourcing a procurement or public health expert), UNAIDS (which has seconded a CSO/SR capacity building officer to NERCHA) WFP (which, subsequent to the audit, has provided support in procurement to the PR), MSH and Clinton (also providing support to the PR on forecasting and procurement), Standard Bank (the PR is discussing a plan to provide support in financial management to SRs and the new SR umbrella organisation, CANGO) and, via the GF Partnerships Team, with Deloitte (on procurement) and others (e.g. GMS and UNAIDS Technical Support Facility) to ensure a coordinated program of PR capacity building in each of its five responsibility areas (programmatic and institutional arrangements, financial management and systems, M&E, SR/IP management and procurement). The findings and specific</i>			

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Recommendation	Responsible	Response and action plan	Completion date	OIG Comments	Management comments
		<i>recommendations of the OIG report will help guide this work.</i> <u>Country's Comments:</u> <i>According to FPM [Paul McCarrick], the response has already been forwarded to OIG.</i>			
Recommendation 2 (High) <i>The Global Fund Secretariat should work with NERCHA to ensure that:</i> <i>(a) Organizational structure and processes are modified to promote effective communication among the units managing the GF grant programs. In particular, the M&E unit should provide the technical unit with the programmatic information necessary to make appropriate disbursement decisions.</i> <i>(b) All policies and procedures necessary to manage GF grants are developed, approved, rolled-out and duly complied with. In particular:</i> <i>i. Implement</i>	The Global Fund/ NERCHA	<u>The Global Fund Secretariat's Comments:</u> <i>See comment on recommendation 1</i> <u>Country's Comments:</u> <i>a) The Principal Recipient through the CCM presented a request for setting up a Grants Management Unit (GMU) to focus on Global Fund Grant Management. The funding has been approved by The Global Fund and the structure is expected to be fully operational by the beginning of September 2011. The responsibility to provide programmatic information to inform disbursement request rests with the GMU.</i> <i>b) The PR is addressing some of these areas: to respond to the need by the Global Fund Secretariat, including:</i> <i>a. Secured TA from Deloitte USA, supported by the Global Fund to address</i>	September 2011 December 2011	<i>a) Noted. The PR should provide OIG with the new organogram of the GMU.</i> <i>b) Noted</i>	<u>The Global Fund Secretariat's Comments:</u> <i>As indicated above the Secretariat is strengthening the capacity of the PR and will work closely with management to ensure effective communication amongst the various functional units, in particular, the M technical unit in the context of SR disbursement decisions.</i> <i>The Secretariat will work with the PR to help ensure the development, updating and adoption of required policies and procedures noted in the recommendation.</i> <i>Kindly note, recent Phase 2 grants include the requirement for (i) SOPs detailing the arrangements for management of grants including financial and administrative procedures, payment authorizations, budgetary controls and asset management, and (ii) SOPs</i>

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Recommendation	Responsible	Response and action plan	Completion date	OIG Comments	Management comments
<i>policies and procedures for the management of SRs and IPs, covering activities such as capacity assessment, selection, disbursement of funds, monitoring and reporting.</i> <i>ii. Finalize and approve the financial manual by: completing the blank sections; include coverage of allocation of shared or indirect costs, month-end close procedures, and periodic data backups; and including procedures for periodic physical verification of assets, disposal of assets, and the tracking of usage and repair of vehicles.</i> <i>iii. Implement policies and procedures to manage conflict of interest in financial and</i>		<i>some of these issues.</i> <i>b. Additionally, PEPFAR Swaziland has secured funding to assist the PR improve its grant management both at PR, SSR and SR level. This support may include IPs</i> <i>c. The PR is working on strengthening the SSR capacity to manage Global Fund monies under R7 Phase 2.</i> <i>The CCM is addressing the conflict of interest issue. The CCM oversight committee (a sub-committee of the CCM) membership has been reviewed to include a majority of members who do not directly benefit from the Global Fund grants. Policies and procedures will be developed and sensitization of the oversight committee will be undertaken.</i>			detailing the arrangements for procurement, forecasting, quantification, storage and inventory management distribution. In addition, in the R10 SSF TB grant the Secretariat will work with the PR and require the PR to develop, update and adopt a (iii) Financial Manual and (iv) a SR manual.

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Recommendation	Responsible	Response and action plan	Completion date	OIG Comments	Management comments
<i>programmatic activities.</i>					
Recommendation 3 (Significant) NERCHA should: (a) Ensure compliance with all CPs and special terms and conditions specified in the grant agreements (b) Ensure more frequent internal audits take place in order to ensure appropriate coverage of all key aspects of the GF grant programs. Additionally, all the observations highlighted during the internal audits should be addressed within a reasonable timeframe.	NERCHA	<u>The Global Fund Secretariat's Comments:</u> (a) The October 2010 OPN on Conditions and Management Action now obliges appropriate consultation, sign off and reporting at the Secretariat where conditions are being waived or postponed. (b) For clarity we suggest to refer to the key aspects that should be covered by the audits. Can NERCHA ensure that its internal audits cover all key aspects of GF-funded programs without knowing ex ante what those key aspects are? <u>Country's Comments:</u> a) NERCHA will ensure compliance with all CP specified by Global Fund, including compliance with time frames they are in. Previous experience has shown that in some cases implementation of CPs may be difficult in that the PR has limited control over some issues. Some of the CPs related to MOH internal systems. For instance, provision of the forensic audit to the Global Fund. This audit was not instituted and controlled by the PR, and the PR is limited in influencing the release of the report. Global fund will be	Ongoing Internal Audits - Ongoing Internal Audit Department will be set up by end of December 2011	a) Noted b) Internal audit by the external firm has taken place once a year in recent years. The objective of this recommendation is to ensure that PR management is aware of all risks and shortcomings facing program implementation and that prompt and accurate action is taken to mitigate them by implementing the internal audit recommendation. After the audit unit is in place, the PR should send to OIG the audit work plan for 2012.	

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Recommendation	Responsible	Response and action plan	Completion date	OIG Comments	Management comments
		<i>requested to support PR in implementation of some CPs.</i> <i>b) PR has internal audit reviews performed quarterly by an independent audit firm. The Round 7 phase 2 grants - recently approved - contains funding to recruit an Internal Audit Manager to coordinate both the internal and external audit programs. The manager will facilitate establishing an internal audit department by December 2011. This additional capacity for the PR will ensure that audits are properly planned and audit issues followed.</i> <i>All OIG observations on internal audits will be implemented by the internal auditor supported by the finance unit.</i>			
Recommendation 4 (Significant) NERCHA should: (a) Follow the reporting guidelines for preparing PUDRs and EFR and ensure these reports are submitted to the Global Fund on a timely basis. (b) Ensure that PUDRs and EFR are properly	NERCHA	The Global Fund Secretariat's Comments: a) The RT notes the same problem and is now using disbursement Management Letters to highlight the exact number of days by which each PUDR is delayed and to request the PR to take action to reduce reporting delays. b) We recommend that the OIG explain: I. the basis on which the OIG is recommending these amounts to	Ongoing	a) Noted b) Noted. For information, the US\$31,139 corresponds to an amount not reflected in the PR's general ledger, although it was reported in the EFRs/PUDRs as expenses incurred for the program purpose.	

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Recommendation	Responsible	Response and action plan	Completion date	OIG Comments	Management comments
reconciled to financial records before being submitted to the Global Fund. The over-reported amount of USD31,139 for R3 Tuberculosis should be refunded.		be refunded to the Global Fund (i.e. ineligible expenditures, fraudulent expenses, expenses for which supporting documentation has not been provided and/or breach of the grant agreement); II. the specific budget line item or other calculation supporting the various amounts to be recovered; and III. whether the amounts to be recovered are the final and complete amounts to be recovered. We also note DP GF/B23/DP28 in relation to the matters to be considered when communicating losses and recoveries <u>Country's Comments:</u> a) Recommendations accepted and Global Fund guidelines are already being followed in submitting GF Reports including using the latest PUDR template. Submission timelines have also improved with the latest Malaria and TB PUDR submitted on time and HIV/AIDS submitted 7 calendar days later than deadline. PR is putting in place mechanisms to ensure submission of reports on time, including creating a working arrangement for LFA to receive		The OIG considers the refund of this amount under the ineligible expenses category. The basis for ineligible expenses is explained in the findings in the audit report. These findings are supported in the detailed appendix.	

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Recommendation	Responsible	Response and action plan	Completion date	OIG Comments	Management comments
		<i>PUDR on time. PR is also strengthening the quality of the reports.</i> <i>EFRs are prepared and reconciled to the Financial records before submission to the Global Fund. The General Ledger Structure used for earlier EFR had not anticipated the breakdown required by the EFRs. The EFRs reviewed by the OIG were constructed using the transaction description. Prior to the implementation of Round 7 phase 1 grant and based on lessons learned on the first set of EFRs the General Ledger was reconstructed to cater for the various segments necessary for EFR reporting.</i>			
Recommendation 5 (Significant) NERCHA should: (a) Strengthen the budgetary control system by ensuring the accounting software is able to generate complete and accurate budget vs. actual reports. (b) Obtain prior approval from the Global Fund for any deviation from the budget or detailed work plan approved by the Global Fund.	NERCHA	The Global Fund Secretariat's Comments: (a) See comment on recommendation 1. In addition we recommend that the PR update on a regular basis (annually) their budget to take into consideration past experience and any factor that may affect the assumptions. (b) We recommend that the FPM agrees with the PR on the materiality of deviations that need a prior approval from the GF. In fact, the FPM does not need to review and approve non-material deviations. Budget overruns are not encouraged however the budget is only an estimate. (c) See previous comment on refunds given in Recommendation 4b)	1 October 2011 Ongoing Complete Ongoing	a) Noted b) The OIG agrees that "the budget is only an estimate" and that certain flexibilities should be allowed the PR. However, the OIG does not agree that "the FPM does not need to review and approve non-material deviations"; first, because the FPM should be informed/made aware of any budget deviation either material or non-	The Global Fund Secretariat's Comments: (e) The PR currently uses the ACCPAC accounting system. The Secretariat will work with the PR to help ensure that the GMU and Finance unit are orientated to the new system and help ensure the development of accurate actual vs. budget financial reports. (f) The PR currently informs and requests the Secretariat's approval for deviations from the budget, if applicable. In light of the items noted on

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Recommendation	Responsible	Response and action plan	Completion date	OIG Comments	Management comments
(c) Provide evidence that the 38 unbudgeted vehicles exist and were used to achieve Global Fund grants purposes. Failure to do this should result in the refund of the amount of USD1,180,656 to the corresponding grants. (d) Review the budgeted positions at the time of recruiting new employees. Number of employees hired should not exceed the staff budgeted in the detailed budget without prior approval from the Global Fund.		(d) No comment <u>Country's Comments:</u> (a) An accounting module to enhance budgetary control has been installed on the Accounting System. GMU staff and finance unit is being oriented on system. (b) Request for re-allocations, since 2010, are formally submitted to the Fund Portfolio Manager. The prior re-allocations without Global Fund Clearance were purely based on the mistaken perceived flexibility around using grant funds to improve programmatic achievements. This practice has been stopped and all reallocations are implemented after receiving Global Fund approval in writing. (c) The vehicles have been identified. NERCHA engaged the services of KPMG to perform the physical verification and the findings from their report are attached in Appendix 5. All vehicles are used to achieve Global Fund grant purposes in support of the National Response to HIV/AIDS. There shall be no necessity to refund. Agreed with recommendations and as stated above changes are now being formally negotiated with the Fund		material to ensure that program implementation will meet the forecast and the objectives agreed upon with the PR. Second, because the Secretariat has not to date developed a clear definition of materiality and leaves it to individual FPMs to decide this, which leads to tremendous variance in-house. In this specific case, the OIG does not agree that 38 unbudgeted vehicles procured by the PR without FPM review should be considered non-material. c) Noted. The PR through the services of an independent audit firm has identified the unbudgeted vehicles. However, the PR did not provide any proof that the vehicles were used for the program purposes. The	the unbudgeted vehicles and human resource costs, the Secretariat will work with the PR to ensure that the agreed budget is complied with, or if a justifiable deviation occurs, the PR requests prior approval. (g) Please see the Secretariat's response to the recovery of ineligible and unsupported expenditures. (h) The PR's new GMU structure will contribute towards the resolution of the noted items on weak budgetary control. In terms of procedures and policies, the Secretariat will work with the PR and will require an updated SOP for Grants Management and a Financial Manual.

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Recommendation	Responsible	Response and action plan	Completion date	OIG Comments	Management comments
		<i>Portfolio Manager</i>		<i>Secretariat should obtain evidence of usage of these vehicles for program purposes.</i>	
Recommendation 6 (Significant) <i>The Global Fund Secretariat should take into account the purchase of the 38 unbudgeted vehicles in determining whether there is a need to scale down the number vehicles required for Rounds 7 and 8.</i>	The Global Fund	The Global Fund Secretariat's Comments: <i>No comment</i> Country's Comments: <i>According to FPM [Paul McCarrick], the response has already been forwarded to OIG.</i>	N/A	<i>For R2 HIV, R3 TB and R4 HIV, a total of 52 vehicles were budgeted. The PR has procured 90 vehicles. The Global Fund Secretariat should continue its efforts to scale down the number of vehicles planned for R7 and R8.</i>	
Recommendation 7 (High) <i>In order to strengthen controls in the accounting function, NERCHA should:</i> <i>(a) Recruit an archiving specialist to establish a system for the proper archiving of accounting documentation that enables ease of retrieval.</i> <i>(b) Refund the amount of USD312,930 that has no supporting documentation, and also the total of USD51,909 related to unallowable/invalid expenses.</i>	NERCHA	The Global Fund Secretariat's Comments: <i>(a) Note that this issue was the subject of one of the five recommendations for immediate action presented by the IG in his September in country debrief. The PR has contracted in November 2011 a service provider to assist us with the archiving/filing. The exercise was finalized in April 2011. The system still has some teething problems that the PR is addressing, e.g. the documentation of the system itself and indexing of the files.</i> <i>(b) See previous comment on refunds given in Recommendation 4b</i> <i>(c) See response to Recommendation 1</i> <i>(d) See response to Recommendation</i>	31 October 2011 Ongoing	<i>a) Noted</i> <i>b) The supporting documents sent by NERCHA (appendices 7 and 8) do not correspond to the list of transactions for which supporting documents were not provided to OIG. NERCHA needs to continue its efforts to implement this recommendation. The Secretariat should share the independent report submitted by KPMG providing the</i>	The Global Fund Secretariat's Comments: <i>(f) The PR contracted a local firm to reconfigure the filing and archiving system. The Secretariat will work with the PR to ensure that the system is functioning appropriately and the filing and archiving is being maintained as required.</i> <i>(g) Please see the Secretariat's response to the recovery of ineligible and unsupported expenditures</i> <i>(h) The Secretariat will work with the PR to help ensure that the recommendations are implemented and that:</i>

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Recommendation	Responsible	Response and action plan	Completion date	OIG Comments	Management comments
(c) Ensure all expenditures are properly supported with an authorized purchase requisition, original vendor invoice, evidence of receipt of goods/services, and a certification of completion of work for construction activities. (d) Establish a mechanism for tracking the disbursement, liquidation and recovery of advances to employees. Advances should only be expensed in the accounting records once they are liquidated. (e) Strengthen the review and approval procedures prior to posting the transactions in the accounting software. (f) Configure the accounting software to prevent the posting of duplicate invoices and		1 (e) See response to Recommendation 1 <u>Country's Comments:</u> a) A local filing firm has been engaged to reconfigure the filing and archiving of documents. The TA from Deloitte mentioned earlier will review what has been done and further guide the PR on this area. b) NERCHA ensures that at all times we have all supporting documents for all payments made. Regarding the \$312,930, we have managed to obtain supporting documents amounting to \$178,038. An additional \$105,894 relates to disbursements made to SRs and we are awaiting their responses on how they used the funds. We could not obtain supporting documents amounting to the final \$28,998 and efforts were made to contact the suppliers but the documents could not be found. We will continue to try and locate the suppliers to obtain confirmation of purchase. With regard to the	Ongoing Ongoing Ongoing	details of expenses verified by them. NERCHA should make available the original supporting documents related to the transactions as indicated in Appendix 3. c) Noted d) The OIG noted that the advances were expensed off immediately on disbursement. OIG recommends that the PR should ensure that the advances are recorded as receivable and expensed off on receipt of supporting documents. e) Noted f) NERCHA should provide OIG with a copy of documents proving the reversal of the amount	- Expenditures are supported by archived source documents. - The PR has a system in place in which advances are recorded as receivables and expensed on receipt of supporting documents. - The PR has an adequate system of segregation of duties in place for processing financial transactions. (i) The PR currently uses the ACCPAC accounting system which does not permit the duplicate posting of invoices. (j) The PR's new GMU structure will contribute towards the resolution of the noted items on weak budgetary control. In terms of procedures and policies, the Secretariat will work with the PR and will require an updated SOP for Grants Management and a Financial Manual.

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ensure access rights are in line with employee job descriptions.		US\$51,909 relating to unallowable expenses, \$10,000 which was quoted as a duplicate payment was not a double payment as this entry was reversed. An additional \$4828 of this total was never paid, thus should be excluded from the total. See appendices 7 and 8 for detail. c) The Finance Department is now handling its own filing and will ensure that documentation is complete before filing. There is also a move to scan all documents to avoid loss during audits. The PR is considering applying for a small grant from Partners for an electronic filing system. d) The cash allowances paid to trainees are booked in the Accounting System as a receivable and reversed out on receipt of the liquidation documents. This in contravention of cash accounting and reporting but a feasible way of ensuring that these are properly tracked and accounted for. e) Segregation of duties in the Accounting System has been		of US\$10,000 to the program.	

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		<i>implemented such that no officer can initiate and conclude a transaction. The Financial Accountant is responsible for checking all transactions before they are captured in the accounting system. The Finance Manager approves all journal entries raised by the Financial Accountant.</i> <i>ACCPAC (the accounting system used) does not allow the payment of duplicate invoices. In the instance quoted by the OIG, the first entry was reversed and there is only one payment for this invoice.</i>			
Recommendation 8 (Significant) <i>In order to strengthen its treasury management procedures NERCHA should:</i> (a) <i>Use the bank account dedicated for each grant for the payment of each grant's expenses. For the common expenses that need to be paid from several grants, for example salaries or office supplies, a monthly budget should be established for each grant and transferred as an advance to the NERCHA</i>	NERCHA	The Global Fund Secretariat's Comments: <i>See comment on Recommendation 1</i> Country's Comments: <i>a) NERCHA has dedicated accounts for each Grant and is making payments from these accounts as appropriate. Recommendation on common grant expenses will be implemented.</i> <i>Recommendation accepted. The GMU will work closely with implementing partners, including SRs, to prepare progress update reports which will be used to prepare forecasts. The GMU will ensure that</i>	Ongoing Ongoing	Noted	

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<i>pooled bank account. At the end of the each month the amount advanced should be cleared.</i> <i>(b) Ensure cash needs are determined on the basis of progress updates. The PR should demonstrate that the amount requested in its request for disbursement is based on reasonable cash flow needs during the period for which the disbursement is requested.</i>		<i>adequate requests for disbursements are submitted to the Global Fund. This will ensure that there are sufficient funds to implement activities within the period under the disbursement request.</i>			
Recommendation 9 (Significant) <i>In order to strengthen payroll processing procedures NERCHA should:</i> <i>(a) Perform a reconciliation of current month's payroll to previous month's payroll to verify the accuracy of the payroll processing.</i> <i>(b) Maintain an approved employee contract for all</i>	NERCHA	<u>The Global Fund Secretariat's Comments:</u> <i>See comment on Recommendation 1</i> <u>Country's Comments:</u> <i>a) The reconciliations have now been made routine and are signed by the Director Technical with the monthly payroll schedule.</i> <i>NERCHA has contracts for all employees including the officers engaged under all grants. To improve on the management of the contracts NERCHA, through support from ICAP, an HR officer, subsequently to be funded through Round 7 phase 2, was</i>	Complete Completed	<i>Noted. However, the OIG was not provided with employee contracts (see Appendix 31). NERCHA should make available all contracts mentioned above for OIG review.</i>	

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employees.		employed to oversee this area.			
Recommendation 10 (High) <i>In order to strengthen fixed asset management, NERCHA should:</i> (a) <i>Ensure the fixed assets register (FAR) is properly updated with the details of all fixed assets purchased using the Global Fund grant funds. The FAR should be reconciled to the general ledger on periodic basis.</i> (b) <i>Ensure all fixed assets are tagged with the unique number which should be updated in the FAR.</i> (c) <i>Conduct physical verification of fixed assets on a periodic basis. The physical verification report should be reviewed and approved by the appropriate authority.</i> (d) <i>Prepare an action plan to locate the 21 vehicles that could not be</i>	NERCHA	The Global Fund Secretariat's Comments: <i>For parts (a) to (c): see response to Recommendation 1</i> <i>Part (d): See previous comment on refunds given in Recommendation 4b)</i> <i>The PR has introduced new asset system, which is now operational. Assets have been taken on and additional assets are being captured into the new system and reports can be printed. What is outstanding is the physical verification of the assets. This is being planned and will be undertaken as soon as possible. For assets procured under Round 8 of the malaria grant, however, physical verification of the assets has been conducted as required by a grant condition. The PR is also planning to purchase an asset tracking system and use bar codes to identify assets.</i> Country's Comments: a) <i>The Fixed Asset Register has been automated and interfaced with the Accounting System and now captures assets for all projects.</i> b) <i>The PR submitted request to Global Fund Secretariat for allocation of funds for tagging of assets. The request was approved from the Global Fund Secretariat</i>	Complete; Ongoing for new assets 31 December 2011 30 November and ongoing thereafter 1September 2011 Complete	a) <i>Noted</i> b) <i>Noted</i> c) <i>Noted</i> d) <i>The PR confirmed that all vehicles that could not be traced by the OIG exist and were checked. However the PR does not specify the location of those vehicles. The LFA must verify the existence of the vehicles as reported by OIG in the Annexe2 - Appendix 26.</i> e) <i>The PR provided OIG with signed acknowledgement receipts testifying the receipt of 29 Vehicles. Four acknowledgment receipts are still missing (AFARXXMJ2R9D00799, AFARXXMJ2R9D01052, AFARXXMJ2R9KO1602, AFARXXMJ2R9ED1059). PR should continue its</i>	

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traced. The existence of the vehicles should be verified by the LFA; otherwise the cost of the vehicles should be refunded. (e) Provide the Global Fund Secretariat with the acknowledgment receipts testifying the receipt of the 33 vehicles by the IPs.		to cover the costs of tagging of the assets c) Physical verification will be undertaken quarterly by the GMU. SR assets are verified as part of the quarterly reviews undertaken by the auditing firms. d) All 21 vehicles have been located and verified by NERCHA. See appendix 26 for details Signed acknowledgement documents attached - See appendix 27. The PR will maintain record of proof of receipts for future purposes.		efforts to find the acknowledgment receipts for the 4 missing documents.	
Recommendation 11 (Significant) NERCHA should submit the signed memorandum for all the vehicles donated to the IPs and should ensure that the sale proceeds for the three vehicles are recovered to the grant funds.	NERCHA	The Global Fund Secretariat's Comments: See previous comment on refunds given in Recommendation 4b Country's Comments: The disposed vehicles were for the implementation of the OVC farming program and the receipts on disposal were used to reduce the cash outlay for replacing the vehicles. The three vehicles were disposed for US\$15 857 and the replacement cost was US\$97 787. The balance was topped up by NERCHA funds. See appendix 29 for details.	Complete	Not yet implemented. The documents submitted by NERCHA do not evidence that the amount received for vehicles was credited to the program or used for the grant purposes. NERCHA should provide the OIG with clear evidence that the amount collected from the sale of vehicles was credited to the program or used for the program purposes, and submit the signed memoranda for all vehicles donated.	

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Recommendation 12 (Significant) NERCHA should: (a) Strictly enforce compliance with the NERCHA Procurement Policy and Manual. (b) Adopt the public procurement regulations and update the NERCHA Procurement Policy and Manual accordingly.	NERCHA	<u>The Global Fund Secretariat's Comments:</u> a) See response to Recommendation 1 b) We recommend to discuss this statement with PMAS and the Regional Team if not yet done so. In particular do the public procurement regulations apply to NERCHA and do they duplicate or add to the competitive and open procurement requirements in the Grant Agreement STCs? c) Note that TGF is currently reviewing the LFA in-country assessment report on the procurement Country Profile, which includes specific recommendations for strengthening the PR's procurement policies and practices. It also recommends procurement through VPP. In addition the RT is working with Partnerships on an initiative with Deloitte for PR capacity building in procurement. In Swaziland WFP, MSH and Clinton continue to support the PR in procurement. <u>Country's Comments:</u> a) NERCHA will improve on	31 March 2012 31 March 2012	Noted	<u>The Global Fund Secretariat's Comments:</u> (c) Parliament has recently passed the Public Procurement Bill. The Secretariat will work with the CCM, PR and government to obtain confirmation as to how the Bill applies to the PR as a parastatal. (d) The PR is required under the standard terms and conditions of its grant agreement to comply with the specific Global Fund procurement and quality assurance principles. The Secretariat will therefore work with the PR to revise and improve its Procurement Policy and Manual which includes the basis of the Public Procurement Bill, while also addressing and including the Global Fund's specific requirements on procurement and quality assurance.

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		<i>adherence to the Procurement Policy and Manual. The review of the documents will also be undertaken to ensure compliance with international best practice</i> <i>The Public Procurement Bill has been passed by Parliament and has become law; NERCHA will adopt it, with minor modifications where it does not emphasise parts of Section 19 of the Global Fund Standard Terms and Conditions. The TA from Deloitte USA will assist the PR with this adaptation in October 2011, but this is dependent on the MOU yet to be signed between Global Fund and Deloitte and possibly NERCHA.</i>			
Recommendation 13 (Significant) NERCHA should establish an independent ethics committee with the terms of reference to coordinate submission of: (i) a statement of declaration of interest from staff involved in the PSM activity; and (ii) a statement of ownership and interest from all suppliers. These statements should be based on pre-approved templates. The ethics committee should collate and compare the statements of declaration	NERCHA	<u>The Global Fund Secretariat's Comments:</u> See response to Recommendation 1. <u>Country's Comments:</u> <i>The Terms of Reference of the Executive Committee (sub-committee of Council made up by the Chairperson, Vice Chairperson and two Council members) will be modified to include the recommended functions of the ethics committee so no new committee will be necessary. Whatever modifications are made will comply with national legislation as described above.</i>	30 November 2011	Noted	

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<i>of interest and statements of ownership and interest to detect any conflict of interest situation in the PSM activity</i>					
Recommendation 14 (Significant) NERCHA should: (a) Strengthen procurement capacity by providing training on health and non-health sector procurement and consider appointing a pharmaceutical procurement expert. (b) Consider the use of a procurement agent. (c) Appoint a Contract Officer to undertake the contracting function including ensuring compliance with contract provisions. (d) Review the structure of the procurement and supply chain management activity to establish a clear segregation of duties.	NERCHA	<u>The Global Fund Secretariat's Comments:</u> a) See response to Recommendation 1 b) See response to Recommendation 1 c) The PR has proposed recruiting an extra Procurement Expert and a Contract Administrator to expand its PSM capacity. d) See response to Recommendation 1 e) Note that PR NERCHA is currently using VPP mechanism for procurement (HIV and Malaria Grants). Note that PR NERCHA is currently using VPP mechanism for procurement (HIV and Malaria Grants). <u>Country's Comments:</u> a) The Round 7 phase funding contains funding to strengthen the Procurement Unit. A procurement Specialist to head the Unit and a Contract Officer will be recruited very soon. Job adverts in Swaziland were not successful and	31 November 2011	a) Noted b) Noted c) Amended in the draft report. "Appoint a contract officer to undertake the contracting function including ensuring compliance with contract provisions" d) Noted	<u>The Global Fund Secretariat's Comments:</u> (d) The new structure of the GMU has been approved and includes the expansion of the Procurement Unit with a Procurement Specialist (Unit Head) and a Contracts Manager in addition to the Procurement Manager and 2 Procurement Associates. (e) In September 2011 the PR informed the Secretariat of its provisional needs for the procurement of specific products via VPP for the HIV, Malaria and TB grants. The Secretariat will continue to monitor and ensure that the VPP registration letter is signed before VPP related procurement orders are placed, in accordance with the Global Fund's OPN on VPP. (f) After the additional recruitments have taken place and the GMU has

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		PEPFAR has been requested to recruit these officers outside Swaziland. World Food Programme provided a specialist to sensitise the Tender Board on procurement related matters. b) Currently, VPP is being used for certain products to make up for the lack of capacity on certain products. Apart from partners like Management Science for Health and Clinton Foundation the need the engagement of an agent does not seem feasible given the products currently being handled. c) Refer to response 2 above. In this regard it is difficult to find person with legal and procurement skills. The involvement of PEPFAR in this regard may assist resolve the matter. This activity will be undertaken with the employment of the Procurement Specialist.			been operational, the Secretariat will complete an assessment of the GMU in mid-2012 to align the structure and further strengthen internal controls, including segregation of duties.
Recommendation 15 (Significant) NERCHA should: (a) Establish clear responsibilities and timeline for completing each activity in the	NERCHA	<u>The Global Fund Secretariat's Comments:</u> For parts (a) to (g) see response to Recommendation 1 <u>Country's Comments:</u> The review of the filing system dealt with		a) Noted b) Noted c) Noted d) Noted	

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<i>procurement cycle.</i> <i>(b) Establish a system that maintains detailed records related to procurements which should include the basis of selection of the vendor, PO, receiving, invoice and basis of payment to the vendor.</i> <i>(c) Standardize documents e.g. templates for tender evaluation, tender checklist, standard operating procedures etc.</i> <i>(d) File all correspondence and meeting minutes related to a particular tender by tender in each tender evaluation file.</i> <i>(e) Update purchase order form to include details of delivery schedule and associated penalties for late delivery.</i>		<i>most of the document management-related aspect of the recommendation.</i> <i>The increased capacity for the Procurement Unit will have a positive effect on the Secretariat Services provided to the Tender Board</i> <i>The breach relates to previous periods and enforcing the penalty clause is no longer feasible.</i> <i>This is part of the procurement process that has to be followed monthly to ensure that delivery times respond to program needs.</i> <i>With the increase in capacity of the Procurement Unit there will be an improvement in this area.</i> <i>It is NERCHA's policy not to amend orders but to either cancel order and issue new one or seek approval where invoice reflects a difference in cost or quantity other than the one in the order. We will update our procurement manual and include this clause.</i>	Ongoing	<i>e) Noted</i> <i>f) The OIG consider the PR response to be inadequate. The PR responsibility is to ensure the enforcement by the suppliers of all procurement contract provisions, including the provisions related to the penalties to be applied in the case of delayed deliveries. The amount of US\$26,320 represents the contractual penalties for nine delayed deliveries during 2009 and 2010 and for which the PR should its payments from the suppliers. OIG consider this amount as lost; it should be refunded to the program.</i> <i>g) Noted</i> <i>h) Noted</i>	

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(f) Apply the delayed delivery penalty clause in the case of suppliers whom deliver products with a delay. An amount of USD26,320 should be recovered. (g) Define procedures for the approval and release of amended POs. The details of amended POs should be recorded in the purchase register. (h) Undertake periodic review of open POs and follow up with the vendor for performance against aged POs.					
Recommendation 16 (Significant) MOH in consultation with NERCHA should: (a) Identify the reasons for the frequent DMS/PMS system failures and take the necessary measures to ensure the system remains operational.	NERCHA/ MOH	<u>The Global Fund Secretariat's Comments:</u> a) Conditions in the Phase 2s of HIV and malaria require the PR to submit to the Global Fund and implement the Principal Recipient's Standard Operating Procedures Manual acceptable to the Global Fund containing in detail the arrangements for procurement, forecasting, quantification, storage and	Ongoing	Noted	

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(b) Address HR constraints at health facilities and CMS, for example by appointing more dispensing technicians and store keepers. (c) Provide staff working at the CMS and the health facilities with operational guidelines and training on the functions, usage and operation of the DMS/PMS system, in particular on how to enter data and generate periodic reports. Also ensure the optimal use of all the functionalities of the system such as installation of necessary reports and setting maximum and minimum stock levels for each item to enable automatic order generation for the facility. (d) Ensure that regimens are standardized in the system nationally,		inventory management, distribution, and management information system and plan (the "MIS") for recording and reporting drug management data in relation to the consumption of pharmaceutical products and the number of patients accessing treatment services under the Program. b) Possibility to address this through reallocation in the HSS grant. <u>Country's Comments:</u> a) An assessment was conducted in Nov / Dec 2010 and the reasons for system down time were related to hardware problems. A plan to replace all hardware at facilities and ongoing maintenance has been developed. A local IT firm will be contracted to replace all damaged / outdated equipment and provide continued hardware maintenance support. Standards for all IT equipment have been developed by the Strategic Information Department (SID). Policies and guidelines on IT equipment and infrastructure are being developed by the SID unit in consultation			

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<i>based on standard treatment guidelines.</i> <i>(e) Define lead time and economic order quantities for all critical medicines.</i> <i>(f) Ensure that expected changes in treatment guidelines are taken into account at the time the annual quantification</i>		<i>with MOH.</i> <i>b) Human resource challenges at facilities and central medical stores are currently being addressed. The MOH is in the process of reviewing the organisational structure for the central medical stores. The plan is to match the skills with the people already in the system. A similar process is being discussed for the facilities with the view of implementing a task shifting method to address pharmacy personnel shortages at facilities. There is a countrywide shortage of pharmacy technicians and the country doesn't train pharmacy personnel in the country but relies on neighbouring country hence the government cannot train the numbers they need. Discussions are at an advanced stage to train this cadre locally using one of the country's institutions of higher learning. However, with this training which is expected to start in Aug 2012, the first group of graduates will be available in 2015/16. In the meantime, the ministry is making use of the Regional Pharmacists with</i>			

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		<i>technical assistance from Partners such as MSH and CHAI to mentor and conduct support supervision of pharmaceutical services at health facilities</i> c) <i>CMS personnel including storekeepers / store men have been trained on the RxSolution for inventory control. The software has been updated with the latest version to be deployed in the next month. The user manual has been provided to the CMS Operations team. The staff will be supervised by the local IT firm to ensure maximum usage of the system.</i> d) <i>Activity completed in Nov 2010.</i> e) <i>Ongoing process, MSH will implement an electronic tool (Quantimed/Pipeline) to support medicines forecasting & quantification. The CMS personnel including the procurement Unit personnel have been trained on Quantification principles</i> <i>The national quantification team, with representatives from clinicians, National AIDS program and partners considers program scale-up and new development in</i>			

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		<i>HIV treatment when determining quantities to procure. Regular supply planning and review is done to ensure that the program scale-up is consistent with forecasted stock.</i>			
Recommendation 17 (Significant) NERCHA should: (a) Adopt good tendering practices, to obtain value for money through transparent and competitive bidding by having open tenders rather than Requests for Quotation and single source award. (b) Avoid drafting technical specifications that match the specifications of a particular supplier. (c) Advertise tenders on websites like dgmarket, and remove restrictive conditions limiting participation, such as the requirement that bidders should be Swaziland registered companies. (d) Promote value for	NERCHA	The Global Fund Secretariat's Comments: <i>See response to Recommendation 1</i> <i>The RT plans a review of the PR's non-health products and services procurement policies and practices with a view to detailing weaknesses as a basis for monitoring and capacity building. Furthermore, the RT is ensuring LFA verification of material PR procurements prior to contracts being awarded, e.g. for the HIV feeding programme.</i> Country's Comments: <i>The matters of recommendations 17 A through C matter has been discussed with the Ministry of Health with an aim to ensure that at contract renewal stage good tendering practices are followed. The Ministry of Health will be running a tender following the public procurement guidelines and Global Fund funds will support what will be awarded through this tender. However, the limited tendering arises where Global Fund grants are supporting Ministry of Health scale up diagnostics. In these instances MoH would have made pre-arrangements with certain suppliers for laboratory equipment. The funding from Global Fund usually comes to scale up and decentralise services. It becomes difficult therefore for the PR to</i>	31 January 2012; tendering process is already ongoing.	a) A written explanation of the reasons for single source selection or for procurements that did not follow good tendering practice should be attached to procurement files. That notwithstanding, this type of procurement should be an exception and not general practice. NERCHA should continue its efforts to implement this recommendation and ensure that value for money is obtained by following open and transparent tendering practices. b) Bundling annual requirements must be considered during the tendering process; NERCHA could also specify the exact quantities to be delivered to each location, which should be ensured by the supplier	

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money in product selection by bundling annual requirements. (e) Ensure the requirements for food are grouped in separate lots by food item so that competitive prices are obtained from the suppliers of individual items, e.g. sugar suppliers, maize suppliers, etc.		demand that new suppliers be brought in when the staff to operate the machines have been trained on certain equipment. d) Product bundling has been considered when procuring food supplies for OVC programs. The challenge in pursuing this was that there was no logistic capacity within the PR to pre-pack the food before delivery to service sites. e) An attempt was once made for the school feeding program and truckers had to travel to different towns and suppliers when collecting products to deliver to schools. Apart from the difficulty in managing the draw downs (given the logistics capacity gap), the transport costs were too high and in most cases were not provided for in the GF-approved budget. After TA from World Food Program on managing such programs a decision was taken to outsource the procurement and supply chain management for OVC feeding program to one SR with adequate supply chain management capacity and expertise on food. Based on World Food Program and World Vision costing for such programs the supply chain management costs are between 40% and 48% of the cost of the actual food and therefore we do not foresee any savings on costs. However, this will improve quality control and assurance on the food procured compared to when separate orders were placed for		and not by the PR. c) The objective of this recommendation is to promote competitive tendering and to obtain the best value for money for specific items by lot, and not by many different food items (maize meal, beans, vegetable oil, peanut butter, rice, soup and sugar) as a single lot.	

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		<i>each food product and the logistics were coordinated locally.</i>			
Recommendation 18 (Significant) NERCHA should: (a) Put in place a standard template for both financial and technical evaluation of bids. Any mistakes made by bidders should be captured on this template at the time of bid opening. These mistakes should be addressed according to procurement policy. (b) Ensure that bid evaluation is strictly based on the criteria in the bid documents with little scope for interpretation and, once the responsiveness of bidders is established, ensure that the award be made to the lowest compliant bidder. (c) Ensure detailed post-qualification evaluation criteria for manufacturer and non-manufacturer bidders are	NERCHA	The Global Fund Secretariat's Comments: <i>See response to Recommendation 1</i> Country's Comments: Agree with recommendation: improvements have already begun. The TA from Deloitte USA will further help PR strengthen this area. PR is mindful of the high dependence on Deloitte mentioned in most parts of the document and also adds that the PEPFAR Swaziland Office has secured enough resources for improving management and implementation of Global Fund grants in Swaziland. This funding will be available should the TA from other areas fail. Through the TA, the capacity improvements recommended will be implemented both at PR and SR level.	28 February 2012	Noted	

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added to the bid document. (d) Ensure distinction is made between domestic and imported goods in price schedules in order to ensure duties and taxes are excluded from the prices quoted by the bidders. (e) Perform a reasonableness check on bid prices by comparing prices to the approved budget and to the last procured price of the good or service.					
Recommendation 19 (Significant) NERCHA should closely monitor procurements that are planned under VPP to ensure that drugs are secured in good time. In particular, requisitions for tenders should be communicated to the VPP agent on a timely basis.	NERCHA	<u>The Global Fund Secretariat's Comments:</u> The RT will facilitate and monitor communications between the PR and VPP. The RT will work with the PR and VPP to draw lessons from VP procurement in 2009 and 2010. <u>Country's Comments:</u> Accept recommendation and efforts are being made to source more goods s through VPP (excluding ARVs). Needs will be communicated in a timely manner to the VPP agent as soon as the PSM plan has	Ongoing	Noted	

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		<i>been approved by the Global Fund. TB medicines are currently procured through the Global Drug Facility (GDF). Through this mechanism, regular communication between the TB Program and the GDF is maintained to ensure continuous availability of quality assured medicines.</i>			
Recommendation 20 (Significant) CMS in consultation with MOH and NERCHA must ensure quality control for pharmaceutical products by conducting post-shipment random testing. WHO pre-qualified laboratories should be contracted to undertake the testing of the samples.	NERCHA/ CMS	The Global Fund Secretariat's Comments: <i>The RT will consult with the PR and technical partners MSH and Clinton on this issue in the context of the CMS strengthening action plan submitted in February by the PR and reviewed by the LFA in May.</i> <i>The issue on Quality Assurance is being addressed through Special Condition in the Grant Agreement for R7 Phase 2 HIV and Malaria Grants.</i> <u>Country's Comments:</u> <i>MSH has donated a fully equipped mini-lab to the CMS to provide thin layer chromatography testing including colour test of medicines. This unit will be fully functional in the next 3 months. The focal person will be trained to operate the mini lab.</i> <i>A formal agreement will be reached between MOH and one of the regions' WHO prequalified laboratories for other types of quality testing required and for drugs not served by the mini-lab mentioned above. Funding for this activity will be included in the Round 11 HSS Grant proposal and the other partners will be asked for support.</i> <i>A national quality control policy is under</i>	31 December 2011	Noted	

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		<i>development.</i>			
Recommendation 21 (Significant) <i>NERCHA should implement a system for monitoring the performance of suppliers with respect to product and supply chain quality.</i>	NERCHA	The Global Fund Secretariat's Comments: <i>We recommend clarifying this statement so it is clear what information should be submitted to the Fund.</i> Country's Comments: <i>This activity is being addressed by both NERCHA and the Ministry of Health. Along with the procurement unit reform and system strengthening, a need has been identified to establish a contract management team within the procurement unit at the Ministry that will constantly monitor supplier performance and communicate with the National Tender Board. This activity will be guided by the Public Procurement Act discussed previously. Successful implementation of this recommendation is dependent on Recommendation 20 being fully implemented.</i>	31 December 2011	<i>Noted</i>	
Recommendation 22 (High) <i>NERCHA should:</i> <i>(a) Commission an independent physical verification of all products in the CMS warehouse procured with the Global Fund grant funds. This task should include reconciliation to inventory</i>	NERCHA	The Global Fund Secretariat's Comments: a) <i>The Selection process for independent verification of stock is currently on-going. The PR has launched a tender for this work. Award of contract is subject to TGF's review of the tender and selection process.</i> b) <i>The PR submitted to TGF in February 2011 an action plan to</i>	31 March 2012 (assuming clearance is obtained before end of 2011)	a) <i>During the OIG audit, NERCHA was not able to check and/or monitor the functioning and could not verify the accuracy of records and physical drug stock. This included not only the ARV store house, but also the Central Medical Stores, which regroups Malaria and TB</i>	The Global Fund Secretariat's Comments: (d) <i>In September 2011 the PR selected an auditing firm to complete an exercise at the CMS which includes the reconciliation and physical verification of all Global Fund procured health products that have been ordered, received and distributed by the CMS</i>

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<i>records plus verification of receipts and issues, and all adjustments made to book stock as a result of the monthly inventory counts</i> <i>(b) Work with the MOH to ensure appropriate oversight arrangements are put in place to monitor and check that inventory records are properly maintained and stock is properly safeguarded.</i> <i>(c) Requires boxes and blisters to indicate that the drugs are Government supplied and not for re-sale</i>		<i>strengthen controls at the CMS. The LFA reviewed this plan in May. The Regional Team recommended in February 2011, the establishment of a Technical Working Group tasked to ensure appropriate oversight and monitoring in place. The PR may already be acting on this recommendation. (PMU).</i> <u>Country's Comments:</u> <i>a) The MOH engaged Crown Agents to manage and implement improvements in the main Central Medical Stores. They have put in place verification system to support implementation of this recommendation. The OIG team only visited the ARV store house. As assumption therefore has been made that this recommendation refers to products stored at the ARV stores and these are the ARV drugs. The selection process of a professional firm to undertake this exercise has been done and PR awaits clearance from Global Fund Secretariat. However Government has been buying drugs for 2011 and it will now be difficult for the verification to focus only on Global Fund procured drugs. The</i>	31 December 2011	<i>health products. The OIG recommends the physical verification, not only of ARVs stored at the ARV store house, but of all health products procured with grant funds.</i> <i>b) Noted</i> <i>c) This is an international best practice used in many countries. The condition does not relate to volume procured; it should be included in the bid specifications when a tender is issued.</i>	<i>with what has been ordered, received and dispensed by the health facilities. The Secretariat will follow-up on the findings and recommendations of the exercise.</i> <i>(e) The requirement of a new CMS organogram and structure together with a clear transition plan from MoH/Public Service Commission has been included in the R8 Phase 2 TB grant.</i> <i>(f) The Secretariat will work with the PR, MoH and Partners to determine the feasibility of the labelling recommended by the OIG.</i>

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		<i>inventory system does not discriminate stock by donor but by what has been received including batch numbers. Nonetheless the exercise is expected to take 3 months after contract signing which will be triggered by Global Fund Secretariat clearance.</i> <i>b) Ministry of Health acquired the services of Crown Agents to improve these areas and according to the latest report on this TA inventory management has been improved. Crown Agents and Management Sciences for Health (MSH) are currently fine tuning the electronic inventory system at CMS for all products. Physical security has been improved and this includes the recruitment of extra security guard for the ARV warehouse and installation of alarms in the main CMS. The Ministry of Health is also reviewing the organogram of CMS to ensure that the improvements are sustained and further refined after the TA.</i> <i>c) The ability of Swaziland to dictate terms regarding labelling to international suppliers has not</i>			

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		<i>been present in the past, and is likely only possible if a broader coalition of Southern African orders (pooled procurement, which is currently in discussion at SADC level) are combined to provide greater volumes. Thus this has not been a condition included in most recent tenders, but can be investigated in the future.</i> <i>The MOH is working to implement control systems in the supply chain to be able to track commodities from supplier to the patient. Part of this intervention is proposed under HSS re-programming. It is envisaged that this system will prevent diversion of stock from the public sector.</i>			
Recommendation 23 (High) <i>The MOH and the CCM in collaboration with NERCHA should:</i> <i>(a) Ensure that all discrepancies found during monthly inventory counts are thoroughly investigated and duly reported to the appropriate authority. No adjustments should be</i>	MOH	<u>The Global Fund Secretariat's Comments:</u> <i>Because TGF has no direct contractual arrangements with the MoH and the PR has no direct authority over the MoH making implementation of recommendations difficult and slow. We suggest that the recommendation is also addressed to the CCM. Secretariat will consider this recommendation as part of feedback to the CMS action plan submitted by the PR in February 2011 and reviewed by the LFA during Country Profile assessment visit in</i>	Ongoing Done Done 31 December	<i>a) Amended. The recommendation will be addressed also to the CCM</i> <i>b) Noted</i> <i>c) Noted</i> <i>d) Noted</i> <i>e) Noted</i>	<u>The Global Fund Secretariat's Comments:</u> <i>(c) The PR, MoH and Partners have provided a PSM Country Profile and Action Plan. Following the audit and LFA feedback, the Secretariat will work with the PR and Partners to develop an updated PSM Action Plan to address the identified issues amongst others such as:</i>

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<i>made in the stock system to adjust for these discrepancies without proper authorization and adequate resolution of the underlying cause of the discrepancy.</i> <i>(b) Ensure that the inventory management software is able to produce a full range of management reports, including a drug-wise report providing opening stock, receipts, issues and closing stock.</i> <i>(c) Ensure that stock that is earmarked to be issued to facilities is only booked out of stock on the date of dispatch and also ensure that this stock is always counted during physical verification as long as it is still physically in the warehouse.</i> <i>(d) Post security guards at the gate and monitor and check all entries and exits.</i>		<i>May.</i> <u>Country's Comments:</u> <i>a) This has been considered in the newly revised Standard Operating Procedures for the CMS (currently being printed)</i> <i>b) Following the OIG visit, the report structure has been revised and the currently required reports can be generated with ease</i> <i>c) CMS staff have been trained on this during the RxSolution training</i> <i>d) In addition to the additional security guard placed at the ARV warehouse, a security assessment has been conducted at the Main CMS and currently sourcing service provides to implement a biometric system</i> <i>e) A bar-code scanner has been configured for the ARV warehouse to communicate with the inventory management system. Various tests have been done to the satisfaction of the CMS users. The scanner will be fully implemented at the ARV Warehouse by end of September</i>	2011 31 September 2011		- weaknesses in the CMS storage and inventory control arrangement, - organizational structure at CMS and interrelation between MoH with regards segregation of duties and responsibilities, - weaknesses in ART patient and drug management systems, - on-going TA support in CMS and - capacity and procedural weaknesses within the PR's procurement <i>(d) In particular, the Secretariat will work with the PR, MoH and Partners to determine and confirm whether:</i> - The revised CMS SOPs includes processes related to reporting and resolution of discrepancies in inventory counts; - The management software is able to provide the required reports; - The Rx Solution training which has been used in the orientation of CMS staff, included procedures on stock

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(e) Consider introducing a bar code system at the CMS for easy tracking of batches.		2011.			<i>booking and verification as recommended by the OIG;</i> - Adequate security has been put in place; and - The barcoding and scanning at the ARV warehouse is fully operational as planned.
Recommendation 24 (High) The MOH and NERCHA should; (a) Ensure that FEFO is strictly adhered to. (b) Identify a new site for timely destruction of expired drugs	MOH	The Global Fund Secretariat's Comments: See response to Recommendation 23 Country's Comments: <i>FEFO is currently being adhered to at the Ministry, as indicated in SOPs for inventory management at the CMS which emphasize FIFO and FEFO.</i> <i>The Ministry is working to improve the inventory management at all levels of the supply chain which will prevent the expiry of medicines. Facilities are encouraged to maintain their minimum and maximum stock levels, hence obsolete and expired medicines should be minimized.</i> <i>As for the current drugs which need to be disposed of, a process is ongoing with a contractor in South Africa. A quote will arrive in early September for the destruction of expired, damaged and obsolete drugs.</i> <i>Through Round 11 HSS Grant application, the Ministry will consider setting up a</i>	Ongoing	a) Amended. The recommendation will be addressed also to the PR b) The OIG recommends that the PR should not wait until R11 to identify the site for the destruction of expired drugs. The expired drug volume is increasing and there are no guarantees that the Global Fund will approve a R11 proposal.	

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		<i>system for destruction which could include landfills, incinerators and setting up an arrangement with a company to provide expertise in this area.</i>			
Recommendation 25 (High) <i>The MOH and NERCHA should ensure the close monitoring of stock levels with respect to the minimum stock and reorder levels so as to avoid stock-out situations.</i>	MOH	The Global Fund Secretariat's Comments: See response to Recommendation 23 <i>In addition note that the RT is supporting the establishment by the MoH of a National Supply Chain Working Group which includes the PR and technical partners MSH and Clinton and aims to strengthen oversight and coordination of the national supply chain.</i> Country's Comments: <i>Training has been conducted at all facilities to increase adherence to stock monitoring and stock management concepts. The Ministry of Health and CMS is in a process of working with the regional pharmacists to ensure that stock management is improved at facilities.</i> <i>Additionally, a strategic information analyst has been placed at CMS to assist in collection, monitoring and management of stock levels, facility reporting performance and other strategic considerations for ARV management</i>	Ongoing	<i>Amended. The recommendation will be addressed also to the PR</i>	
Recommendation 26 (High) <i>The MOH and NERCHA should put in place an action plan for implementation of the recommendations of the E&Y investigation report.</i>	MOH	The Global Fund Secretariat's Comments: See response to Recommendation 23 <i>The MoH provided to TGF the final E&Y report in December 2010. In February 2011 the PR submitted to TGF an action plan to address the recommendations of the E&Y report. In May 2011 the LFA reviewed</i>	Ongoing	<i>Amended. The recommendation will be addressed also to the PR</i>	The Global Fund Secretariat's Comments: <i>The MoH provided the final E&Y report in December 2010. In February 2011 the PR submitted to a CMS action plan to address the</i>

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		<i>progress against this action plan as part of its in-country assessment of the procurement Country Profile. The LFA report is currently with TGF for review and preparation of feedback to the PR and CCM.</i> <u>Country's Comments:</u> <i>Action plan has been developed and some of the issues are currently being addressed. An update was provided to the Global Fund Secretariat as per the requirement of a CP in the same under the Round 7 phase 1 grant.</i>			<i>recommendations of the E&Y report. Following the audit and additional LFA feedback, the Secretariat will work with the PR, MoH and Partners to request the development of an updated CMS Action Plan</i>
Recommendation 27 (Significant) <i>NERCHA should closely coordinate with the CMS in order to ensure that the segregation of inventory based on funding sources is correctly maintained in the inventory records.</i>	NERCHA	<u>The Global Fund Secretariat's Comments:</u> <i>See response to Recommendation 23</i> <u>Country's Comments:</u> <i>This functionality is included in the RxSolution. Physical segregation may be a challenge due to space limitations</i>		Noted	
Recommendation 28 (Significant) <i>The MOH should:</i> <i>(a) Expedite the construction of Regional Medical Stores to help address the storage capacity constraints faced by health facilities.</i> <i>(b) Install temperature recorders at the CMS and ensure proper</i>	MOH	<u>The Global Fund Secretariat's Comments:</u> <i>See response to Recommendation 23</i> <i>The warehouses are not yet operational due to delays in the installation of shelving / storage equipment. The RT believes that three of nine will be operational by 15 August 2011.</i> <u>Country's Comments:</u> <i>a) Regional stores have been completed, due to be fully operational in the next month</i> <i>Air conditioners are available at the CMS</i>	31 December 2011	Noted	

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temperature monitoring.		<i>and temperature monitoring is done twice daily. However, for Cold Rooms, a new system to alert first responders should there be a power failure will be considered for inclusion in Round 11 HSS Grant.</i>			
Recommendation 29 (Significant) NERCHA should: (a) Establish an SR/IP selection manual that should include the financial and the programmatic criteria to be met before SR/IP selection. (b) Ensure all sub-grant agreements and MOUs are duly signed and securely archived, along with supporting budgets, work plans and M&E plans. (c) Obtain copies of the reports of internal audits performed at SRs/IPs, and ensure that periodic independent audits are conducted at SRs/IPs.	NERCHA	The Global Fund Secretariat's Comments: See response to Recommendation 23 The Secretariat also recognises SR management as a key area for PR capacity development. Country's Comments: a) <i>The PR works with SRs and IPs that are selected directly or indirectly by the CCM during proposal development. The PR role is restricted to assessing the SRs and deciding whether they can manage grant funds or not. However the recommendation accepted and PR will develop a document that the CCM may use in future proposal development.</i> b) <i>Recommendation accepted and is already being implemented with the Round 7 phase 2 grant agreements and MOUs. The MOUs will detail the budgets, work plans and M&E plans.</i> <i>As mentioned earlier in the report quarterly reviews of SRs is being undertaken through accounting firms and</i>	30 September 2012 Ongoing Ongoing	a) <i>It is the responsibility of the PR to undertake SRs selection and not the CCM's. The PR should refer to the SR selection guidelines that will be developed by the CCM to establish its own SRs/IPs selection manual.</i> b) <i>Noted</i> c) <i>The OIG observed that NERCHA had not obtained the reports of internal audits performed at the SRs; independent audits of IPs were not undertaken during Rounds 2 and 4 HIV/AIDS; and independent audits of SRs for Round 7 HIV/AIDS were not made available for OIG review. NERCHA should continue its effort to implement this recommendation. See also OIG comment for Rec. 3.</i>	

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		<i>these reports are used by the PR for disbursement decision purposes.</i>			
Recommendation 30 (High) NERCHA should: (a) Ensure advances are not given to IPs given that IPs are distinguished from SRs by their poor financial management capacity. IPs should not be allowed to independently procure goods or services with the Global Fund grant funds. (b) Ensure advances are paid to SR's only after the proper liquidation of the previous advances. (c) Follow up with SRs to secure the liquidation of long outstanding advances. (d) Ensure that advances can only be disbursed with proper approval.	NERCHA	The Global Fund Secretariat's Comments: <i>See response to Recommendation 29</i> <i>The OIG may wish to mention also that SRs should be funded based on a pre-defined criteria for performance. These can be pre-existing national criteria.</i> Country's Comments: <i>IPs used to be given advances to pay training allowances for workshop attendees. All procurement is done by the PR and the training related allowances are now paid by PR staff. However we accept that these controls on these payments have to be further improved.</i> <i>Our current disbursement mechanism follows the same pattern of the Global Fund where a buffer is provided for the SR to continue implementation whilst disbursement reports are reviewed. Disbursements are booked as receivables in the Accounting System and only liquidated after verification of expenditures reported by SRs.</i>	Ongoing improvements in controls by 31 October 2011 Ongoing	<i>Noted. However, during the audit, the OIG noted several instances of disbursement of funds prior to liquidating previous advances. The PR should perform additional steps to ensure that the advances are disbursed as per the policy.</i>	The Global Fund Secretariat's Comments: (d) <i>The Secretariat will work with the PR to ensure that the PR completes payment and procurement on behalf of IPs and does not transfer funds to them, including for training activities.</i> (e) <i>To ensure tighter and more controlled SR follow-up, financial reconciliation, identification of ineligible expenses and disbursements to SRs based on PBF principles and reporting, the PR management has decided to set a monthly disbursement cycle. The Secretariat will work with the PR to help ensure that advances to SR are liquidated prior to making subsequent SR disbursements, long outstanding advances are liquidated and, lastly, that advances are made according to policy.</i> (f) <i>The PR's new GMU structure will contribute towards the resolution of the noted items on SR</i>

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					<i>management. In terms of procedures and policies, the Secretariat will work with the PR and will require an updated SOP for Grants Management, Financial Manual and SR Manual.</i>
Recommendation 31 (Significant) <i>NERCHA should ensure that all terms and conditions specified in sub-grant agreements are complied with, and should not make disbursements to SRs until all CPs have been complied with.</i>	NERCHA	<u>The Global Fund Secretariat's Comments:</u> <i>See response to Recommendation 29</i> <u>Country's Comments:</u> <i>A position for a Compliance/Finance Specialist in the Grant Management Unit has been created and some of the functions related to compliance assessment with terms and conditions of grants with SRs and IPs. The compliance officer will also provide updates on PR compliance with GF terms and conditions to ensure that Conditions Precedent and Special Conditions are addressed in time. Compliance function will be fully operational by end of October 2011.</i>	Ongoing after 31 October 2011	Noted	
Recommendation 32 (Significant) <i>NERCHA should:</i> (a) Establish a reporting mechanism to ensure accurate and timely submission of the reports by the SRs. In particular, reports should be reconciled to financial	NERCHA	<u>The Global Fund Secretariat's Comments:</u> a) <i>See response to Recommendation 29</i> b) <i>See previous comment on refunds given in Recommendation 4b)</i> c) <i>A management action resulting from the HIV Phase 2 review requires the PR to complete its review of WV's close</i>	1 st October 2011	a) Noted b) Noted. The PR should provide the OIG with the supporting documents related to the USD88,446. In the absence of supporting documents, the OIG considers this	<u>The Global Fund Secretariat's Comments:</u> (d) <i>The PR management has decided to set a monthly disbursement cycle for tighter control of SRs. The Secretariat will work with the PR to help ensure that the required reporting mechanisms are in place</i>

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records before being submitted to the PR. (b) Ensure the overstated amounts totalling USD89,093 are refunded. (c) Ensure WV ascertains the reasons for the USD358,105 cash balance difference at 30 June 2010 between the books of account and the report submitted to PR.		out plan of the Caregivers' project and ensure reimbursement by WV of the cash balance. If not covered by this action, the RT will follow up on the OIG annexure. <u>Country's Comments:</u> a) Based on lessons learned during the OIG audit and during Round 7 phase 1 implementation, it has become clear that the disbursement period between PR and SR should be reduced to monthly. This will allow quick identification of ineligible expenditures before they accumulate to levels that are not easy to refund and also enable PR to capture SR expenditures into the General Ledger in a timely manner. The new PUDR requires the reporting of SR quarterly expenditures. However SRs with improved reporting will be graduated to more than 1 month disbursement cycles. The SSR will take on the responsibility to mentor the SRs in reporting and financial management to be able to comply with the Global Fund requirements. b) Included in this figure is \$88 446	Done Done	expense as a lost. c) Noted. The PR should provide the OIG with the refund documents including the proof of refund in the bank statement related to the USD358,105. In the absence of supporting documents, the OIG considers this expense as a lost.	and functioning as recommended. (e) Please see the Secretariat's response to the recovery of ineligible and unsupported expenditures. (f) The PR's new GMU structure will contribute towards the resolution of the noted items on SR management. In terms of procedures and policies, the Secretariat will work with the PR and will require an updated SOP for Grants Management, Financial Manual and SR Manual.

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		<i>relating to the food program implemented by World Vision Swaziland.</i> c) <i>The difference in the cash balance was caused by poor reporting of financials by the SR. The SR uses accrual accounting and not cash accounting. The SR expenditure report did not include the disbursements to sub-sub-recipients and when their cash reconciliation was presented in the report the cash outflow not yet accounted for SSRs was not reflected hence the difference. However, this program (Compensation for Care Givers) has been closed and the SR refunded all cash balances to the PR, including balances with SSRs.</i>			
Recommendation 33 (Significant) NERCHA should ensure: (a) SR policies and procedures are implemented for the following: Acquisition and transfer of assets (STC); human resources (WV/HH/WLSA); authority matrix for purchases (HH); and travel claim	NERCHA	<u>The Global Fund Secretariat's Comments:</u> See response to Recommendation 29 <u>Country's Comments:</u> The Grants Operational Manual guiding SRs and IPs on uses of grant funds will be updated to encompass the issues covered in (a) and (b) through the TA to support the Grants Management Unit. Prior to updating the Grants Operational Manual the PR will include clauses in the SR grant agreements to cover this area. Through	28 th February 2012	a) Noted b) SR budget monitoring is one of the key areas in need of strengthening. The SRs could monitor budget variation to avoid budget overruns with limited accounting software (or even with Excel). The PR should continue its efforts to	<u>The Global Fund Secretariat's Comments:</u> (e) The Secretariat will work with the PR and require the PR to develop, update and adopt a Grants Management SOPs and SR manual which addresses and include the recommended items. (f) The Secretariat will work with the PR to help ensure

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approval, travel and meal rates, and access rights to financial records (STC). (b) SR budget monitoring procedures are strengthened by including identification of reasons for variances, verification of budget availability at the time of initiation of expense, and obtaining the required pre approvals in case of unbudgeted expenses. (c) All the following controls are in place for the accounting functions of SRs: i. Basic software is used for maintaining books of accounts; ii. Adequate segregation of duties; iii. Tracking of advances and follow-up of outstanding advances on a periodic basis; iv. Proper review		the TA from PEPFAR capacity of SRs in these areas will be developed. With limited resources at the disposal of the PR the focus will be on management control procedures over Global Fund. Most of the SRs do not have the funding to secure proper accounting systems and cannot afford proper segregation of duties as this will invariably require additional personnel. There is an existing pro-bono agreement between Standard Bank and the Global Fund which tries to address this area. However due to lack of funds for SRs to recruit and retain highly trained staff with the minimum capacity in financial management this TA has not been successful. The solution seems to be that SRs whose capacity is doubtful must be treated as IPs. In this way the financial risk and exposure of the PR through these entities will be greatly reduced. Once the PEPFAR and Deloitte USA package has been unpacked it will become clear what support could be extended to some of the entities without adequate personnel to manage grants. The management of this aspect will be covered in the Grants Operational Manual referred to above. In the meantime there will be emphasis in the grant agreements on these issues.	31 st March 2012	fully implement this recommendation. c) Noted d) No action plan has been provided by the PR for recommendation 33 (d).	that SRs are required to monitor budget variances through accounting packages or where no other means are feasible, Microsoft Excel sheets. The requirement should be captured in the Grants Management SOPs and SR Manual. (g) The Secretariat will work with the PR and LFA to determine which SRs have the capacity to adequately implement the key accounting controls noted. If strengthening and corrective measures are not effective, the Secretariat will work with the PR to help to ensure that the PR processes payments on behalf of the implementers, rather than transferring funds to the applicable organisation. (h) The PR is currently completing an audit on SRs to determine the internal control environment, including payroll controls, accounting systems, and capacity. The Secretariat worked with the PR to develop a scope of work for this exercise.

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and approval controls are maintained over the posting of transactions. (d) SR payroll processing is strengthened by ensuring that: i. SRs perform monthly reconciliation of previous and current month's payroll to ensure accurate payroll processing; ii. All statutory dues are deposited with the Government authorities within the due dates; iii. SR defines the basis for allocation of shared donor Expenses.					Further, the LFA will carry out periodic checks at both PR and SR level to reconcile payroll to personnel data and confirm that the payroll is accurately computed.
Recommendation 34 (High) NERCHA should ensure that: (a) Expenditures are properly charged to the Global Fund programs, and all ineligible and unsupported expenses are refunded.	NERCHA	<u>The Global Fund Secretariat's Comments:</u> a) See previous comment on refunds given in Recommendation 4b) b) See response to Recommendation 29 <u>Country's Comments:</u> a) The monthly reporting meetings planned for all SRs under phase 2	1st October 2011 1st October 2011	a) Noted. NERCHA should provide OIG with the details of ineligible expenses for which they have found the supporting documents. b) Noted	

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(b) SR expenditures are properly supported with an authorized purchase requisition, original vendor invoice, evidence of receipt of goods/services, and, in the case of construction activities, a certification of completion of work.		will assist all parties with managing this area. This is already covered in the Grants Operational Manual and will be emphasised in the SR grant agreements. The regular reviews planned during the implementation of all phase 2 grants will reinforce compliance with rules and regulations especially as it relates to source documents.			
Recommendation 35 (Significant) NERCHA should ensure that SRs strengthen their procurement processes by introducing tendering for high value procurements so as to ensure that goods are procured at competitive prices. Alternatively, NERCHA should explore the possibility of centralizing the procurement of NCP construction material in order to achieve value for money due to economies of scale and better control over procurement procedures.	NERCHA	The Global Fund Secretariat's Comments: Due to management issues and poor performance, NCP funding cut Phase 2 HIV. Disbursement for NCPs is subject to a condition requiring GF approval of a Costed Management and Oversight Plan including a description of the sustainability measures that will be implemented before the end of Phase 2. Country's Comments: Recommendation accepted and will be negotiated with SRs depending on size of procurement. PR can disburse funds only on receipt of proof of bidding.	1 st October 2011	a) Noted	
Recommendation 36 (Significant) NERCHA should ensure that all SRs and IPs comply with the following	NERCHA	The Global Fund Secretariat's Comments: See response to Recommendations 29 and 10		a) Noted. No action plan has been provided by PR for	

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<i>controls over program assets:</i> (a) <i>Periodic physical verification of assets is performed;</i> (b) <i>Assets are tagged with a unique identifier;</i> (c) <i>Fixed asset register is kept up-to-date and records all asset details including date of purchase, supplier name, asset code, serial number, cost of asset, estimated life of asset and location;</i> (d) <i>Assets purchased under the program funded by the Global Fund are used solely for program purposes;</i> (e) <i>Vehicle logbooks are maintained;</i> (f) <i>Maintenance and running costs for vehicles are compared with standards for these costs.</i>		<u>Country's Comments:</u> PR has made asset verification routine for SRs and is in the process of acquiring a system to track all assets and link them to the Accounting System. Funding for this has been sourced from the Global Fund HSS grant. Tracking devices have been installed in all vehicles funded by the Global Fund and the PR will be presenting reports to the CCM Oversight Committee and CCM Executive Committee on the utilisation of vehicles. PR will further investigate possibilities of enhancing the vehicle tracking system in order to track maintenance and running costs.	31 October 2011	<i>Recommendation 33 (e) and (f).</i>	
Recommendation 37 (Significant) NERCHA should: (a) <i>Verify the request for the food raised by the IPs against standard consumption.</i>	NERCHA	<u>The Global Fund Secretariat's Comments:</u> <i>The RT has requested the PR to re-tender the feeding programme in HIV Phase 2 to ensure value for money and improved oversight and coordination of SRs involved in supply chain management and reporting.</i>	31 December 2011	<i>Noted. In response to the Secretariat comment related to part (a) of the recommendation, OIG recommends that the PR should verify the quantity and type of</i>	

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(b) Undertake periodic visits to the distribution food sites (schools, Kagogo centres and NCPs) to monitor food distribution and to perform physical verification of stock. (c) Review the allocation of NCPs among implementing agencies and reallocate them to ensure that there is no overlap. (d) Ensure SR inventory management procedures are strengthened through the inclusion of periodic physical verification, maintenance of stock records, and inventory quality checks. (e) Ensure food is available for distribution at each NCP. (f) Ensure attendance registers are maintained to record the details of the children associated with each NCP.		Part (a): We recommend clarifying this text. Part (c): The PR is finalising Kagogo Centre and NCP mapping including location, service delivery and coverage. Parts (d): see response to Recommendation 29 Parts (e) and (f): see response to Recommendation 35 <u>Country's Comments:</u> PR is currently processing a tender for an SR for the OVC feeding program (formal and informal school and NCP Feeding) and the TORs for the SR include setting up proper logistics systems at feeding points. The PR will, through the assistance of Deloitte USA in October, conducting an in-depth assessment of the procurement supply chain process. However, in the meantime, there is an immediate need for food through the OVC feeding program as the new term starts in September 2011. During this time the PR will work with the SR in the development of tools until such time that the tendering process is completed. The SR selected in this process needs to have the M&E capability and tools required to report on the distribution and number of beneficiary children. A scoping exercise by Deloitte on procurement supply chain management has already taken place and one of the areas included was the feeding program.		food requested by the IP (MOE) against the standard consumption of food.	
Recommendation 38 (High) NERCHA should implement	NERCHA	<u>The Global Fund Secretariat's Comments:</u> See response to Recommendation 35.		The OIG recommends that NERCHA keep the Global Fund Secretariat and OIG informed	

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<i>the recommendations of the forensic audit report on the NCPs constructed by MOTAD. An action plan should be developed and submitted to the Global Fund Secretariat for periodic monitoring.</i>		<i>The RT will consider this recommendation in discussions with the PR on the NCP action plan as required by a condition in HIV Phase 2 and during the Approval process.</i> <u>Country's Comments:</u> <i>The construction of the NCP was suspended and will be resumed under different arrangements. The forensic audit report was handed over to the Principal Secretary for MOTAD who subsequently handed the report to the police and instituted legal proceedings against those implicated. NERCHA has been summoned by the Director of Public Prosecution and the Anti-Corruption Unit to give evidence and is waiting for the case to go to court.</i>		<i>about the action taken by the Public Prosecution and Anti-Corruption Unit.</i>	
Recommendation 39 (High) NERCHA should: (a) Define the criteria for selection of NCP location that ensure the optimal utilization of the NCPs. (b) Establish a mapping system that shows the location of all NCPs completed and to be constructed (c) Ensure that the	NERCHA	<u>The Global Fund Secretariat's Comments:</u> <i>See response to Recommendation 35. The PR is finalising Kagogo Centre and NCP mapping including location, service delivery and coverage.</i> <u>Country's Comments:</u> a) <i>The Ministry of Education, of course working with MOTAD and local authorities, will lead the selection of NCP location based on the number of children in the catchment area.</i> b) <i>The PR has a GIS system that will be used to map the location of the</i>	31 January 2012 New 31 January 2012 Old NCPs - Done 3 months after receipt of GF Clearance on Logo.	a) Noted b) Noted c) <i>The OIG is not recommending that centres be tagged with the Global Fund logo. Rather, we recommend that NERCHA should ensure that centres built using grant funds can be distinguished from centres built by the SRs with other donor funds, e.g., by installing a plate</i>	

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<i>NCPs are tagged with a unique identifier which includes the details of the donor and sub-grantee to enable proper tracking.</i>		<i>NCP sites. The NCPs constructed during phase 1 of the Round 7 implementation, the project that was suspended during 2010, have already been mapped and can be viewed in the GIS database hosted by the PR.</i> <i>The assumption was that the Global Fund Resources were additional to what other partners and the country was doing and attribution was not the intentions of the Global Fund. At the country level, the mapping of NCPs was sufficient as a tool to inform prospective funders on the location of NCPS regardless of the funder. However there is resistance from the PR and CCM to label the NCPs constructed using Global Fund funds with the Global Fund Logo after receiving clearance from the Secretariat to use the Global Fund Logo for this purpose. Currently the terms and conditions of the Global Fund grant does not encourage use of the Global Fund Logo hence the clearance.</i>		<i>in each centre which includes the name of the centre, the date of construction, the SRs involved in the construction, the source of funding, etc.</i>	
Recommendation 40 (High) <i>NERCHA should ensure that:</i> <i>(a) Bill of quantity and construction plan is certified by an independent engineer/quantity surveyor.</i> <i>(b) NCPs are</i>	NERCHA	<u>The Global Fund Secretariat's Comments:</u> <i>See response to Recommendation 35.</i> <u>Country's Comments:</u> <i>Prior to receiving this report a decision had already been taken by the PR that the construction of NCPs beyond 2010 would be outsourced to construction management consultant firm. For construction of big structures (regional ARV Warehouses) the PR has used certified</i>	31 March 2012	Noted	<u>The Global Fund Secretariat's Comments:</u> <i>(d) In light of the various audit findings on NCPs, the overall strategic direction of project has been refined by the NCP stakeholder group which includes Ministry of Tinkhundla Administration and Development (MOTAD),</i>

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constructed as per the approved plan and all completed NCPs are certified by the quantity survey. (c) Only the actual quantity of materials consumed in the construction of the NCPs is charged to the grant, and also ensure that the SRs refund the excess quantities claimed. (d) All left over construction materials are used in the construction of other NCPs, or are returned to the vendor.		quantity surveyors and architects to manage such projects and the NCP construction will be managed this way. The professional fees for engaging project managers were included with the Round Phase 2 budget request and have been approved.			MoE and the PR. Currently government is developing a NCP National Strategy, National implementation plan and a monitoring system. (e) The PR has decided that the construction of new NCPs would be outsourced to one construction management firm and that Quantity Surveyors will be involved to determine accurate Bill of Quantities. The PR is currently mapping the location of existing NCPs. (f) Lastly, a condition in the R 7 HIV Phase 2 grant requires the submission of a costed management and oversight plan prior to the disbursement to support the construction of NCPs. The plan is currently being updated by the PR and is expected in October 2011. The CP is therefore in progress and unmet.
Recommendation 41 (Significant) NERCHA should: (a) Consider the renaming of the Technical Directorate to be the	NERCHA	<u>The Global Fund Secretariat's Comments:</u> See comment on Recommendation 1. Note that the RT is cautious to avoid being seen as approving a particular organisational restructure of the PR, as	31 December 2011	Noted	

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manager is involved in the day-to-day management and supervision of the coordinators who should report directly to him. (b) Implement the recommendation from the Nairobi PMTCT meeting held in 2009 and ensure that the management of PMTCT is integrated within the Sexual and Reproductive Health department.		the concern of the coordinators not reporting to their respective reporting line, in this case the SNAP manager. As currently reflected, the recommendation implies the reason the coordinators report directly to the deputy director of public health for technical matters is because the SNAP manager's job specifications are not clear and I don't think this is the problem. Therefore the OIG should consider focusing the recommendation on the reason why the coordinators are not recognizing the manager and overlooking him/her going directly to the deputy director. <u>Country's Comments:</u> a) The Ministry of Public Service, through the Management Service Division (MSD), is currently carrying out a Skills Audit exercise for the entire civil service. SNAP, being a department within government, will also be audited. This will be followed by a process of matching skills with posts for the entire civil service. In the Kingdom of Swaziland, since the inception of the PMTCT program in 2003, PMTCT has always been within the Sexual and Reproductive Health Program. Current focus is ensuring that we strengthen the Maternal, Neonatal and Child Health (MNCH) platform which is necessary for		that the SNAP Manager is involved in the day-to-day management and supervision of the coordinators who should report directly to him."	

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		<i>effective delivery of PMTCT services in an integrated manner.</i>			
Recommendation 43 (Significant) <i>NERCHA as the convener of the National Prevention Technical Working Group should:</i> <i>(a) Accelerate the implementation of HIV strategies outlined in the most recent HIV policy documents (NSF and SBCC) that are well informed by in country evidence.</i> <i>(b) Ensure that there is a specific BCC intervention for intergenerational sex and that a policy to address social norms and structures that create an enabling environment for intergenerational sex is developed and implemented.</i> <i>(c) Develop and implement a National Condom policy.</i> <i>(d) Undertake the Behaviour and Social Survey planned for 2010.</i>	NERCHA	The Global Fund Secretariat's Comments: <i>This recommendation is a detailed technical program recommendation that seems to be outside the scope of an audit. If the recommendation is maintained:</i> <i>(a) The present wording does not communicate the desired outcome of the enabling environment. The OIG may wish to consider re-wording this recommendation.</i> <i>(b) The report should indicate whether this survey already been initiated/completed.</i> Country's Comments: <i>a) The Technical Working group on HIV prevention has been re-established. An accelerated HIV prevention strategy informed by the midterm findings will be developed and implemented through Regional action plans.</i> <i>b) Supported by the C-Change program and UNIADS, the country has developed SBCC tool kit and a community conversation tool kit. Specific target groups include youth. The strategy will address life skills and increased in-depth knowledge on HIV and AIDS.</i>	31 October 2011 31 December 2011 28 February 2011 30 November 2011	<i>Noted. We have Reworded the recommendation as follows:</i> <i>NERCHA as the convener of the National HIV Prevention Technical Working Group should</i> <i>a) Accelerate the implementation of HIV prevention strategies outlined in the most recent HIV policy documents (NSF and SBCC) that are well informed by in country evidence.</i>	

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		c) <i>The national HIV prevention policy outlines key areas on condoms management and distribution. A new Condom strategy and plan of action has been developed and approved by government.</i> <i>The Behaviour and Social Survey study was successfully done. Preliminary findings have been disseminated.</i>			
Recommendation 44 (Significant) <i>The MOH should adopt the new PMTCT policy of elimination of MTCT by reprogramming of PMTCT activities as recommended in the 2010 Nairobi Global Fund PMTCT meeting.</i>	MOH	<u>The Global Fund Secretariat's Comments:</u> <i>The Global Fund does not have a 'policy on the elimination of MTCT' so this should be reworded. The GF commitment to the elimination of pediatric HIV and keeping mothers alive is separate from the Born HIV free campaign. Our understanding is that Swaziland has reprogrammed its grants (part of SSF); this recommendation should be removed if this is so. (KMU)</i> <i>PMTCT has been scaled up in HIV Phase 2 (Board approved) from an original \$708,228 to \$3,693,162.</i> <u>Country's Comments:</u> <i>Reprogramming on PMTCT in line with the 2010 Nairobi Global Fund PMTCT meeting was done. In line with the Global Plan for Elimination of New HIV infection among Children and Keeping their mothers alive by 2015, the Kingdom of Swaziland has further developed a National Framework for Elimination of New HIV infection</i>	Documents December 2011, Implementat ion - 2015	<i>The OIG agrees with the Global Fund Secretariat Comments. The recommendation is amended as the policy arose from the 2010 Nairobi Global Fund PMTCT meeting is not a Global Fund policy.</i>	

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		<i>technical recommendations.</i> <u>Country's Comments:</u> a) Pre ART has been incorporated into all guiding documents (guidelines and monitoring tools) for the provision of comprehensive HIV and AIDS services. Service provision is done in a phased approach, starting with the ART centres in the hospitals. At Health Centres and clinics where the services have been initiated, it is integrated in the outpatient services. This is work in progress as facilities are capacitated to provide Pre ART services. b) The HRH Policy is in place. Currently the sector has received support from PEPFAR through the Human Resources Alliance for Africa (HRAA) that is addressing Human Resources for Health issues. One key result area under this grant is broadly on HRH Policies and Plans. HRH development will be addressed through this project.			
Recommendation 46 (High) SNAP and the CCM in collaboration with NERCHA should: (a) Take leadership of	SNAP	<u>The Global Fund Secretariat's Comments:</u> <i>Because TGF has no direct contractual arrangements with the MoH and the PR has no direct authority over the MoH making implementation of</i>		<i>The recommendation will be also addressed to the PR and the CCM.</i>	

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the implementation of the three I's (Intensified case finding, Isoniazid prophylaxis and Infection control) component of the TB/HIV collaborative activities and develop policies for Isoniazid prophylaxis and TB infection control in PLWH. (b) Integrate HIV Quality Improvement (QI) initiatives such as HIVQUAL into the already existing MOH service delivery Quality Improvement initiative rather than starting a parallel QI initiative for patients utilizing HIV services.		recommendations difficult and slow. We suggest that the recommendation is also addressed to the CCM. Country's Comments: SNAP has made progress on taking leadership in the implementation of the three "I"s. For example, the SNAP ART coordinator co-chairs the TB/HIV national coordinating committee with the NTCP program manager. The TB/HIV coordinating committee is responsible for the implementation of the TB/HIV collaborative activities. To this end, SNAP through the TB/HIV NCC is taking leadership in the implementation of the following ongoing activities: Revision of the 2006 TB/HIV collaborative policy guidelines in keeping with all the current recommendations and progress to date. As a companion of the Policy guidelines, TB/HIV implementation policy and framework guideline are being developed. IPT and ICF as well as IPC guidelines have been developed and approved by the MOH and submitted for printing. The guidelines are now final stages of being proof reading of the printer's version prior to printing. IPC guidelines have also been developed and the 7th and final version is now under peer review prior to MOH approval and printing. Implementation of the three "I"s is being conducted in an incremental manner. Tools for intensified case finding (TB screening tools) were piloted and are now			

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		<i>in use at all ART centres. Hospitals and increasing number of health centres (ART sites) are now also entering the TB screen data real time. Monthly reporting tools were also developed and reports are generated on a quarterly basis from the HIV electronic recording and reporting system. Currently, TB screening is taking place in all HIV treatment and care centres using a standardized screening tool that has been translated into SiSwati. There is a tool specific for children as well. The data is captured both in the patient held card and the patient file. Monthly reports are generated by the facilities. The tool is in triplicate and filed in patient's file as the cough officers are the ones doing the screening (mainly). The data is also captured into the APMR either real time by the doctors or nurses if they do the screening or see patient after screening has taken place or by the data clerks. There is still a need to improve on the quality of this as some of the TB/HIV indicators are usually incomplete. TB screening is also taking place in facilities that offer pre-ART and ART refills but do not have the electronic system and they generate their monthly reports manually from the register that is filled in at every screening opportunity. An IPT pilot was conducted to demonstrate feasibility and now IPT will be rolled out in a phased manner starting with facilities that have easy access to laboratory and have higher staff numbers and patient volume. 11 facilities (Hospital and Health Centre ART facilities) will</i>			

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		<i>begin IPT initiations for eligible PLHIV in early September. A training and consensus building meeting has been held with doctors, nurse and pharmacists from the ART centres and implementation issues have been discussed and resolved. Isoniazid and Pyridoxine will be ordered by the ART pharmacists from the ART CMS. SNAP is responsible for the procurement of these drugs through the ART budget.</i> <i>Infection control efforts are being made despite the high patient volumes and the current infrastructural design flaws. Consultation room positioning of HCW and patient is maintained, triage and screening of all patients who are coughing, wearing of masks by either staff (N95) or patients (ordinary face mask) when available, open window policies at all the facilities.</i> <i>Ongoing support supervision and clinical mentoring of the 3I's is provided by SNAP and the development partners. Coordinated trainings are conducted to ensure the health care providers are equipped to provide the recommended services.</i> <i>HIVQUAL- now known as Health Qual has been integrated into the MOH QA program with a strategic plan developed and staffs at national level margined, more work need to be done to operationalize the margining and coordination of QA/QI at all levels</i>			
Recommendation 47	NERCHA/MO	The Global Fund Secretariat's		<i>Noted</i>	

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(Significant) NERCHA in consultation with the MOH should ensure the integration of TB screening into the clinical consultations done by doctors or nurses (or other cadres of health workers doing consultations in the ART units). The TB screening form should be a part of the ART patient's file as a guide for the clinician rather than an extra form that has to be filled in duplicate. A space should be created in the patient's follow up form for reporting on this activity when done during the consultation visit. This is in order to fill in the gap of reporting on the activity. This should in turn be replicated in the electronic patient monitoring system (APMR) so that TB screening information is available on the APMR.	H	Comments: The RT will give attention to this during TB Round 10 negotiation. Note that the goal of Swaziland's approved TB R10 application includes "Address TB/HIV co-infections". Target date for signature is 1 November after consolidation with R8. Country's Comments: See recommendation 46: this is in place. Currently, data also captured into the APMR either real time by the doctors or nurses if they do the screening. If the patient is screen after doctor's consultation, then the data is entered by the data clerks in the APMR.			
Recommendation 48 (High) The planned Quality of Impact Mitigation Survey should be implemented to fill in the information and knowledge gaps.	NERCHA/MO H	The Global Fund Secretariat's Comments: The PR will respond. The RT believes that the survey was done in 2010 by the Ministry of Economic Planning and Development but some data was lost and is currently being recovered.	28 February 2012	Noted. PR should continue its efforts to quickly implement this recommendation.	

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Information is urgently needed on other structures (e.g. Youth Centres) constructed using the Global Fund grants as well as on the effectiveness of all impact mitigation activities in general.		<u>Country's Comments:</u> The Impact Mitigation Study conducted by Central Statistics Office was supposed to be completed in December 2010. However the data was corrupted. The data is recollected using the same questionnaire. The word bank has been asked to assist with the analysis and report writing.			
Recommendation 49 (High) NERCHA should review the role of the Kagogo Centres and ensure that the Kagogo Centres and the NCPs that are already constructed are functional.	NERCHA	<u>The Global Fund Secretariat's Comments:</u> Going forward the GF's investment in NCPs in Phase 2, reduced from the original amount, is subject to a condition in Phase 2 of the HIV grant. See response to Recommendation 35. <u>Country's Comments:</u> All 1500 NCPs and 300 Gogo centres have been mapped using the Geographic information system (GIS) funded by the African Development Bank. The GIS is monitoring the functionality of NCPs. NERCHA is working with various Partners to develop strategies to scale up the functions of NCPs and Gogo Centres. Working with the Ministry of Tinkhundla and Administration, the Gogo centre function and condition will be reassessed and launched.	31 December 2011	Noted. NERCHA should continue its efforts to ensure that the NCPs are functional.	
Recommendation 50 (High) NERCHA should ensure that the NCP initiative is institutionalized by the government and a policy developed and implemented.	NCP	<u>The Global Fund Secretariat's Comments:</u> The recommendation cannot be made to "NCP" as it is not an entity. The recommendation should be made to the CCM. The RT believes that a new NCP policy is being finalised and that future ownership	31 December 2011	Agree. This recommendation has been amended and addressed to the PR (NERCHA)	

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		<i>of the NCP strategy will be under the Ministry of Education.</i> <u>Country's Comments:</u> <i>The Government, through the office of the Deputy Prime Minister, appointed the Ministry of Tinkhundla Administration and Development to be the ministry responsible for the NCP program. Currently government is developing a NCP National Strategy, National implementation plan and a monitoring system</i>			
Recommendation 51 (High) <i>Both MOH and NERCHA should implement the action plans developed during the health and non-health sector MESS workshops to address all M&E weaknesses identified.</i>	MOH and NERCHA	<u>The Global Fund Secretariat's Comments:</u> <i>Following approval of the action plans developed during the health sector MESS workshop an amount of \$200,000 is now available to the PR for M&E systems strengthening.</i> <u>Country's Comments:</u> <i>The Action Plan for the Health Mess together with the budget has been approved and implementation is ongoing. However, most of the activities are dependent on the availability of funds, which are currently not being dispersed by the Global Fund. Training of implementers has been undertaken, indicator protocol in draft, SHAPMoS guidelines developed, mapping of HIV implementers. All draft documents will be finalised by March 2012 and printed by June 2012. Resource mobilisation for surveys and research is ongoing.</i>	30 June 2012	<i>Noted. An amount of \$200,000 is now available to the PR for M&E systems strengthening. NERCHA should quickly implement this recommendation.</i>	
Recommendation 52	NERCHA	<u>The Global Fund Secretariat's</u>	31 March	<i>Noted</i>	

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(High) <i>NERCHA should recruit for the vacant posts in the M&E unit of research manager and Lubombo region M&E officer. The PR should also develop service delivery level data collection tool for the non-health sector HIV response interventions and undertake a review of problematic indicators and targets</i>		<u>Comments:</u> <i>The RT will consider this during negotiations with NERCHA on its restructuring to improve GF grant management. See response to Recommendation 1.</i> <u>Country's Comments:</u> <i>The NERCHA council approved the Research post. Through the mapping exercise of HIV/AIDS implementers, the total number of HIV/AIDS implementers will be ascertained. NERCHA will undertake an assessment of data source documents for all the implementers. NERCHA will revise M&E framework to include Joint review recommendations on problematic indicators and targets.</i>	2012		
Recommendation 53 (High) <i>MOH and the CCM in collaboration with NERCHA should:</i> <i>(a) Update all data management tools to reflect changes in guidelines.</i> <i>(b) Review the ART patient follow-up form in the patient file.</i> <i>(c) Develop a Pre ART patient follow-up form.</i> <i>(d) Address the various issues causing failure of data entry into the APMR that are</i>	MOH	<u>The Global Fund Secretariat's Comments:</u> <i>Because TGF has no direct contractual arrangements with the MoH and the PR has no direct authority over the MoH making implementation of recommendations difficult and slow. We suggest that the recommendation is also addressed to the CCM.</i> <u>Country's Comments:</u> <i>a) An update of all data management tools is in process. The LMIS forms have been updated, as has the RxPMIS system</i> <i>b) Complete.</i> <i>c) A pre-ART file has been created</i>	Ongoing Complete Complete, additional projects ongoing Ongoing Ongoing	<i>The recommendation has also now been addressed to the PR and the CCM.</i> <i>a) Noted</i> <i>b) Noted</i> <i>c) Noted</i> <i>d) Noted</i> <i>e) Noted</i>	

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outlined in the 2010 Routine Data Quality Assessment (RDQA) report. (e) Continue to implement and expand Data Quality Assessments activities and ensure that the APMR is completely functional.		and there are ongoing efforts to improve the pre-ART system including adherence d) APMR development is in its final stages. Some of the problems with the RDQA go back to a time where no records are available. New data being entered is being tracked more carefully, and semi-annual reports are being done by each facility on their data quality. DQA activities are ongoing. Work is being implemented with the goal of providing information regarding patient regimens, access and adherence to medication, and a standard set of clinical data (to be defined).			
Recommendation 54 (Significant) SID should decentralize data analysis and evaluation activities (e.g. cohort analysis, target setting, etc.) further, beyond the regional level up to the health facility so that health workers at that level can analyse their data and use them for planning and forecasting.	SID	<u>The Global Fund Secretariat's Comments:</u> None <u>Country's Comments:</u> Data for ART is sent directly to the national level for aggregation and feedback to facilities. The electronic system for ARVs is able to generate cohort analysis and other pertinent reports for their own analysis. There are semi-annual program review meetings wherein facilities are required to present their own data analysis. The capacity is being built at facilities to analyse the data and raise the necessary questions that improve	Ongoing	Noted	

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		program management. For non-ART data, facilities capture the data with a paper-based system. This data is transmitted on a monthly basis to the regions, where it is electronically captured and analysis for each region carried out and a report produced. The four regions submit to the national level, where a national report is produced. In line with the Health Sector M&E Framework, Evaluations will only be done through the national level.			
Recommendation 55 (High) The MOH should: (a) Intensify and accelerate the interventions being implemented to curb TB in order to minimize the effects of the disease and avert a potential MDR/XDR TB epidemic; (b) (b) Integrate TB M&E into the SID and enforce the implementation of the NTCP DQA initiative; (c) (c) Begin to integrate the TB program staff positions on the Global Fund payroll into the MOH staff cadres for long term sustainability of the program and develop a	MOH	The Global Fund Secretariat's Comments: One needs to be careful about the level of integration being recommended here. Many a times what is practical is that some indicators are captured in the integrated M&E system while the dedicated M&E system for TB continues to capture detailed information that is helpful in management of the TB program. (PIE) Country's Comments: Swaziland has declared TB a national emergency with a focus on improving delivery of TB DOTS services, decentralizing treatment and care and containing the MDR-TB. Strengthening of drug supply management, scaling up of TB diagnostic facilities and TB treatment facilities, use of community treatment supporters and implementation of patient tracking mechanisms are some interventions that have been instituted to address the TB epidemic. Integration of HIV treatment and care services into TB		Noted. NERCHA should continue its effort to quickly implement this recommendation.	

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<i>time bound Global Fund staff absorption plan.</i>		<i>clinics has also facilitated the reduction in loss to follow up of patients and earlier initiation on ART for co-infected patients. Introduction of new technologies for TB diagnosis like Gene Xpert and LPA will also improve the turn-around times for the diagnosis and initiation on TB treatment.</i> <i>Integration of TB M&E into SID and enforcement of the implementation of the NTCP DQA: The progress has started, although slow. The integration of the TB data base into the APMR has happened and is being used at some facilities (11 ART facilities)</i> <i>An electronic database to capture both TB data and HIV data is already at its final stages of development through support from MSH hence TB data will be subjected to quality measures in this system. Moreover, there are already SOPs for conducting RDQAs developed by the SID and NTCP has adopted these SOPs and will be used for TB RDQAs with support from the regional SID offices which already have been integrated into the TB quarterly data review meetings. In addition the NTCP M&E Officer is technically under the guidance and supervision of the SID M&E Manager and only administratively supervised by the NTCP Manager. This means that there is free flow of information and sharing of work between the SID and NTCP to an extent that the M&E Officer at NTCP is an active member of SID and is called upon by the SID whenever TB M&E issues are discussed and retrospectively, the SID has</i>			

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		<i>assigned a focal point who liaise with NTCP M&E Officer regarding TB M&E nationally.</i>			
Recommendation 56 (Significant) <i>The TB program should:</i> <i>(a) Develop tools to manage data related to DOTS implementation.</i> <i>(b) Ensure that the NTCP data quality assurance initiative is implemented at health facilities.</i>	NTCP	The Global Fund Secretariat's Comments: Standard data collection tools are recommended by WHO. Country's Comments: Development of tools to track DOTS Implementation: The DOTS reporting has been incorporated in the TB case finding report <u>still in draft form to get approval from stakeholders'</u> and health care workers have been sensitized during Quarterly Review Meetings (QRM) of health facility TB Focal persons. DOTS tools used by CBOs have also been reviewed and aligned with the recommendations of Q5 OSDV including that they are standard across all implementing organizations. NTCP data quality Assurance implementation: The NTCP has fully integrated data quality assessments as integral for quality reports and two approaches are used: - During QRM workshops the NTCP together with the facility HCW review the quality of quarterly reports submitted for the previous quarter and the source documents checking for all the data quality dimensions, and; - During support supervisions to facilities the NTCP uses a standard checklists with comprehensive questions for assessing not only quality of data recorded but also		a) <i>Noted</i> b) <i>Noted</i>	

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		quality of services provided to TB patients; - In addition, the NTCP is finalizing its M&E plan which also has a complete section on data quality dimensions and checks conducted by the NTCP as well as Indicator reference sheets detailing how each indicator is calculated and any data quality issue associated with it. Moreover, SOPs for TB Data Management have been identified as a priority area in the last Quarterly Data Review meeting and the NTCP has incorporated the development of these in the M&E work-plan for the year 2011.			
Recommendation 57 (High) MOH should integrate malaria M&E into SID in order to address the discrepancies in NMCP and SID data. MOH should also undertake an assessment of the malaria M&E systems to address for example the reporting, discrepancy and lack of ACT data collection tools issues raised above and consider the implementation of a Data Quality assurance initiative in order to improve malaria program M&E.	MOH/SID	The Global Fund Secretariat's Comments: See response to Recommendation 53. As part of the Country Profile in-country assessment in May 2011 the LFA PSM expert reviewed role out of the MIS and has made high priority recommendations to the GF. The LFA report is with the GF. A condition requiring a fully operational MIS is in both the HIV and malaria Phase 2 agreements. MSH and Clinton are supporting MoH and PR in finalizing the MIS. A management action introduced during the May 2011 Phase 2 review of the malaria grant requires the PR to submit a work plan for improving the proportion of confirmed cases of malaria and their treatment with appropriate artemisinin combination therapy treatments according to the national guidelines. Integrating malaria facility-based morbidity data into routine strategic	Ongoing	Agreed that a parallel MIS may be necessary in order to meet the data/ information needs for implementing malaria elimination. However, such a system should be complementary to the HMIS.	

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		<i>information systems can have benefits (e.g., one harmonised system, horizontal benefits to the health system if malaria data collection serves as a catalyst for improved quality, timeliness and completeness), but there may be intrinsic value in having a separate and parallel system if routine HMIS is weak and the data is critical for decision making. As the program is attempting to achieve local elimination, timely, accurate and complete data is essential, therefore integration may not be the best option at this time. We concur that a more thorough evaluation of the M & E systems needs to occur. This assessment should indicate the level of usefulness by describing the actions taken as a result of analysis and interpretation of the data from the public health surveillance system as well as characterize the entities that have used the data to make decisions and take actions. It will also be important to describe each of the following system attributes: simplicity, flexibility, data quality, acceptability, sensitivity, predictive value positive, representativeness, timeliness, and stability.</i> <i>The lack of ACT data collection is an important finding and the recommendation an appropriate one. However, a clear distinction should be made between pharmaceutical management information systems and routine systems. These are both critical for a malaria program, but may have very</i>			

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		<i>different goals and may be hosted within different departments in the public health system.</i> <i>Lack of a fully operational management information system and plan for recording and reporting drug management data in relation to the consumption of pharmaceutical products and the number of patients accessing treatment services under the programs is a long standing and persistent issue.</i> <u>Country's Comments:</u> Malaria M&E systems assessment will be done in September 2011. The integration and harmonization of Malaria M&E with the SID is work in progress. To date, the NMCP, SID, and the Emergency Preparedness Response unit have integrated M&E indicators into the immediate disease surveillance system which was launched in September 2010. This is one of the steps leading to integration.			
Recommendation 58 (Significant) <i>The NMCP should review the indicators with unmet targets in the Global Fund performance framework.</i>	NMCP	<u>The Global Fund Secretariat's Comments:</u> <i>The Secretariat reviewed the PF during Phase 2 in May 2011 and changes were recommended by the CT. For example given the lack of real reference data when Phase 1 targets were being set resulting in unrealistic targets for number of ACT and that fact that this process indicator does not accurately track the country's progress towards elimination, it has been removed from the Phase 2 Performance Framework.</i> <i>While it is agreed that any unmet targets</i>	Complete	<i>Noted that the indicators have been reviewed.</i> <i>Agreed that that not all cases may comprise an epidemic and thus epidemic thresholds need to be established and all local cases need to be investigated.</i>	

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Recommendation	Responsible	Response and action plan	Completion date	OIG Comments	Management comments
(b) Improve communication and coordination with all HSS technical partners; (c) Develop an HSS policy; (d) Recruit the following HSS Global Fund grant key staff: HSS coordinator, Procurement manager, senior procurement officer and a procurement officer as well as the technical assistance required for the development of the important MOH policies in the grant.		the Swaziland PM's office. Following the recruitment in February 2011 of the HSS Coordinator at the MoH, a multi-actor high level meeting called for by the RT during its February 2011 visit, the establishment in country of an ad hoc task team of MoH, PR, and WHO technical support mission in March from WHO the CCM submitted in June a HSS recovery plan, which is currently under review at the LFA. The recovery plan addresses key issues and obstacles impacting on grant performance. Following a meeting in April of TGF's ED, Swaziland Deputy PM, Ambassador and MoH the GF plans a 3-mth extension to Phase 1. <u>Country's Comments:</u> The Ministry of Health owns and leads HSS grant implementation. The oversight is provided through the MOH Policy and Planning committee that meets every Monday. Updates on HSS grant implementation is a standing item in this meeting. This is work in progress as the Ministry is implementing the Sector Wide Approach (SWAp) The SWAp secretariat has been established and Health Sector Partner's meetings are being held. The Ministry of Health is not considering developing an HSS policy, since this is a cross cutting area. Activity has been carried out.			PR, MoH, CCM created a task force with technical support from WHO with the aim of developing a Recovery/Acceleration Plan. Following the interventions of the Secretariat, CCM, PR and technical partners, a Recovery/Acceleration Plan was submitted to the Secretariat and approved in July 2011. The HSS Coordinator was recruited in February 2011. All budgeted positions apart from the Procurement Manager are now filled.
Recommendation 60 (High) In order to mitigate the risk of perceived or real	CCM	<u>The Global Fund Secretariat's Comments:</u> The CCM will respond.	31 December 2011	Noted	

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Recommendation	Responsible	Response and action plan	Completion date	OIG Comments	Management comments
<i>conflict of interest and ensure transparent processes, the CCM should:</i> <i>(a) Consider including additional members in the CCM who are independent of program implementation.</i> <i>(b) Include specific provisions in the conflict of interest article of the CCM by-laws to clarify that CCM members who are SRs and IPs must not:</i> <i>□ Take part in deliberations or decisions related to PR selection.</i> <i>□ Assess the performance of the PR to which they report.</i> <i>□ Serve on CCM committees where a conflict of interest could arise.</i> <i>(c) Develop the following guidance:</i> <i>□ Guidelines for the PR selection process which should include: criteria for selection, timeframe, advertisement, scoring, assessment,</i>		<u>Country's Comments:</u> <i>a) The first recommendation is accepted. The CCM will consider additional members in line with Annexure 1 for Guidelines Requirements for CCMs-May 12 2011.</i> <i>b) The recommendation is accepted. The Secretariat is developing a draft review for consideration by the Executive which will in turn table before full CCM for approval.</i> <i>The recommendation is accepted. Draft of the three categories of guidelines will be developed by the Secretariat, presented to the Executive Committee and finally to full CCM for approval.</i>	30 November 2011 31 December 2011		

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Recommendation	Responsible	Response and action plan	Completion date	OIG Comments	Management comments
approval, and conflict of interest. ▫ Guidelines for the process that the PRs must follow in selecting SRs and IPs. ▫ Guidelines to ensure that proposals are not written according to PR specifications where organizations involved in the proposal writing process also bid as PRs.					
Recommendation 61 (Significant) The CCM, in collaboration with development partners, should ensure that the technical working group is promptly established and the necessary technical support is provided to the CCM Oversight Committee.	CCM	<u>The Global Fund Secretariat's Comments:</u> The CCM will respond. <u>Country's Comments:</u> The recommendation is accepted. The collaboration has already been set in motion to identify a suitably qualified and representative technical working group.	30 November 2011	Noted	
Recommendation 62 (Significant) The LFA should: (a) Undertake an assessment of country and PR risk and develop a review plan that ensures coverage of the key risks identified. This should	LFA	<u>The Global Fund Secretariat's Comments:</u> The LFA will respond. The LFA is finalising its Swaziland PR risk assessment and country action plan to address key risks for submission to the GF.			<u>The Global Fund Secretariat's Comments:</u> (c) The LFA has developed and provided a Country Risk Assessment to the Secretariat. The document has been used as the basis for on-going LFA services such as the R10 LFA assessment. The Secretariat will work with the LFA to

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Recommendation	Responsible	Response and action plan	Completion date	OIG Comments	Management comments
guide all LFA work. (b) Ensure that sufficient resources are employed on the PUDR reviews in order to ensure a high quality review.					determine the feasibility of an in-country workshop with the stakeholders. (d) In early 2011 the LFA expanded its human resource component to cater for the required services on the portfolio. Lastly, in response to the outcome of a recent mid-term evaluation process, the LFA has provided an action plan which the Secretariat will monitor on an on-going basis.
Recommendation 63 (Significant) The Global Fund Secretariat should ensure that the scope of the LFA's work includes verification in high risk areas such as procurement, SR expenditure and IP salaries.	The Global Fund Secretariat	The Secretariat will include this recommendation in the LFA mid-term performance evaluation.			<u>The Global Fund Secretariat's Comments:</u> The Secretariat will ensure scope of services and LFA team structure is tailored to high risk areas when planning for 2012 LFA services
Recommendation 64 (significant) The Global Fund Secretariat should: (a) Ensure consistent follow up of the PR's compliance with all grant conditions and should ensure that no disbursement is made until proof of fulfilment has been received. (b) Find and store in	The Global Fund Secretariat	(a) The GF Secretariat is now bound by an OPN introduced in October 2010 on Conditions and Management Actions. The OPN requires consultation across all relevant parties and appropriate sign off where conditions are being postponed or waived. Since the audit this OPN has been applied once to a Swaziland disbursement. Prior to this OPN decisions on disbursement where conditions were not fully met were based on conclusions drawn from the findings of LFA PUDR		Noted. This does not change the OIG recommendation on appropriate follow-up of grant requirements.	

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Recommendation	Responsible	Response and action plan	Completion date	OIG Comments	Management comments
<i>an accessible location the final grant documentation for the earliest grants (Rounds 1 to Rounds 4).</i>		<i>verifications and other sources of data such as from bilateral, normative and technical partners, and at the discretion of the signatories to the DDMF in consultation with the relevant technical teams.</i> <i>The RT has started looking for grant documentation for the earliest grants (Rounds 1 to Rounds 4).</i>			

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Annex 5: Summary of Unallowable Expenditure (USD)

		PR Amounts for Recovery	SR Amounts for Recovery							TOTAL Recovery
		NERCHA (PR)	World Vision	Save the Children	AMICAALL	Hand in Hand	Sebanta	WLSA	Swaaga	PR plus SRs
Unbudgeted Purchases	Payroll	0	0	0	1,707	0	0	0	0	1,707
	Vehicle	1,180,656	0	18,201	53,052	0	0	0	0	1,251,909
	Others	242,673	0	0	0	0	0	0	0	242,673
Ineligible expenses	Vehicle used for other programs	0	0	4,873	0	0	0	0	0	4,873
	Refund of advances not credited to the program	3,611	0	0	0	0	0	2,914	0	6,525
	Higher payment than PO/contract	13,480	0	0	0	0	0	0	0	13,480
	Duplicate Invoices	10,000	86,904	0	701	0	0	0	2,225	99,830
	Other donors' expenses charged to the Grant	0	182,631	0	0	39,095	0	0	0	221,726
	Others	16,366	2,256	0	0	0	3,244	29,204		51,070
Original Docs not available	All documents in photocopies	514,494	0	0	28,508	0	0	0	0	543,002
	Essential documents in photocopies	556,656	0	0	0	0	0	0	0	556,656
Delivery of Goods/Services could not be established		535,847	0	0	66,588	2,285	0	0	0	604,720
Excess Expenses reported in PUDR/EFR		31,139	88,446	280	0	0	0	0	368	120,233
Transaction not adequately supported		229,513	0	0	2,357	0	0	0	0	231,870
Supporting documents not provided		312,930	0	0	45,360	0	0	0	2,413	360,703
Disposal of vehicle not credited to the program		15,857	0	0	0	0	0	0	0	15,857
Vehicles not traced during physical verification of assets		407,687	0	0	0	0	0	0	0	407,687
NCP - Construction material purchased in excess of actual consumption		6,713	0	0	0	0	0	0	0	6,713
Excess spending on construction of Kagogo Centres		1,047,562	0	0	0	0	0	0	0	1,047,562
Penalties for delayed deliveries		26,320	0	0	0	0	0	0	0	26,320
TOTAL		5,151,504	360,237	23,354	198,273	41,380	3,244	32,118	5,006	5,815,116
Taxes paid		23,184	944	0	4,975	0	0	0	0	29,103

Annex 6: List of Appendices Provided to the Principal Recipient and Global Fund Secretariat

Appendix 1: Instances of delay in the submission of PU/DRs to Global Fund	Appendix 32: Instance of salary paid in excess of contracted salary.
Appendix 2: Sub grant budgets of eight SRs of Round 7 HIV/AIDS Grant were under reported in the EFRs	Appendix 33: Instance of gratuity paid in excess of the entitlement.
Appendix 3: Supporting documents for transactions related to the Global Fund program were not made available for OIG review.	Appendix 34: Payment of salary to the employees of Implementing Partners without any valid contract or MOU.
Appendix 4: Transactions were charged in wrong account heads resulting in incorrect reporting to the Global Fund. And 953 adjustment entries were posted since inception of the grant to rectify accounting errors.	Appendix 35: Instances of delay in submission of the financial reports by the SRs to the PR (STC/WV).
Appendix 5: Purchase of unbudgeted 38 vehicles and other unbudgeted expenses.	Appendix 36: Financial reports submitted by the SRs were overstated as compared to its accounting records (STC/WV/SWAGAA).
Appendix 6: Instances where balance from the advance returned by the employee was not credited to the Grant.	Appendix 37: SR has reported incorrect number of facilitators hired in its program report to the PR (SB).
Appendix 7: Grant funds used to pay taxes and duties on purchase of goods.	Appendix 38: Instance of unbudgeted salary paid by the SR(AMICAALL);
Appendix 8: Expenses charged twice to the Global Fund grant (Round 3 Tuberculosis).	Appendix 39: Instance of unbudgeted vehicle purchased by the SRs (AMICAALL).
Appendix 9: Expenses charged to the Grant in October 2008 during Round 2 HIV while PR has not made any payment for the expense till the close of the grant.	Appendix 40: Excess salary paid to promoters at the rate higher than budgeted (WV).
Appendix 10: POs were outstanding for more than 90 days and the material was received after the expiry of PO.	Appendix 41: cash balance as of June 30th 2010 as per books of accounts was short (WV).
Appendix 11: bidding Documents not available included purchase requisition, RFQ, vendor quotation, bid comparative analysis, PO/contracts.	Appendix 42: Expenses related to transport allowance and refreshment cost incurred for training was reimbursed by STC to WLSA. While both STC and WLSA had charged the expense to the Global Fund Grant resulting in double charge of expense to the Grant (WLSA).
Appendix 12: Expenses not supported with evidence of receipt of goods/services and vendor invoice	Appendix 43: instance of unutilized advance was received back from the employees but was not credited back to the Global Fund Grant (WLSA)
Appendix 13: Expenses not supported with vendor's original invoice but only with photocopies of such transactions.	Appendix 44: Subsequent advances were provided to SSR before liquidation of the previous advance (AMICAALL).

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Appendix 14: Value of the Invoice was more than the PO value.	Appendix 45: Instances of no proof of delivery of goods made available for OIG review (AMICAALL).
Appendix 15: Purchase requisition was not authorized by the finance manager	Appendix 46: Transactions charged twice in the books of accounts (WV/ AMICAALL /SWAGAA).
Appendix 16: payments of construction activities without obtaining certification of completion of work from the Independent architecture/consultant.	Appendix 47: Expenses incurred on behalf of other donor for the food program incorrectly charged to the Global fund Grant (WV).
Appendix 17: Instances where the receiver of material of Neighbourhood Care Points ('NCPs') was different from the one as specified in the authorized recipient list.	Appendix 48: Instances of supporting documents such as Engineering Drawings, Bill of Material, approved purchase request, quotations from suppliers, quotation comparative sheets was not available for review (AMICAALL).
Appendix 18: instances where the PO date as per the system did not match with the PO date as per the manual register.	Appendix 49: Ineligible expenses charged to the grant (WV/ AMICAALL).
Appendix 19: Procurement of expensive unbudgeted food items.	Appendix 50: Instances of supporting documents were not available for review (AMICAALL /SWAGAA).
Appendix 20: Actual quantity of material consumed to build NCPs was less than the quantity claimed by the SRs resulting in excess cost.	Appendix 51: Instances where original documents such as the Purchase order, Invoice and the GL Coding Slip were not made available for OIG but only photocopy (AMICAALL).
Appendix 21: Instances of payments made to vendors for the construction of NCPs (builders, helpers and loaders) were made without proof of delivery or a valid PO.	Appendix 52: Transactions were recorded into incorrect account head (WV/AM).
Appendix 22: Instances of contract awarded to the existing vendor at the revised prices, without comparing the prices offered by the other vendors.	Appendix 53: Instances where common expenses charged to Global Fund (Woman's law in Swaziland Act').
Appendix 23: Cases of NCPs built by Hand in Hand shows that the cost of construction of toilets and water tanks were not budgeted in the Global Fund program but were paid using Grant funds even though this project was funded by another donor.	Appendix 54: Global Fund vehicles were used on projects funded by other donor projects (STC).
Appendix 24: overrun expenses for the construction of 328 Kagogo centers without the approval of the Global Funds.	Appendix 55: Salary charged before commencement of the Grant (SB).
Appendix 25: Essential fields such as serial number, vehicle registration number, vehicle chassis number, engine number and GL transaction number were not updated in the FAR.	Appendix 56: Instances of payment not supported with the list of volunteers paid allowance under home based care (AMICAALL).
Appendix 26: Instances of 21 vehicles including 4 motorbikes amounting to USD	Appendix 57: ARV logistics report - June 2010

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purchased under Round 2 HIV, Round 2 Malaria and Round 8 HSS were not traceable from the FAR.	
Appendix 27: Instances of acknowledgement of receipt of vehicles by the IPs was not available.	Appendix 58: Expired drugs as on 19 August 2010
Appendix 28: Instances of vehicles donated without memorandum evidencing the donation.	Appendix 59: List of manufacturers of products that are being procured on single source basis
Appendix 29: Instance of donated vehicles that were sold and for which sales proceeds were not credited to the Grant.	Appendix 60: 2004 prices being used for placing orders for more than 2 years
Appendix 30: Instances of salary payments to 17 unbudgeted.	Appendix 61: ARV contracts for 2009-10 penalty provision of 2,5% for first 14 days and 1% for every 7 days thereafter
Appendix 31: Instances where valid employee contracts were not available.	Appendix 62: Physical verification report