



THE OFFICE OF THE INSPECTOR GENERAL



The Global Fund to Fight AIDS, Tuberculosis and Malaria

Audit of Global Fund Grants to Zanzibar

Executive Summary

GF-OIG-12-006
23 October 2012

EXECUTIVE SUMMARY

Introduction

1. As part of its 2012 workplan, the Office of the Inspector General (OIG) carried out an audit of Global Fund grants to Zanzibar from 11 June to 13 July 2012. The audit focused on two grants (Round 6 HIV and Round 8 Malaria) totaling USD 8,816,103, of which USD 5,004,612 had been disbursed from December 2007 (the inception date of the HIV grant) to May 2012. The Principal Recipient was the Ministry of Health and Social Welfare implementing through the Zanzibar Malaria Control Program and the Zanzibar AIDS Control Program.

2. The OIG audit focused on grants from Round 6 onward, with a limited review of two earlier grants, Round 3 Tuberculosis and Round 4 Malaria, requested by the Global Fund Secretariat due to concerns over unsupported and ineligible expenditure that had been previously highlighted by the Local Fund Agent.

3. There was scope for improvement in several areas including: (i) human resource capacity; (ii) oversight of program activities by the Zanzibar Global Fund Country Coordinating Mechanism; (iii) internal controls and financial monitoring; (iv) forecasting and quantification of health products; and (v) monitoring and evaluation system for program activities.

4. The OIG offers 13 “critical” and 11 “important” recommendations to mitigate the control weaknesses identified. Twelve other recommendations are contained in a letter to management, which addresses less significant control weaknesses or areas of non-compliance.

Governance and Oversight

5. There was scope for the Country Coordinating Mechanism to strengthen its oversight of the grants by (a) obtaining the necessary funding and support to set up a fully-fledged Secretariat to coordinate its activities; and (b) reconstituting the oversight committee and implementing the oversight plan developed. The terms of reference for external auditors required improvement to enhance the relevance and quality of audits carried out. Given that Global Fund resources flow to public sector entities, external audit arrangements should be made in consultation with the office of the Controller and Auditor General of Zanzibar which has the overall mandate to provide assurance over the proper utilization of public funds in Zanzibar. It is critical that the internal audit function remains independent of management and focuses on review of internal control systems.

6. While the quality of the Local Fund Agent deliverables was generally adequate, the OIG noted a few areas of concern. For instance, the initial positive capacity assessment of the Principal Recipient was at odds with the findings of the OIG. There was no evidence that the Local Fund Agent had reviewed the external audit arrangements for the grants and advised the Global Fund on their acceptability.

7. The Global Fund Secretariat could have taken steps to better manage the grant start-up and closure processes. The Principal Recipient continued to spend money following the end of the Round 4 grant in June 2009 without the approval of the Global Fund Secretariat (the grant closure plan had not been finalized at the time of the audit). This resulted in the Principal Recipient incurring USD 212,490 of ineligible expenditure.

Procurement and Supplies Management

8. Procurement of health products for the malaria program was carried out through the Voluntary Pooled Procurement mechanism, while HIV health commodities were procured through a memorandum of understanding with the Medical Stores Department of mainland Tanzania.

9. The Principal Recipient had scope for improving internal controls to ensure compliance with procurement regulations. At the time of transition to Voluntary Pooled Procurement, a purchase order, justified as an emergency due to imminent stock out, took place despite an adequate pipeline order underway. The bid evaluation criteria qualified only one supplier who was awarded the bid. The goods arrived one year later, well after the arrival of the order in the pipeline.

10. The Principal Recipient faced quantification challenges and the stock data maintained had inherent limitations making it difficult to consistently establish the quantity and expiry dates of stock at health facility level. OIG field visits recorded both over- and under-stock situations at different facilities. Stock outs and expiries were noted at the central level for both the malaria and HIV programs. The HIV program, in particular, suffered due to delays of up to twelve months in fulfilling orders for opportunistic infection and sexually transmitted infection medicines.

11. The introduction of a pull system for logistics management had improved this situation; however, this was limited to 19 out of 156 health facilities at the time of the audit. The Principal Recipient would greatly benefit from hiring/training logistician(s) to have in-house capacity for accurate quantification of health commodities and to roll out the pull system across Zanzibar.

12. Lot testing of rapid diagnostic tests for malaria, post market surveillance and batch tracking of medicines in use in the public sector had not taken place at the time of the audit. In the medium term, the Zanzibar Food and Drug Board should be encouraged to carry out this regulatory role. In the short term, other options such as the Tanzania Food and Drug Authority and Ifakara Laboratories on the Tanzania mainland should be considered for quality assurance services.

Financial Management

13. There was an urgent need for improvement in financial management and internal controls related to financial management in both the Malaria and HIV programs, particularly concerning expenditure not in line with the approved workplan and budget, budget monitoring and reporting. The audit findings point to a need for the Principal Recipient to recruit qualified accountants for the malaria program.

14. The audit documented amounts totaling approximately USD 387,862 in ineligible expenditure that should be refunded to the programs, and an amount of USD 62,413 in insufficiently supported or undocumented expenditure that should be refunded unless supporting documentation is made available to the Global Fund.

Public Health Program Implementation

15. An effective malaria control program had reduced the case load in Zanzibar with a limited annual seasonal increase. The malaria infection rate at community level had declined from more than 10% in 2005 to less than 1% in 2010. The incidence of new malaria episodes had decreased from 16/1,000 to 2/1,000 in children under five and from 4/1,000 to 2/1,000 in the age groups above five. The absolute number of confirmed malaria cases in all age

groups had declined from 7,013 to 2,715 cases and from 247 deaths in 2005 to no reported deaths in 2010.

16. Malaria medicines were widely available, and the OIG documented good case management, diagnosis by microscopy and rapid tests. Vector control in homes through indoor residual spraying and distribution of long-lasting impregnated nets were done at a high level. However, the danger of malaria re-introduction remained. There is a need for early case detection, e.g., using a Geographical Information System, which would survey all grouped cases and facilitate early intervention.

17. Zanzibar had a concentrated HIV epidemic. The mean prevalence rate among the general population was 0.6% with higher prevalence rates among the key populations. The prevalence in urban areas was significantly higher than in rural areas. Women, especially those in the age group 15-49 years, had higher HIV infection rates (0.9%) than men (0.2%). About 8,000 Zanzibaris were estimated to be living with HIV/AIDS.

18. Care and treatment for patients was in line with international best practice, with antiretrovirals available in the ten facilities providing HIV care and treatment services. However, there had been frequent and prolonged stock-outs of opportunistic infection and sexually transmitted infection medicines across health facilities including at Mnazi Mmoja, the main referral hospital (with 3,907 HIV+ patients under care), which had no opportunistic infection drugs for at least eight months. This compromised the treatment of people living with HIV/AIDS. Prevention and treatment activities for the key populations with high prevalence were difficult to implement, given continued stigma against these groups. More direct involvement of peers from these groups in behavior change communication should be considered.

19. TB patients form an additional high prevalence sub-group with an HIV prevalence rate of 15.2%. While policy guidelines were developed to ensure that TB patients were screened for HIV and vice versa, these should be followed more consistently. Efforts should be made for a more efficient tuberculosis screening program including culture, which would provide more accurate diagnosis.

Prioritization of audit recommendations

20. To address the areas for improvement identified in this report, the recommendations have been prioritized as:

- Critical: There is a material concern, fundamental control weakness or non-compliance, which if not effectively managed, presents material risk and will be highly detrimental to the organization interests, erode internal controls, or jeopardize the achievement of aims and objectives. It requires immediate attention by senior management; and
- Important: There is a control weakness or noncompliance within the system, which presents a significant risk. Management attention is required to remedy the situation within a reasonable period. If this is not managed, it could adversely affect the organization's interests, weaken internal controls, or undermine achievement of aims and objectives.

21. This report includes tables (see "Financial Management and Controls") that identify a total amount of USD 450,275 that was not used in line with the grant agreement and/or adequately supported. The OIG recommends that the funds are repaid by the PR.

Overall conclusion

22. The programs were generally well managed and demonstrated an impressive public health impact. However, there was a risk that this success may be undermined by lapses in oversight and weak control systems. Financial management required particular attention, with an urgent need to improve the capacity at both Principal and Sub-Recipient levels. Procurement and supply chain management needed to put in place controls to avoid repeated stock-outs and expiries of drugs. Grant oversight arrangements had scope for improvement, particularly in strengthening the Country Coordinating Mechanism and redefining the role of assurance providers such as external and internal auditors.

23. Based on the findings in this audit, the OIG considered the controls in place over the implementation of public health programming in Zanzibar effective. However, controls over procurement and supplies management, financial management and governance and oversight over Global Fund-supported programs were not satisfactory. Overall, the OIG was not able to provide the Global Fund Board with reasonable assurance over the effectiveness of controls in place at the time of the audit to manage the risks impacting the Global Fund-supported programs in Zanzibar.