

AUDIT REPORT

# Global Fund Grants in South Africa

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GF-OIG-22-004  
8 March 2022  
Geneva, Switzerland

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The Office of the Inspector General (OIG) safeguards the assets, investments, reputation and sustainability of the Global Fund by ensuring that it takes the right action to end the epidemics of AIDS, tuberculosis and malaria. Through audits, investigations and advisory work, it promotes good practice, enhances risk management and reports fully and transparently on abuse.

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# 1. Executive Summary

## 1.1 Opinion

South Africa has the largest HIV epidemic in the world: 7.8 million people are living with the disease. Prevalence among the general population is high at 20%, and especially high among men who have sex with men, sex workers, transgender people, and people who inject drugs. The country has the world's largest antiretroviral treatment program, and was the first sub-Saharan Africa country to fully approve HIV pre-exposure prophylaxis, which is now made available to people at high risk of infection. TB is the leading cause of death in the country. TB treatment coverage decreased from 68% in 2017 to 58% in 2019, and about 40% of TB cases are missing.

South Africa has made progress towards finding and diagnosing HIV patients, with 92% of people living with HIV knowing their status by 2020.<sup>1</sup> 72% of identified HIV patients have been initiated on anti-retroviral treatment, and HIV/AIDS infections and related deaths have decreased each year since 2010. The Government plays a major role in financing HIV and TB programs, while Global Fund resources are used for key HIV prevention activities, including interventions for key and vulnerable populations, promoting and protecting human rights and gender equality, as well as TB diagnosis and treatment.

To minimize COVID-19 disruptions, the Global Fund has provided grant flexibilities and funding under the COVID-19 Response Mechanism (C19RM). While funds were provided in a timely manner and absorption has been high at 87%, key C19RM non-procurement activities have not been implemented. The management of Covid funds, including grant flexibilities is only **partially effective**.

HIV and TB programs have managed to continue providing services during the pandemic. Significant delays in implementing TB strategic interventions and the HIV prevention registration and reporting system, however, along with challenges with HIV and TB case finding and linkage to care, are limiting grant impact. Grant design and implementation arrangements, including programmatic systems, **need significant improvement**.

Procurement and supply chain processes and systems for HIV and TB programs are rated as **partially effective**. There has been progress in strengthening procurement and supply chain of HIV and TB medicines, and competitive prices are being sourced for locally procured ARVs and TB medicines. However, prices for HIV self-testing kits, methadone and viral load kits are high compared to Wambo.org<sup>2</sup>. Gaps were observed in supply chain management, including performance management of third-party logistics providers and limited monitoring of COVID 19 commodities.

## 1.2 Key Achievements and Good Practices

### **Prompt funding and swiftly developed guidance helped combat pandemic disruptions**

The Global Fund Secretariat responded quickly to the pandemic, providing Principal Recipients (PRs) with the flexibility to use grant savings amounting to US\$12.3 million. US\$52.2 million of C19RM funds were awarded in 2020, which helped support community COVID-19 responses, perform COVID-19 screening and contact tracing, and provide HIV prevention services and TB screening. Overall absorption of the grant flexibilities and C19RM funds was 87% as of July 2021. An additional US\$161 million in C19RM funds was awarded in September 2021.

PRs developed specific policies to guide COVID-19 commodity procurement and supply chain activities. Personal Protection Equipment (PPE) product specifications were issued in August 2020, and all PPE suppliers need accreditation by SAHPRA.<sup>3</sup> The National Treasury published a "price ceiling" for PPE in July 2020, which helped to guide PRs on price targets for their PPE procurements.

<sup>1</sup> UNAIDS- South Africa country data

<sup>2</sup> The Global Fund's online procurement platform that offers buyers access to different procurement channels

<sup>3</sup> South African Health Products Regulatory Authority

### **Good progress made on HIV and TB programs**

Government and PR measures, including HIV pre-exposure prophylaxis (PrEP) and HIV self-testing, helped minimize COVID-19's impact on the HIV program. Staff at safe spaces<sup>4</sup> and key population clinics managed by the programs have helped in retaining clients and promoting prevention practices. The use of Ambassadors to spread awareness of PrEP has also helped in recruiting program beneficiaries.

The country's first TB prevalence survey was conducted in 2018, with findings and recommendations published in 2021. The TB program has updated its program strategy and interventions with lessons learnt from the survey. Regular screening of patients for TB and COVID-19 has resulted in improved case detection and the country plans to scale up the integration of COVID-19 and TB screening and testing tools.

### **Good procurement and supply chain practices**

Procurement and Supply Chain Management policies and procedures are available for HIV and TB commodities, and Quality Assurance measures have been instituted. As one of the world's largest buyers of HIV and TB medicines, local prices for antiretroviral and TB medicines are competitive compared to international price indices.

## **1.3 Key Issues and Risks**

### **Finding positive cases and linking them to treatment**

The Adolescent Girls and Young Women (AGYW) program faces significant data quality and value-for-money issues. The MyHope biometric registration and reporting system, a key data source which was supposed to be ready by February 2020, has not been fully implemented. Varying requirements on nurses' ability to initiate patients on antiretroviral treatment and sub-optimal implementation arrangements are materially impacting the linkage of HIV patients to care. Sub-optimal coverage of hot spots for sex workers and mapping of AGYW has contributed to low positive case finding, despite high HIV prevalence among these groups.

### **Implementation delays of key interventions are affecting the detection of TB cases and linkage to treatment**

Late recruitment of sub-recipients and engagement with provinces, as well as COVID-19 lockdown regulations and labor strikes, have significantly delayed the implementation of key TB interventions. The Global Fund program uses lower targets than the national goals, making it difficult to evaluate progress.

### **Procurement and supply chain, especially for HIV self-testing kits**

Prices for HIV self-testing kits, methadone, and viral load kits, which are procured locally, are high compared to international prices. We noted significant gaps in the monitoring of HIV self-testing kits as well as differences between physical stocks and stock registers. Occasionally, proof of delivery documentation was not stamped by receiving clinics, or was signed by undesignated personnel, risking commodities not reaching the intended beneficiaries. The PR is not measuring the performance of the service provider (S-Buys) to ensure quality storage and distribution of health commodities.

### **Management of C19RM funds to ensure efficiency and accountability**

Many procurement-related activities materially exceeded their budgets, while key non-procurement activities have not been implemented. There is non-compliance with commodity procurement and supply chain controls, contributing to occasional inefficiencies and limited visibility of whether commodities are reaching their intended beneficiaries. Gaps in the performance management of the third-party logistics service provider were also noted, making it difficult to measure service quality.

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<sup>4</sup> These are key population-led groups located in a number of townships in South Africa providing an entry point for recruitment of participants, HIV education, address stigma and behavioural risks, and link individuals into HIV testing or care.

## 1.4 Objectives, Ratings and Scope

The audit's overall objective was to provide reasonable assurance on the adequacy, effectiveness, and efficiency of Global Fund Grants in South Africa. Specifically, the audit assessed:

Objective	Rating	Scope
Global Fund support, including grant flexibilities and C19RM funds utilization, to maintain or scale up disease program achievements in the face of COVID-19 challenges.	Partially effective	The audit covered the Principal Recipients and sub-recipients of Global Fund supported programs in South Africa.
Grants design and implementation arrangements, including programmatic, governance and financial management systems, to ensure efficient and sustainable achievement of grant impact.	Needs significant improvement	The audit covered grants from April 2019 to March 2021, as well as the design of future arrangements for the implementation of grants in South Africa.
Procurement and supply chain processes and systems to ensure timely availability of quality medicines, health, and non-health products.	Partially effective	The OIG team was supported by staff from the Office of the Auditor General of South Africa during the audit.

Details about the general audit rating classification can be found in Annex A.

## 2. Background and Context

### 2.1 Overall Context

The third largest economy in Africa, South Africa is defined as an upper middle-income country, although it has high levels of inequality and poverty.<sup>5</sup> Economic growth has weakened over the past five years.

The Government is the largest investor in the national HIV response, providing 78% of funding, followed by the United States Government (17%) and the Global Fund (5%).<sup>6</sup> The national government sets policy, with provincial governments responsible for implementing them, operating relatively independently.<sup>7</sup>



Country data <sup>8</sup>	
Population	59 million
GDP per capita	US\$5,656 (2020)
TI Corruption Perception Index	70 of 180 (2021)
UNDP Human Development Index	114 of 189 (2020)
Health expenditure (% of GDP)	9% (2019)

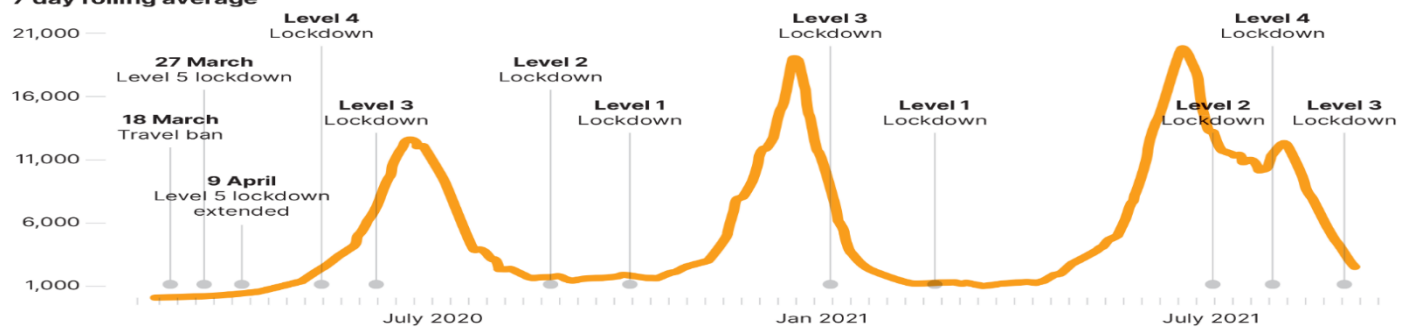
### 2.2 COVID-19 situation

The country reacted early to the pandemic, imposing a countrywide lockdown and curfews, as well as a comprehensive public health response. This had significant impact on program implementation, especially outreach and AGYW programs as well as access to TB diagnosis and treatment.<sup>9</sup> On November 24, 2021, a new variant of SARS-CoV-2 (Omicron), was reported to the World Health Organization. This new variant was first detected in specimens collected on November 11, 2021 in Botswana and on November 14, 2021 in South Africa.

COVID-19 statistics (24.11.21)
▪ Test conducted – 19,279,975
▪ Cases – 2,950,035
▪ Recovered – 2,839,768
▪ Deaths – 89,657

Lockdown types:

Daily case increase in Covid-19 cases in South Africa  
7 day rolling average



Source: National Department of Health

- Level 1: Inter-provincial movement in exceptional circumstances
- Level 2: Movement between provinces restricted
- Level 3: No inter-provincial movement of people
- Level 4: No local or inter-provincial movement of people
- Level 5: Full lockdown, only essential services permitted

<sup>5</sup> Worldbank.org - South Africa (Accessed on 29 November 2021)

<sup>6</sup> The Global Fund website – South Africa government profile (Accessed on 29 November 2021)

<sup>7</sup> gov.za- Structure and function of the South African government (Accessed on 29 November 2021)

<sup>8</sup> Sources: population, GDP, Health expenditure from data.worldbank.org; www.transparency.org/en/cpi/2021; https://hdr.undp.org/sites/default/files/Country-Profiles/ZAF.pdf; all accessed 21 Feb 2022

<sup>9</sup> COVID19.who.int- South Africa (Accessed on 30 November 2021)

## 2.3 Global Fund Grants in South Africa

Since 2003, the Global Fund has disbursed US\$1.3 billion to South Africa, of which US\$315 million was for the 2019-2021 funding cycle. Full details on the grants can be found at [the Global Fund's Data Explorer](#). For the 2019-2021 allocation cycle, four Principal Recipients managed the TB and HIV grants: National Department of Health (NDOH); Networking HIV & AIDS Community of Southern Africa (NACOSA); AIDS Foundation South Africa (AFSA); and Beyond Zero (BZ). The Global Fund supports only HIV and TB interventions, due to the low incidence of malaria in the country which is mainly transmitted along the border areas.

Figure 1: Funding, disbursed and absorbed for the current funding cycles (as of Sep 2021)

### Grant performance in South Africa

Grant number	Grant Start Date	Grant End Date	Total grant budget (A)	Grant budget PE 30 Sep '21 (B)	Disbursements as of 30 Sep '21 (latest available) (C)	% Disb. from budget (D=C/A)	Grant exp 31 Aug '21 (latest available) (E)	% Abs. budget (F=E/B)	% Abs. grant (G=E/A)
ZAF-C-NDOH	April 2019	March 2022	US\$211,869,366	US\$173,327,901	US\$171,344,114	81%	US\$111,590,047	64%	53%
ZAF-C-NACOSA	April 2019	March 2022	US\$86,100,170	\$65,325,440	\$55,428,294	64%	US\$51,198,681	78%	59%
ZAF-C-AFSA	April 2019	March 2022	US\$65,640,979	\$45,794,015	\$46,994,357	72%	US\$38,639,148	84%	59%
ZAF-C-BZ	April 2019	March 2022	US\$57,873,463	\$45,194,615	\$40,732,283	70%	US\$38,467,755	85%	66%
<b>TOTAL</b>			<b>US\$421,483,978</b>	<b>US\$325,179,639</b>	<b>US\$314,499,048</b>	<b>72%</b>	<b>US\$239,895,631</b>	<b>78%</b>	<b>59%</b>

Source: Global Fund Data Explorer (Column E was updated using the data from the PRs\*)

## 2.4 Disease profile

### HIV/AIDS



**In absolute numbers, South Africa has the largest burden of HIV in the world: 7.8 million people living with HIV (PLHIV)**, of whom 92% know their status. Among identified PLHIV, 72% were on treatment and 66% had viral load suppressed in 2020.

**Annual infections have decreased** since 2002 by more than 50%, from 502k to 230k in 2020.

**Coverage of people receiving antiretroviral treatment increased** from 20% in 2010 to over 70% in 2020.

**AIDS-related deaths decreased** from 270k in 2010 to 83k in 2020.<sup>10</sup>

### TUBERCULOSIS



In 2020, South Africa was one of eight countries accounting for two-thirds of the global TB burden. It has **3.3% of all TB cases worldwide**.<sup>11</sup>

TB is the **leading cause of death** in South Africa (2018 data, pre-COVID19).

**TB/HIV co-infection rate is 59% (2019)**, the highest TB/HIV infection in the world as per WHO estimates.<sup>12</sup>

**Increase in TB case notification by 12%** from 322,000 in 2017 to 360,000 in 2019.

**TB treatment success rate was 71% for new cases** in 2019 and increased to 79% in 2020.<sup>13</sup>

<sup>10</sup> UNAIDS.org- South Africa country factsheet

<sup>11</sup> WHO Global Tuberculosis report 2021

<sup>12</sup> National TB prevalence survey 2018 South Africa

<sup>13</sup> National Department of Health routine report 2020 and 2021

### 3. Portfolio Risk and Performance Snapshot

#### 3.1 Portfolio Performance

Global Fund grants in South Africa have generally performed well against targets, particularly given the challenges of the COVID-19 pandemic. Performance of AFSA and BZ grants has improved since March 2020, as shown below.

##### Grant ratings

PR	30 September 2019		31 March 2020		30 September 2020		31 March 2021	
	Average Performance Coverage Indicators	Final Grant Rating	Average Performance Coverage Indicators	Final Grant Rating	Average Performance Coverage Indicators	Final Grant Rating	Average Performance Coverage Indicators	Final Grant Rating
AFSA	18%	C	53%	B2	97%	B1	83%	B1
BZ	28%	C	73%	B1	89%	B1	106%	B1
NACOSA	70%	B1	88%	B1	94%	B1	105%	A1
NDOH	78%	B1	71%	B1	79%	B1	84%	B1

#### 3.2 Risk Appetite

The OIG compared the Secretariat’s aggregated assessed risk levels of the key risk categories covered in the audit objectives for the South Africa portfolio with the residual risk that exists based on OIG’s assessment, mapping risks to specific audit findings. The full risk appetite methodology and explanation of differences are detailed in Annex B of the current report.

AUDIT AREAS	RISK CATEGORY	SECRETARIAT AGGREGATED ASSESSED RISK LEVEL	ASSESSED RESIDUAL RISK, BASED ON AUDIT RESULTS	RELEVANT AUDIT ISSUES
Grant flexibilities and C19RM funds utilization	Procurement	High	High	Findings 4.3 and 4.4
Grants design and implementation arrangements	HIV- Program Quality	High	High	Finding 4.1
	TB- Program Quality	High	High	Finding 4.2
	In-Country Governance	Moderate	Moderate	Findings 4.1, 4.2 and 4.3
Procurement and supply chain processes and systems	In-Country Supply Chain	High	High	Findings 4.3 and 4.4



## 4. Findings



### 4.1 Improvement is needed in the design and implementation of HIV prevention programs

The HIV program successfully rolled out new prevention and treatment interventions during the COVID-19 pandemic. However, significant delays in implementing the registration and reporting system, as well as major challenges with HIV case finding and linkage to care, are limiting grant impact.

The pandemic-related closure of facilities and offices negatively affected Global Fund-supported programs in South Africa. Adolescent Girls and Young Women (AGYW), Sex Workers (SWs) and People Who Inject Drugs (PWID) have been particularly impacted, since their movement was restricted. The lockdowns resulted in a significant decrease in the number of patients visiting facilities, largely impacting the number of patients tested and initiated on antiretroviral treatment and HIV pre-exposure prophylaxis (PrEP).<sup>14</sup>

Despite these challenges, South Africa successfully rolled out two new interventions nationally (PrEP and HIV Self Testing). Human resources support financed through the grants helped district-level community COVID responses. Dignity packs, COVID care packs and food vouchers were provided to beneficiaries. Staff at safe spaces and key population clinics managed by the programs helped retain clients and get them to adopt better prevention practices. PrEP Ambassadors for AGYW, men who have sex with men (MSM), and transgender (TG) clients have been successful in recruiting beneficiaries. The Key and Vulnerable Populations Analytics Platform has helped its users (Managers and Monitoring & Evaluation teams) to analyze and use data.

Despite the progress made, the HIV program faces challenges around the quality of prevention data, finding positive cases, and linking patients to treatment.

#### **Significant delays in implementing the MyHope biometric and reporting system have impacted AGYW data quality**

AGYW investments represent 43% (US\$95 million) of Global Fund HIV grants in South Africa for the NFM2 (2019-2021) allocation period. The MyHope biometric registration and reporting system is a key element to support AGYW investments by collecting data in real time for four indicators (Reach, Testing, PrEP, and Linkage to care) and other management indicators. It was supposed to be completed by February 2020 but was still being refined in October 2021. This is largely due to it being impacted by bugs, system rule errors, low connectivity, and inconsistent functionality of the biometric registration and reporting system. Delays in finalising MyHope have resulted in increased Monitoring & Evaluation costs of US\$0.5 million.

Manually performed data capture is inefficient, poses a significant reporting burden, and is subject to error:

- 50% of cases sampled (10 of 20) at a sub-recipient (SR) could not be found in the MyHope system but were available on a back-up Excel tool. Seven of the 10 cases found lacked antiretroviral treatment data.
- 34% (137/407) of users at four sampled SRs had never used the Biometric system to register beneficiaries, while 43% (174/407) only started using it in November 2021.

The root causes for the delays include:

- Change Management: although MyHope represents a new way of capturing and reporting data, change management interventions were not included in the budget.
- Contracting: complex contractual arrangements and inconsistent oversight by the South African National AIDS Council Technical Support Unit.
- Compliance: the Project Management Committee lacks a definitive process for decision-making and sign-off for system rule changes, a situation aggravated by the service provider's lack of adequate technical health

<sup>14</sup> PrEP is medicine people at risk for HIV take to prevent getting HIV from sex or injection drug use.

expertise. Non-compliance with the e-software tender process was also noted: some members of the tender evaluation committee declared a conflict of interest, but did not recuse themselves from relevant decisions. The committee had limited expertise in innovative systems, and after the tender process was completed, the contract amount for the successful bidder was increased by 11% due to additional requirements.

The Global Fund Country Team and in-country partners devoted considerable effort to help with MyHope system development and implementation. However, the Country Team lacked the required advanced technical expertise on complex digital biometric monitoring systems.

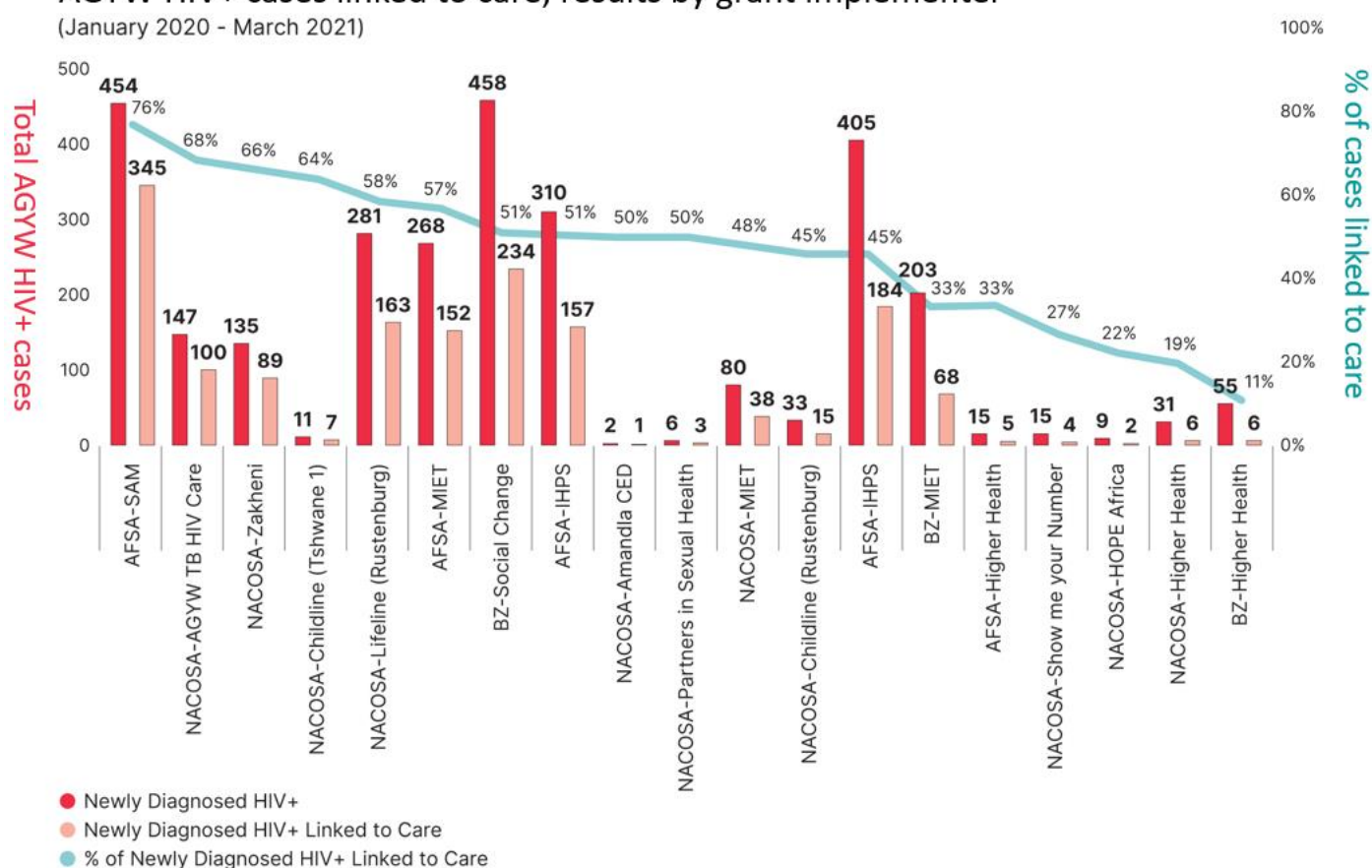
### Low linkage to care is limiting antiretroviral (ART) treatment

Linkage to care has been a low-performing indicator for the HIV program throughout the current grant cycle. *Figure 2* shows AGYW cases linked to care by sub-recipients over a 15 month period. South Africa also has low treatment coverage (at 72% compared to target of 90%). The low linkage to care limits adherence to Universal Test and Treat guidelines, and HIV-positive clients are not initiated on treatment immediately, which can lead to increased infections.

**Figure 2**

### AGYW HIV+ cases linked to care, results by grant implementer

(January 2020 - March 2021)



Contributing factors for the low linkage to care include the limited number of NIMART<sup>15</sup> nurses within the different sub-recipient sub-grants to link HIV-positives onto ARV treatment. Four of the eight provinces (Western Cape, Free State, Mpumalanga and Gauteng) covered by the grant do not allow NIMART Nurses to initiate antiretroviral treatment, contributing to the number of lost cases before they reach the ART initiation center. Only 21% of HIV-positive people were shown as having been linked to care at one SR in Buffalo City in the Eastern Cape province.

Sub-optimally structured implementation arrangements is another contributing factor. In some instances, AGYW sub-recipients are required to work together to complement the full basket of core and layered services to AGYW.<sup>16</sup>

<sup>15</sup> NIMART - Nurse-Initiated and Managed Antiretroviral Treatment

<sup>16</sup> Core services are key interventions offered to all AGYW under the GF program including: Offer of HIV testing and condoms; Information on HIV, TB, STI & GBV; Risk assessment; and a Service plan. Layered services are additional services offered to address the risks identified per AGYW within the Service plan (e.g. ART initiation for an HIV+ AGYW, or psycho-social support for an AGYW facing mental health challenges, etc)

This is not always efficient and sometimes creates conflict. Roles and responsibilities of certain sub-recipients and Community Based Organizations are leading to HIV-positive clients not being efficiently linked to care. Referral slips for sex workers and men who have sex with men initiated by a nurse are not always returned to the sub-recipient, which leaves the client “unlinked” within the Orbit and Beyond Data<sup>17</sup> reporting systems.

**Inconsistent service coverage, leading to low finding of new HIV-positive cases within targeted key populations**

Despite the high HIV prevalence among the targeted key population (SW – 56%; MSM – 25%; PWID – 22%; AGYW – 10%), and the positive performance of the HIV-testing indicator, case finding of HIV-positive cases among key populations by sub-recipients is low.

Sub-optimal coverage of sex workers hotspots and apportionment of hotspots across implementers is a contributing factor, with some hotspots not covered by implementers or service providers. Different mapping of sub-districts by the Department of Health (DoH) and the Department of Basic Education (DBE) is another contributing factor. In some instances, students from a particular High School may fall within a DoH sub-district covered by a sub-recipient, however, under DBE mapping the school may fall outside the sub-recipient’s coverage, making it difficult to provide both core and biomedical services to AGYW beneficiaries.

Our audit noted logistics limitations in offering HIV prevention and biomedical services in the community, and delays in the procurement of safe vans to reach new cases. Some sub-recipients have to rely on DoH mobile van services, which are irregular and do not offer antiretroviral treatment and HIV pre-exposure prophylaxis services (their focus is on Family Planning, STI treatment and HIV testing). Proven strategies like index testing,<sup>18</sup> tracing positives through sexual networks, and community testing are not being consistently applied, despite some implementer staff having been trained in these approaches.

**Agreed Management Action 1:**

The Secretariat will work with the relevant PRs to:

- a. develop a timebound (and costed, where relevant) plan to monitor the progress of the unresolved MyHope issues.
- b. develop an advocacy plan to advocate for NIMART nurses to initiate ART in Western Cape, Free State, Mpumalanga and Gauteng Provinces.
- c. develop strategy/plan to improve linkage to care including defining roles and responsibilities of relevant SRs and develop implementation plan for linking HIV-positive clients to care. and full basket of core and layered services are provided to AGYW;
- d. improve the provision of core and layered services to AGYW, and HIV prevention and biomedical services in the community.

OWNER: Head of Grant Management Division

DUE DATE: 31 March 2023

<sup>17</sup> ORBIT is the programmatic reporting systems used to monitor and report data for sex workers, while Beyond Data is for MSM & TG population

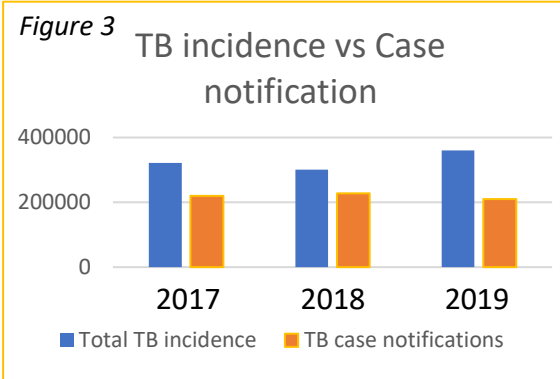
<sup>18</sup> Index testing also referred to as partner testing/partner notification services, is an approach whereby exposed contacts (i.e., sexual partners, biological children and anyone with whom a needle was shared) of an HIV-positive person (i.e., index client), are elicited and offered HIV testing services

## 4.2 Significant delays in the delivery of key TB strategies and interventions

Key strategies and interventions to detect and link drug-sensitive and multidrug-resistant TB cases to treatment have been designed. However, significant delays in recruiting sub-recipients, the COVID-19 pandemic, and labor strikes have impacted their implementation.

South Africa conducted its first TB prevalence survey in 2018, with the results published in 2021. TB grant strategies have been revised to take into account the survey's key findings and recommendations. These cover interventions for men, the elderly, PLHIV, youth and children under 5 years, and non-traditional settings such as the private health sector and communities. The TB program introduced a Digital Chest X-Ray strategy, which facilitates the detection of asymptomatic cases, and there are plans to scale this up in the next implementation cycle. The integration of COVID-19 and TB testing tools, and regular screening of patients for TB and COVID-19, has resulted in increased yield.

Despite this, South Africa retains a heavy TB burden. It is one of the World Health Organization's 30 high-burden countries for TB, TB/HIV and multidrug-resistant TB. In 2021, the country accounted for 3.3% of the global TB burden and TB was the leading cause of death.<sup>19</sup> TB treatment coverage decreased from 68% in 2017 to 58% in 2019, and about 40% of TB cases are missing (see Figure 3). WHO's 2021 Global TB report indicated a 50% decrease in the number of drug-resistant TB patients enrolled on treatment compared to 2019. The country's HIV/TB co-infection rate was 59% in 2019, the highest in the world.



### Significant delays in implementing key TB strategic interventions have resulted in low case detection

The TB program introduced strategies to detect TB cases and effectively link them to treatment, but implementation of these activities is overdue. Procuring mobile digital X-Rays to detect asymptomatic cases was delayed by nine months, meaning mobile X-Ray had only achieved 10% (60k out of 600k presumptive cases) of its target by November 2021. Prioritized Above Allocation Request (PAAR) activities amounting to US\$26.6 million (10% of the TB grant) were finalized and approved four months after sub-recipient applications. Deploying community health workers/nursing assistants to facilitate TB screening and linkage to treatment was also delayed by four to 12 months.<sup>20</sup> The unavailability of nursing assistants contributed to 30% of diagnosed TB patients being lost to follow-up; TB positivity (from the diagnosis of patients screened and referred) has increased by 10% since the deployment of the nursing assistants. The Principal Recipient faced challenges in recruiting field staff to support implementation; this contributed to low absorption (54%) of the grant, as the salaries for these staff constitute 22% (US\$46.3 million) of the TB grant.

Delays in commencing the TB grant due to administrative and contractual processes ranged from three to nine months. The Principal Recipient started the sub-recipient recruitment tender process in November 2018, but only finalized the process and grant agreements in August 2019 (five months into the grant). Some sub-recipients were introduced to Provinces and Districts as late as November 2019. COVID-19 lockdown regulations affected the supervision, training and travel budget absorption of US\$5.4 million, while labor strikes at the National Department of Health led to delays in recruiting key personnel, especially for the Community Health Worker program.

The delayed implementation contributed to the TB program missing opportunities to diagnose, track positive cases to start treatment, and monitor patients on treatment to ensure adherence and follow up missed appointments, as well as to manage children and adults who have contacts with TB patients. These delays have been reflected both in the low achievement of programmatic indicators and low absorption. For example, sub-recipient performance on key TB indicators, including the number of cases notified and number of notified cases that began second line treatment,

<sup>19</sup> WHO Global TB report 2021


<sup>20</sup> The period it took the implementers to recruit and deploy nursing assistants

is low, ranging from 30% to 50% between April 2019 and September 2021. As of August 2021 (seven months before the end of the grant), 46% of the TB grant budget had not been spent. Implementation delays had previously been flagged in the 2017 OIG audit.

**Reported TB programmatic results do not provide an accurate indication of actual performance at the country level**

In the absence of national targets, the Global Fund agreed during grant negotiation to use estimated targets in the Global Fund’s Performance Framework, which are lower than the targets adopted by the national partners implementing the grant. The use of lower targets while reporting the same results creates the impression that the NDOH grant as a whole is “adequate”, while in fact key TB indicators (e.g. DS-TB, MDR-TB, childhood TB) have not been performing well over the period. This partially explains the NDOH grant’s good performance despite the low utilization of funds. The absence of nationally approved targets resulted in misalignment between the Global Fund’s Performance Framework and implementer targets, making it difficult to monitor implementation challenges and address them.

<b>Agreed Management Action 2:</b>
The Secretariat will work with the National Department of Health to establish a timebound action plan to address the delays in implementing key TB strategic interventions.
OWNER: Head of Grant Management Division
DUE DATE: 31 July 2022



## 4.3 PPE and diagnostics were procured promptly, but there were inefficiencies and non-implementation of key activities

South Africa absorbed 87% of its COVID funding, mainly to procure protective equipment and diagnostics, but some key activities have not been implemented. Non-compliance with COVID-19 commodity procurement and monitoring controls is contributing to inefficiencies and limited accountability.

The COVID-19 pandemic has affected Global Fund programs in South Africa, with nationwide lockdowns limiting the ability to conduct HIV prevention and TB detection and treatment activities. COVID-19 Response Mechanism (C19RM) funding has enabled high-burden HIV sub-districts to perform screening and contact tracing for COVID-19, as well as HIV prevention services and TB screening. Our audit noted areas for improvement in C19RM implementation, including the procurement and monitoring of COVID-19 commodities.

### **Improvement needed in the management of C19RM and grant flexibility funds**

South Africa has spent 87% of the US\$64.5 million received in grant flexibilities and C19RM 2020 funds. Although the absorption rate is high, some important activities listed in the C19RM 2020 concept note were not implemented. These include strengthening: mental health and psycho-social support amidst COVID-19; Department of Basic Education and Department of Social Development COVID-19 response; the National Emergency Operations Centre; and specimen transportation to National Health Laboratory Services (NHLS). A lack of clarity on how some activities were to be implemented and competing priorities contributed to the delayed implementation, as did the lack of supporting activities such as a multimedia campaign framework, late signing of the service level agreement between NHLS and the service provider, and labor strikes at the National Department of Health.

The audit noted non-compliance with payment controls in our sample, while recognizing the intensely competitive market for these key commodities over the last two years. A grant Principal Recipient overspent on procurements of gloves and masks by 381% (US\$1.8 million) and 18.5% (US\$1.7 million) respectively; funds earmarked for other activities had to be used for these procurements. Transactions amounting to US\$1.3 million (out of a sample of US\$57 million) were made without sufficient supporting documents, and US\$2.1 million was paid to health and project workers without sufficient controls over their existence and performance (there was however no indication of fraud or misuse for these transactions).

### **Improvement needed on procurement and monitoring of COVID-19 commodities**

#### Non-compliance with COVID-19 related procurement controls

Policies and guidelines<sup>21</sup> are available to guide procurement and supply chain activities for COVID-19 commodities. Our audit, however, noted many instances where procurement evaluation policies were not complied with. Sample testing found that there was ambiguity in the guidance or basis upon which bids were obtained; for example:

- Personal Protection Equipment worth US\$1.2 million was purchased for prices above the National Treasury price ceiling, resulting in excess payments of US\$0.31 million. Although the lowest bidders were recommended by the Evaluation Committee, the recommendation was changed in an attempt to rotate suppliers.
- Procurement of isolation gowns was awarded to more expensive bidders, although all shortlisted suppliers passed the technical evaluation; savings of US\$1 million could have been achieved if suppliers offering more reasonable prices had been considered.

The audit also noted a lack of segregation of duties for a US\$3.3 million procurement: the Joint PMU-SR Evaluation Committee prepared the solicitation documents, evaluated the bids, and adjudicated over the procurement.

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<sup>21</sup> Supply Chain Management Policy and Procurement Procedure Manual 2021, and Personal Protective Equipment (PPE) Procurement Plan for Health, June 2021.



### Gaps in COVID-19 commodities monitoring

As acknowledged by NDOH's Affordable Medicines Department, 38% of the 4,103 health facilities did not submit stock-on-hand data to the National Surveillance Center (NSC) as of October 2021, affecting stock availability analysis by the NSC. Stock status for some provincial warehouses, including Kwazulu-Natal, North-West, Mpumalanga, Limpopo and Free State, is not reflected in NSC records, due to the lack of an electronic Logistics Management Information System (eLMIS) feeding into the NSC system. For example, the Kwazulu-Natal warehouse stock monitoring system uses Microsoft Excel, making it prone to errors and manipulation. It also lacks stock cards to aid in tracing stock movement in real time. Our stock count of N-95 masks at the warehouse found 26,300 fewer masks than in the stock records.

The NDOH has no system to account for funded COVID-19 commodities distributed by provincial warehouses, making it difficult to monitor distribution and ensure commodities are reaching their intended beneficiaries. While the Gauteng and Kwazulu-Natal provincial warehouses segregate donor stock from stocks procured by the provinces, their warehouse management systems do not identify donor sources of COVID-19 commodities to enable monitoring and tracking. Occasional documentation challenges in tracing of goods at Xeon, Gauteng and Kwazulu-Natal warehouses were noted; for example, 18% of the sampled proof of deliveries from Xeon to provincial warehouses were not found. Limited performance measurement of the Third-Party Logistics (3PL) service provider for warehousing and distribution of PPE was also noted: despite being a requirement in the service agreement, the 3PL service provider had not reported on the KPIs since the start of the contract, making it difficult to evaluate the quality of the services provided.

### Delays in quality assurance of COVID-19 commodities

To ensure quality, all PPE suppliers need accreditation by the South Africa Health Products Regulatory Authority. Laboratory tests are also performed for masks and isolation gowns. While the NDOH tests the quality of COVID-19 commodities, the other three Principal Recipients do not. We noted delays in the quality assurance process of some COVID-19 commodities. At the time of the audit, no in-country quality control had been performed for 7.2 million nitrile gloves worth US\$1 million received in July 2021, although the process to contract a company to conduct the required quality assessment started in April. As a result, all the gloves were still in the warehouse. Delays in South African Bureau of Standards conformity assessments was a contributing factor. At the time of the audit, 5.4 million units of N-95 masks worth US\$10.9 million imported in May 2021 were still at the warehouse, and were only approved for use by the National Regulatory for Compulsory Specifications<sup>22</sup> on 22 November 2021, six months after receipt.

Delayed quality testing and limited monitoring has contributed to stock-outs in some warehouses. Gauteng and Free State provinces had only 50% stock availability for nitrile gloves, although the Xeon warehouse was fully stocked with the product. The Kwazulu-Natal warehouse has been stocked out of examination gloves since June 2021, and has no isolation gowns or surgical masks.

#### **Agreed Management Action 3:**

The Secretariat will work with the relevant Principal Recipients to conduct an independent review of the transactions made without sufficient supporting documents (US\$1.3 million) or without sufficient controls (US\$2.1 million), to determine whether the services were provided in line with the respective terms of reference.

OWNER: Head of Grant Management Division

DUE DATE: 31 July 2022

<sup>22</sup> National Regulatory for Compulsory Specifications' mandate includes administering compulsory specifications and other technical regulations

**Agreed Management Action 4:**

The Secretariat will work with the relevant Principal Recipients to develop a mechanism to:

- a. update relevant procurement manuals and procedures to improve clarity of procurement and supply chain processes for commodities procured using grant funds.
- b. strengthen the oversight of Third-Party Logistics services providers including establishment of clear key performance indicators.
- c. improve price competitiveness for HIV self-testing kits, viral load kits and methadone as well as completing the process of including Methadone on the list of Essential Medicines for South Africa.

OWNER: Head of Grant Management Division

DUE DATE: 31 March 2023



## 4.4 Stronger HIV and TB procurement and supply chain, but improvement needed in HIV testing kits and other key commodities

Although competitive prices are being sourced for locally procured ARVs and TB medicines, prices for HIV self-testing kits, methadone and viral load kits are high. Gaps in supply chain management process are impacting the monitoring of commodities.

There have been improvements to the supply chain since the OIG's 2017 audit. The Principal Recipient is procuring antiretrovirals and TB medicines at competitive prices compared to international price indices. Policies and guidelines are available for supply chain activities, and in-country quality control testing is being conducted for HIV and TB commodities. However, opportunities remain in terms of obtaining better value for money for local procurements of HIV self-testing kits, methadone and viral load kits, as well as inventory management of HIV self-testing kits.

### Local procurements of key commodities are high priced

Between 2020 and 2021, Principal Recipients locally procured 0.57m HIV self-testing kits worth US\$2 million at prices 45% higher than international price indices (available through the Global Fund's online procurement platform, Wambo.org), even when costs such as freight and insurance are considered.<sup>23</sup> A US\$0.6 million saving could have been made if a more competitive price had been sourced, enough to procure an additional 200,000 tests.

Locally procured methadone and viral load kits are similarly high-priced. One liter of methadone 5mg/ml costs US\$112 compared to the international price index of US\$35. While the factory price for viral load kits is US\$1,250, rising to US\$1,356 if freight and insurance costs are included, the local supplier sells the product to the Principal Recipient for US\$1,634 per kit. The Principal Recipient procured 700 such kits for US\$1.1 million; a US\$0.2 million saving (about 20% of the procurement amount) could have been made if the procurement considered the wider open market. Having sole suppliers for both HIV self-testing kits and methadone contributes to the high prices. South Africa has started the process of including methadone in its list of Essential Medicines,<sup>24</sup> which will increase price competitiveness.

### Inventory Management

We noted non-compliance with inventory management controls at the HIV self-testing kit warehouse. Since the first order was received in November 2020, the warehouse service provider (S-Buys) has not conducted a stock count to monitor stock levels and mitigate the risk of damage, loss and theft. A stock count by the OIG noted a minor discrepancy of 1,500 more test stock (valued at \$6k) in the warehouse management system compared to the physical stock in the warehouse. Gaps in proof of delivery documentation were also noted: 99% (106 out of 107) of the audit sample was not stamped by receiving clinics, 13% (14 out of 107) was not signed, while 79% (85 out of 107) was signed by undesigned personnel, posing a significant risk of commodity loss. Principal Recipients lack a system to monitor warehouse stock or provide visibility on kit consumption at sub-recipient level. This limits the availability of data for decision making, and risks the diversion or pilferage of commodities.

The audit also noted limited performance measurement of S-Buys by the Principal Recipients. While the service level agreement requires S-Buys to track and report on KPIs, such as turnaround time for delivery of orders and order fulfilment rate, the firm is not doing so. Limited enforcement of the contract terms by Principal Recipients is a contributing factor; NACOSA and AFSA (PRs) have not requested KPI data since the contract commenced.

No actions have been agreed under this finding because the root causes highlighted above are addressed by Agreed Management Action 4 on page 16.

<sup>23</sup> The Ex-work price for HIV Self Testing kit is US\$2 available to be picked up from the factory location, when marked up with freight and insurance to the central warehouse in the country it comes to US\$2.6 per kit but NDOH purchased the kits at US\$3.8 per kit.

<sup>24</sup> Essential medicines are those that satisfy the priority health care needs of a population.

## Annex A: Audit rating classification and methodology

<b>Effective</b>	<b>No issues or few minor issues noted.</b> Internal controls, governance and risk management processes are adequately designed, consistently well implemented, and effective to provide reasonable assurance that the objectives will be met.
<b>Partially Effective</b>	<b>Moderate issues noted.</b> Internal controls, governance and risk management practices are adequately designed, generally well implemented, but one or a limited number of issues were identified that may present a moderate risk to the achievement of the objectives.
<b>Needs improvement</b>	<b>One or few significant issues noted.</b> Internal controls, governance and risk management practices have some weaknesses in design or operating effectiveness such that, until they are addressed, there is not yet reasonable assurance that the objectives are likely to be met.
<b>Ineffective</b>	<b>Multiple significant and/or (a) material issue(s) noted.</b> Internal controls, governance and risk management processes are not adequately designed and/or are not generally effective. The nature of these issues is such that the achievement of objectives is seriously compromised.

The OIG audits in accordance with the Global Institute of Internal Auditors’ definition of internal auditing, international standards for the professional practice of internal auditing and code of ethics. These standards help ensure the quality and professionalism of the OIG’s work. The principles and details of the OIG’s audit approach are described in its Charter, Audit Manual, Code of Conduct and specific terms of reference for each engagement. These documents help safeguard the independence of the OIG’s auditors and the integrity of its work.

The scope of OIG audits may be specific or broad, depending on the context, and covers risk management, governance and internal controls. Audits test and evaluate supervisory and control systems to determine whether risk is managed appropriately. Detailed testing is used to provide specific assessments of these different areas. Other sources of evidence, such as the work of other auditors/assurance providers, are also used to support the conclusions.

OIG audits typically involve an examination of programs, operations, management systems and procedures of bodies and institutions that manage Global Fund funds, to assess whether they are achieving economy, efficiency and effectiveness in the use of those resources. They may include a review of inputs (financial, human, material, organizational or regulatory means needed for the implementation of the program), outputs (deliverables of the program), results (immediate effects of the program on beneficiaries) and impacts (long-term changes in society that are attributable to Global Fund support).

Audits cover a wide range of topics with a particular focus on issues related to the impact of Global Fund investments, procurement and supply chain management, change management, and key financial and fiduciary controls.

## Annex B: Risk appetite and risk ratings

In 2018, the Global Fund operationalized a Risk Appetite Framework, setting recommended risk appetite levels for eight key risks affecting Global Fund grants, formed by aggregating 20 sub-Risks. Each sub-Risk is rated for each grant in a country, using a standardized set of root causes and combining likelihood and severity scores to rate the risk as Very High, High, Moderate or Low. Individual grant risk ratings are weighted by the grant signed amounts to yield an aggregate Current Risk Level for a country portfolio. A cut-off methodology on high risks is applied (the riskiest 50% of grants are selected) to arrive at a country risk rating.

OIG incorporates risk appetite considerations into its assurance model. Key audit objectives are generally calibrated at broad grant or program levels but OIG ratings also consider the extent to which individual risks are being effectively assessed and mitigated.

OIG's assessed residual risks are compared against the Secretariat's assessed risk levels at an aggregated level for those of the eight key risks which fall within the audit's scope. In addition, a narrative explanation is provided every time the OIG and the Secretariat's sub-Risk ratings differ. For risk categories where the organization has not set formal risk appetite or levels, OIG opines on the design and effectiveness of the Secretariat's overall processes for assessing and managing those risks.

### Global Fund grants in South Africa: comparison of OIG and Secretariat risk levels

The OIG and Secretariat risk levels are aligned.