

**Audit Report**

**Global Fund Grants to the**  
**Republic of**  
**Malawi**

GF-OIG-24-007  
22 April 2024  
Geneva, Switzerland

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**Email:**  
hotline@theglobalfund.org

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+41 22 341 5258



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# 1. Executive Summary

## 1.1 Opinion

Since 2003, the Global Fund has invested over US\$2.2 billion in Malawi with US\$641 million grants signed for Grant Cycle 6 (GC6). The country has made significant progress in fighting the HIV, tuberculosis (TB) and malaria epidemics. HIV incidence and death rates have decreased since 2016, by 41% and 61% respectively, and Malawi is close to reaching the 95-95-95 UNAIDS targets, with an achievement rate of 94%-93%-87% in 2022.<sup>1</sup> In the last 10 years, TB incidence and TB-related deaths have decreased by 44% and 67%,<sup>2</sup> while malaria incidence and deaths decreased by 46% and 61% respectively, between 2016 and 2022.<sup>3</sup>

Improvement is required in prevention and testing interventions for the three diseases to optimize their outcomes and sustain the gains made. Gaps were noted in insecticide-treated net and indoor residual spraying campaigns – due to weak procurement planning and distribution – minimizing the outcomes of the interventions. HIV testing interventions for males and key populations need to be enhanced to improve the first 95 UNAIDS target for these populations. The country has been successful in increasing drug-sensitive (DS) and rifampicin-resistant (RR) TB case notifications. However, the high number of missing TB cases remains a challenge. The implementation of TB, HIV, and malaria interventions to ensure access to key services by beneficiaries is **partially effective**.

The existing supply chain arrangements have ensured availability of commodities at all levels. The TB supply chain reform has facilitated last-mile delivery of TB commodities to beneficiaries, and optimized the warehouse at the Central Medical Stores Trust. Despite significant Global Fund investment since 2012 in supply chain integration, the country continues to rely on parallel supply chain arrangements and multiple non-interoperable information systems impacting integration and sustainability efforts. Key root causes include inadequate governance, oversight, and coordination of supply chain interventions in the country. Sustainable procurement and supply chain processes and systems to ensure timely availability and accountability of quality-assured commodities at all levels is **partially effective**.

The Global Fund allocated US\$32 million in Grant Cycle 6 to support the country system and infrastructure for health. The Global Fund has invested in key enabler interventions, such as resilient and sustainable systems for health (RSSH) and Strategic Initiatives (SI), to support program implementation. Whilst the financial and procurement management of the Principal Recipients have been improving since the last OIG audit in 2019, control gaps in payment processes, as well as advance management and procurement, have impacted program implementation and efficient use of grant funds, causing investments to not fully achieve the desired impact. Grant oversight and functions supporting the achievement of grant objectives **need significant improvement**.

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<sup>1</sup> <https://www.unaids.org/en/regionscountries/countries/malawi>

<sup>2</sup> Global TB Data, 2023, Malawi NTLEP TB data

<sup>3</sup> National Malaria Strategic Plan (NMSP), 2023-2030

## 1.2 Key Achievements and Good Practices

### Significant progress has been made in HIV, TB and malaria outcomes

The country demonstrated good achievement in reducing incidence and death rates across the three diseases. The malaria cases show a decreased trend over the year, and the HIV annual infection decreased by 61% since 2010.<sup>4</sup> Achievement of the first 95 UNAIDS target is above the 91% average achievement in the region. TB case notification has increased by 14% since 2018, and treatment coverage increased from 55% in 2018 to 71% in 2022.<sup>5</sup>

### Progress made to ensure availability of health commodities at all levels, optimization of the existing warehouse, and improvement in product visibility

Malawi has ensured the availability of HIV, TB, and malaria commodities at all levels of the supply chain despite disruptions such as the COVID-19 pandemic, a cholera epidemic, cyclones and natural disasters experienced in the past three years. Reforms in the TB supply chain to facilitate last-mile delivery to beneficiary health facilities and using OpenLMIS<sup>6</sup> have ensured improved visibility and addressed program inefficiencies highlighted in the OIG 2019 audit. Storage space at the Central Medical Stores Trust (CMST) has been also increased by 45%.

### The National Audit Office's role in the grant has improved country ownership and sustainability

The Global Fund has continuously enhanced collaboration with the Malawi National Audit Office. The Malawi National Audit Office conducts audits on grants that are implemented by the Ministry of Health. The Global Fund Secretariat continues to support capacity building of the National Audit Office and has reserved a budget for capacity building in the next grant cycle, GC7.

## 1.3 Key Issues and Risks

### Key commodities are available at all levels, but supply chain integration efforts are significantly delayed

The Global Fund supports Malawi's efforts – starting in 2012 – to ensure the integration and sustainability of its national supply chain. However, limited progress in implementation of this integration has resulted in continued reliance on parallel supply chain arrangements. Between 2019 and 2023, the Global Fund spent US\$6 million, aimed primarily for technical assistance to establish transformation plans and to support CMST. However, the Global Fund did not put in place a robust mechanism to monitor and follow up, on a timely basis, on the effectiveness of the Technical Assistance provider support. Implementation of the Master Supply Chain Transformation Plan 2021-2026 is not on track, with only 13% of activities completed, and multiple, non-interoperable systems, resulting in continued limited traceability and accountability of products.

### Significant progress has been made in program outcomes, but prevention and testing interventions could be improved

For malaria, the GC6 insecticide-treated nets and indoor residual spraying campaigns have not achieved the expected results to reduce the malaria burden, due to quality issues and delayed distribution. The five districts where insecticide-treated net distribution was delayed and the four regions with indoor residual spraying interventions experienced an increase of 31% in malaria cases.

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<sup>4</sup> UNAIDS Factsheets 2022- Malawi

<sup>5</sup> Global TB Data, 2023, Malawi NTELP TB Data

<sup>6</sup> OpenLMIS: open source, cloud-based electronic logistic management information system (LMIS) purpose-built to manage health commodity supply chains

This is compared to the declining trend in the 20 districts that received insecticide-treated nets ahead of the peak malaria season.

The sub-optimal coverage and quality of HIV testing and interventions for men and key populations might impact the gains made in the HIV response. About 89% of men living with HIV know their status compared to 98% of women. One of the root causes of the lower testing for men is the delay in the rollout of the National Male Engagement Strategy.

The TB program has had success in increasing DS-TB and MDR-TB case notifications. The country, however, has a high number of missing cases, with estimates of one third of DS-TB and 80% of MDR-TB.<sup>7</sup> The high percentage of missing cases is mainly due to inadequate targeting of key populations, limited progress in community contribution, lack of focused engagement on the private-for-profit sector, and suboptimal use – 55% in 2022<sup>8</sup> – of molecular WHO-recommended rapid diagnostic tests (mWRDs) at the time of diagnosis.

### **Further optimizing investments, and improving financial and procurement oversight will ensure sustainability, safeguard grant funds**

Global Fund investments in key enabler interventions, including RSSH and Strategic Initiatives, were delayed in execution due to procurement delays and suboptimal planning, limiting the effectiveness of Global Fund investments in the current grant cycle.

The assurance mechanisms instituted by the Global Fund in the grant, such as the fiscal agent, are helping to reduce the high fiduciary and financial risk. Effectiveness of financial and procurement controls, however, need to be improved. Weak controls over payment processes, long outstanding non-reconciling items in bank reconciliation, significant long-outstanding advance payments and delayed procurements were noted.

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<sup>7</sup> Global TB Data, 2023, Malawi NTELP TB Data

<sup>8</sup> The Malawi NTEP program results, S2 2022

## 1.4 Objectives, Ratings, and Scope

This audit was part of the Office of the Inspector General's 2023 work plan, approved by the Audit and Finance Committee in October 2022. The overall objective of the audit is to provide reasonable assurance to the Global Fund Board on grants in the Republic of Malawi. Specifically, the audit assessed the adequacy and effectiveness of objectives in the following table:

Objectives	Rating	Scope
Sustainable procurement and supply chain processes and systems to ensure timely availability and accountability of quality-assured commodities at all levels.	Partially effective	<b>Audit period</b> January 2021 to June 2023  <b>Grants and implementers</b>
Implementation of TB, HIV and malaria interventions to ensure access to key services by beneficiaries.	Partially effective	The audit covered the Principal Recipients and sub-recipients of Global Fund-supported programs in Malawi.
Grant oversight and functions to support the achievement of grant objectives.	Need significant improvement	<b>Scope exclusion</b> None

Details about the general audit rating classification can be found in **Annex A** of this report.

OIG auditors visited 16 health facilities/hospitals as well as key and priority populations in all Global Fund-supported districts. The visited regions account for 38% of the TB burden, 38% of patients on antiretroviral treatment, and 20% of the malaria cases in the country.

## 2. Background and Context

### 2.1 Country Context

Malawi is classified as a low-income country by the World Bank, with a population of 20 million. The country has long-outstanding macroeconomic imbalances. An ongoing debt and balance-of-payment crisis, the impact of tropical Cyclone Gombe and Freddy, and cholera outbreaks caused production losses.

Malawi Human Development Index was 169th of 191 countries (2022), and the Corruption Perception Index was 110th of 180 in 2022. The country relies heavily on donor contributions for HIV programs, with donor contributions representing 81% of funding available for HIV, TB, and malaria.

Country data <sup>9</sup>	
Population	20 million (2022)
GDP per capita	US\$645 (2022)
Corruption Perception Index	110 of 180 (2022)
UNDP Human Development Index	169 of 191 (2021)
Government spending on health (% of GDP in 2020)	5.43%
Health expenditure as % of Government budget	8.8% (2022) <sup>10</sup>

### 2.2 COVID-19 Situation and Other Outbreaks in Malawi

The COVID-19 pandemic adversely impacted the implementation of grants. The country also faced Cyclone Gombe on 13 March 2022 and Cyclone Freddy on 12 March 2023, destroying several health facilities. In addition, a cholera outbreak took place between 28 February 2022 and 29 October 2023, with 59,077 cases and subsequently 1,769 deaths.<sup>11</sup>

COVID-19 statistics <sup>12</sup>	
Confirmed cases	88,788
Deaths	2,686
Recovered	85,782

<sup>9</sup> Sources: population, GDP from World Bank, 2022 (<https://data.worldbank.org/country/malawi>); transparency corruption index, 2022 (<https://www.transparency.org/en/countries/malawi>); health expenditure from The Global Economy, 2021 (<https://www.theglobaleconomy.com/Malawi>) ([https://hdr.undp.org/system/files/documents/global-report-document/hdr2021-22pdf\\_1.pdf](https://hdr.undp.org/system/files/documents/global-report-document/hdr2021-22pdf_1.pdf)) - all accessed on 12 November 2023

<sup>10</sup> The stifled promise of the right to health in Malawi: corruption, public debt and the search for solutions, July 2023, Amnesty International

<sup>11</sup> Public Health Institute of Malawi/WHO Malawi

<sup>12</sup> Malawi COVID-19 data; <https://covid19.health.gov.mw/> - accessed on 12 November 2023

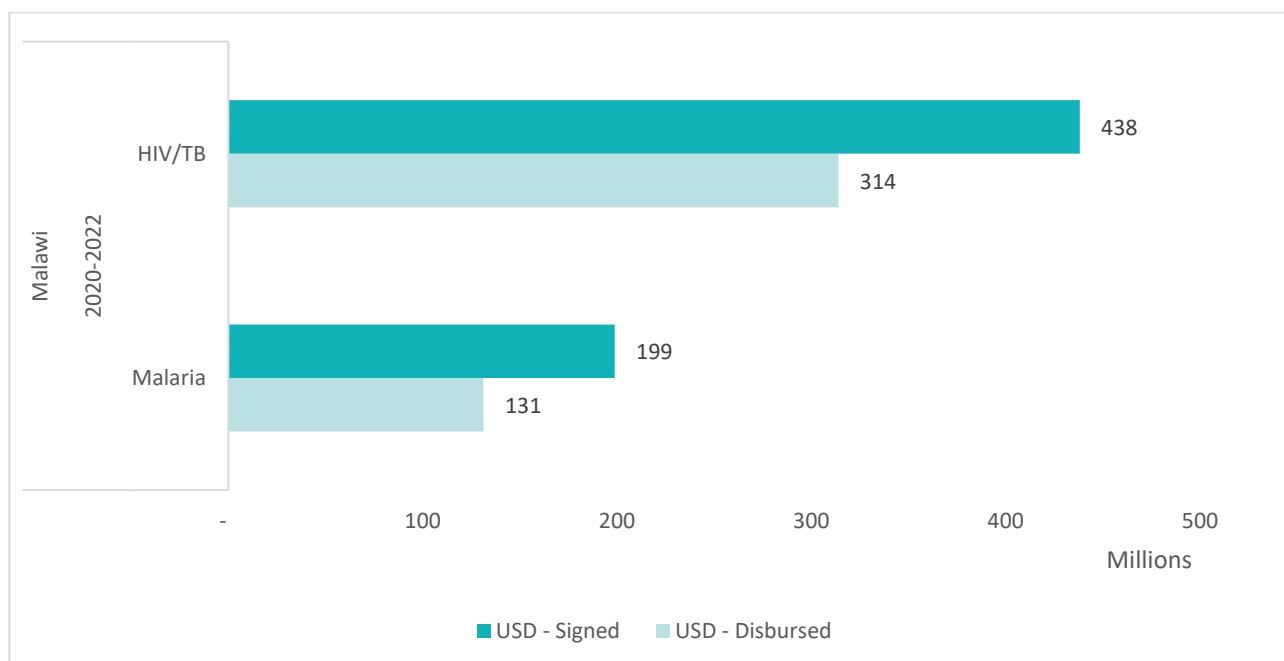
## 2.3 Global Fund Grants in Malawi

Since 2003, the Global Fund has invested over US\$2.2 billion in Malawi. For Grant Cycle 6, the Global Fund signed two combined HIV/TB grants for a total of US\$436 million.<sup>13</sup> The goal of the investment is to end HIV and AIDS as public health threats in Malawi by 2030 and significantly reduce TB incidence and mortality by 2025.

The signed amount for the malaria grant is US\$205 million, including US\$109 million from COVID-19 Response Mechanism (C19RM) funding. US\$172 million of this amount is implemented by the Ministry of Health and US\$33 million is implemented by World Vision Malawi. The malaria grant aims to reduce malaria deaths and incidence by 2024.

Two Principal Recipients implement the HIV/TB and malaria grants: the Ministry of Health implements the biomedical component and World Vision Malawi implements the non-biomedical component.

Figure 2: Funding amount, disbursed and signed amounts for 2020-2022 funding cycles (as of November 2023)<sup>14</sup>



<sup>13</sup> Ministry of Health implements US\$416 million and World Vision Malaria implements US\$20 million of the interventions

<sup>14</sup> [Global Fund Data Explorer \(https://data.theglobalfund.org/location/MWI/overview\)](https://data.theglobalfund.org/location/MWI/overview) - accessed on 12 November 2023  
<https://data.theglobalfund.org/location/ETH/signed/treemap> ), accessed 12 November 2023



## 2.4 The Three Diseases

### HIV / AIDS



**1 million people are living with HIV in Malawi**, of whom 94% know their status. Among identified people living with HIV (PLHIV), 93% were on treatment and 87% had suppressed viral loads.

Malawi represents **3% of global HIV burden** (11th out of 124 eligible countries).

**Annual new infections decreased by 61% since 2010**, from 58,000 newly infected people to 16,000, making Malawi the 9<sup>th</sup> highest in the world (UNAIDS 2023 fact sheets).

**AIDS-related deaths reduced by 67%** from 41,000 in 2010 to 12,000 in 2020.

**The epidemic is mixed**, HIV prevalence varied considerably across geographical areas in Malawi. 61% of adults living with HIV are women, with distinct transmission areas among Key Populations (Female Sex Workers – 50%, and Men Who Have Sex with Men – 13%<sup>15</sup>). No data on Persons Who Inject Drugs, and Transgender People.

Source: [UNAIDS Factsheets 2021, 2022-malawi](#)

### TUBERCULOSIS



Malawi is among the 30 **high TB/HIV burden countries**, with 25,000 estimated cases (125/100,000), of which 71% were notified (2022).

Malawi represents **0.25% of global TB burden** (40th out of 115 eligible countries).

**TB incidence has reduced by 57% since 2012**, from 291 to 125 per 100,000 people in 2022.

99.8% of TB patients have a **known-HIV status**. Of the 48% co-infected patients, 100% are enrolled in antiretroviral treatment.

**TB treatment success rate** is at 90% (2021), in alignment with the WHO End TB Strategy target of 90% by 2025.

In 2022, **MDR/RR-TB** was estimated at 700 cases, of which 122 were notified (2022).

Source: [WHO TB Report 2023-Malawi](#)

### MALARIA



Malawi is the **15th largest contributor** to total reported malaria cases globally.

Malawi represents **2% of global malaria burden** (15th out of 73 eligible countries).

Malawi carries 1.7% of the **global malaria burden** and accounts for 1.2% of malaria deaths globally.

In 2021, 4,359,158 cases of malaria were reported, a **22.4% reduction** compared to 5,615,374 malaria cases reported in 2010.

Malaria-related **deaths dropped by 31.6%** from 10,817 in 2010 to 7,392 in 2021.



Source: [World Malaria Report 2022](#)

<sup>15</sup> IBBS 2020

### 3. Portfolio Risk and Performance Snapshot

#### 3.1 Portfolio Performance

Performance and grant ratings for Grant Cycle 6 (NFM 3) Allocation (2020-2022) are shown below.<sup>16</sup>

Comp	Grant	Principal Recipient	Total Signed (USD)	Disbursement <sup>17</sup> (USD)	(%)	Dec-21	De-22	Jun-23			
	MWI-C-MOH	Ministry of Health of Malawi	416,327,462	308,891,787	74%	C	1	C	2		
	MWI-C-WVM	World Vision Malawi	20,058,103	15,500,790	77%	C	4	A	1	A	2
	MWI-M-MOH	Ministry of Health of Malawi	172,093,402	100,851,582	59%	B	5	A	5	A	5
	MWI-M-WVM	World Vision Malawi	33,634,095	29,165,364	87%	A	2	A	1	A	1
<b>TOTAL</b>			<b>642,113,062</b>	<b>454,409,523</b>	<b>71%</b>						

#### 3.2 Risk Appetite

Of the key risk categories covered by the audit, the OIG compared the Secretariat's aggregated assessed risk levels with the residual risk that exists based on the OIG's assessment, mapping risks to specific audit findings. The full risk appetite methodology and explanation of differences are detailed in **Annex B** of this report.

Audit area	Risk category	Secretariat aggregated assessed risk level (September 2023)	Assessed residual risk based on audit results	Relevant audit issues
Program quality	HIV	Moderate	Moderate	Finding 4.3
	Malaria	Low	Moderate	Finding 4.2
	TB	Moderate	Moderate	Finding 4.3
In-country data	Monitoring and evaluation	Moderate	Moderate	Finding 4.4
In-country supply chain	In-country supply chain	Moderate	Moderate	Finding 4.1
In-country procurement	Procurement	Moderate	High	Finding 4.6
Financial assurance framework and mechanism	Grant-related fraud and fiduciary risks	Moderate	Moderate	Finding 4.6
	Accounting and financial reporting	Moderate	Moderate	Finding 4.6
Health Financing	Health Financing	Not assessed	High	Finding 4.1 and 4.5

<sup>16</sup> The programmatic performance rating is represented by letter A to E (Excellent/A (>=100% achievement), Good/B (90%-99%), Moderate/C (60%-89%), Poor/D (30%-59%) and Very Poor/E (<30%). Financial performance rating is represented by numbers 1-5 [Excellent (1: >=95% achievement), Good (2: 85%-94%), Moderate/3 (3:75%-84%), Poor/4 (65%-74%) and Very Poor/5 (<65%)].

<sup>17</sup> The portfolio performance figures above are based on total disbursements processed for the 2020-2022 Implementation Period as of 30 June 2023, against the total signed amounts

## 4. Findings

### 4.1 Key commodities are available at all levels, but supply chain integration efforts are substantially delayed

**Global Fund grants have helped to ensure availability of key commodities in the fight against the three diseases in Malawi.<sup>18</sup> Limited progress in the supply chain transformation plan has, however, contributed to reliance on parallel supply chain arrangements and multiple non-interoperable information systems impacting sustainability and integration efforts.**

The Global Fund has invested more than US\$2.2 billion over the last 20 years in Malawi. In GC6, 81% of the total allocation was for the procurement of commodities and other supply chain costs. HIV, TB, and malaria commodities are available at all levels of the supply chain despite disruptions including the COVID-19 pandemic, cholera epidemic, cyclones and natural disasters experienced in the past three years. This is an important achievement, given the previous OIG audit findings published in 2016, when product availability was a key risk, together with the risk of diversion and accountability relating to commodities at lower levels. The Global Fund also supports the Drug Theft Investigation Unit at the Ministry of Health, which is active and provides updates of its investigations to the Drug and Medical Supply Technical Working Group quarterly meetings.

In 2021, the Global Fund supported warehouse optimization at the Central Medical Stores Trust (CMST), resulting in a combined 45% increase in storage space in the new pharmaceutical warehouse in Lilongwe and the Blantyre regional store. While the availability risk has been significantly reduced, limited implementation of the Master Supply Chain Transformation Plan (MSCTP) 2021-2026 has resulted in inefficiencies, impacting sustainability and integration efforts.

#### **Limited progress of the supply chain transformation plan impacts sustainability of Global Fund-supported supply chain mechanisms in Malawi**

Since 2012, the Global Fund and other partners have supported the country's supply chain transformation plans with the objective of integration and country ownership of supply chain systems to ensure adequate visibility, control, and accountability of health commodities. Despite the investments and several plans<sup>19</sup> put in place, the country continues to run parallel supply chain systems with reliance on third-party logistics providers for warehousing and distribution of HIV and malaria commodities, as well as multiple non-interoperable information systems. While the current arrangements have ensured availability of health commodities at all levels, efforts must be made to integrate systems for health to ensure impact, resilience, and sustainability.

The Master Supply Chain Transformation Plan (MSCTP) 2021-2026 established in 2021 is not on track, with 13% of the activities completed, 32% in progress and 55% not started. According to the plan, 82% of the activities in the MSCTP are due by December 2023. An updated Malawi National Supply Chain Transformation Plan (MNSCTP) 2023-2030 was developed in 2023 to be aligned with the integration priorities of the Malawi Health Sector Strategic Plan (HSSP) III.

In GC5 and GC6 the Global Fund invested US\$6 million in the transformation plan and in Malawi's Central Medical Stores Trust (CMST).<sup>20</sup> This was done through multiple technical assistance support investments, but has not translated into the desired supply chain integration. Consequently, the Global Fund and other donors had to use their own third-party logistic providers for storage and

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<sup>18</sup> Key commodities here mainly refer to HIV, TB and malaria medicines

<sup>19</sup> Joint strategy for Integration and supply chain in 2012, 2017-2020 integration roadmap in 2017 and Master Supply Chain Transformation Plan -MSCTP 2021-2026

<sup>20</sup> Central Medical Store Trust, established by the Government of Malawi in November 2010, by the General Notice number 125/1968 of the Finance and Audit Act to improve health in Malawi through procurement, warehousing and distribution service.

distribution. The current parallel supply chain arrangements have been maintained and carried forward into the new grant cycle (GC7), which is expected to start in July 2024.

Root causes of the country's limited progress on supply chain transformation include funding gaps, as well as limited governance, oversight, and coordination of supply chain transformation initiatives. A pre-2020 high-level strategic committee of the National Supply Chain Integration Project Team, established before the COVID-19 pandemic – which was tasked with providing strategic oversight, direction, and resource mobilization – has been discontinued. The MNSCTP 2023-2030 has a funding gap of US\$68 million, affecting implementation of the transformation plan. There is no mechanism in the MNSCTP to track government and partner financial commitments, or to source funding for activities that are not yet sponsored.

In 2019, the Global Fund financed a Project Management Team at the Ministry of Health to support the coordination and implementation of integration activities, but the work was not completed by December 2020 as planned. In 2021, the Health Technical Services (HTSS) Department at the Ministry of Health was tasked with ensuring coordination through the Project Management Office but had limited impact due to a 22-month delay in contracting technical assistance.

### **Delayed integration efforts have contributed to multiple non-interoperable systems resulting in inefficiencies in commodity tracking and forecasting**

The country uses OpenLMIS for commodity ordering and reporting in 55% of the 858 target facilities (45% use a manual system). There is no interface between OpenLMIS and the warehouse management system at CMST, nor with the systems used by third-party logistics providers. As a result, OpenLMIS orders cannot be tracked in the CMST warehouse management system for reports on order fulfilment, resulting in distributed quantities not being based on actual need.

The Electronic Health Information Network (eHIN) is also in use in 20% of the target 2,202 service delivery points. While eHIN has duplicated functions with OpenLMIS, it has batch-level tracking capability for expiry risk monitoring and alerts. None of the two existing logistics management information system (LMIS) solutions are interoperable with DHIS2,<sup>21</sup> nor are they adequately leveraged for laboratory supply chain. This is because key activities affecting laboratory commodity consumption, repeat tests, wastage and expiry are not recorded in these systems.

The multiple and non-interoperable systems have contributed to limited traceability and accountability of products, as well as forecast inaccuracies. Quantification is driven by program targets, with inadequate consideration of actual consumption data. The audit noted inaccurate forecasts and commodity tracking for laboratory commodities and diagnostics across different donor partners. The viral load testing estimate was up by 25% compared to the actual executed tests in 2022.<sup>22</sup> In addition, more than 80% of diagnostics expiries were viral load and hematology testing reagents. The audit also noted expiries amounting to US\$6.8 million at the central commodity depot due to forecast inaccuracies, the breakdown of viral load machines, and the negative effects of COVID-19 pandemic.

The complexity and general disconnect of existing LMIS in Malawi are a result of the poor design of the digitization initiative and the absence of the Government providing direction on a preferred LMIS system. The Government developed a supply chain systems architecture in 2022 that is unclear on how to best integrate the existing systems. The Global Fund is supporting supply chain digitization technical assistance, which started in 2023 with a view of developing interoperability of systems and control tower for data analytics.

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<sup>21</sup> District Health Information System

<sup>22</sup> DHA quantification data

**Agreed Management Action 1:**

The Global Fund Secretariat will work with the Principal Recipient to establish an action plan to support the country to address supply chain integration challenges. These include:

- a. Establishing a coordination mechanism (including the design of roles and responsibilities) consisting of Government, Partners and relevant institutions to support the country in implementing the Supply Chain Transformation Plan.
- b. Develop a monitoring and evaluation plan for the implementation of supply chain integration as per Malawi National Supply Chain Transformation Plan 2023 – 2030.

OWNER: Head of Grant Management Division

DUE DATE: 31 December 2025

## **4.2 Significant progress has been made in malaria response, but malaria prevention interventions could be improved**

The country has made substantial progress in fighting the malaria epidemics. While malaria incidence increased by 9%, the death rate decreased by 25%<sup>23</sup> between 2018 and 2021. However, gaps were noted in the vector control interventions that could erode the gains made.

During Grant Cycle 6, the country implemented either insecticide-treated nets or indoor residual spraying as vector control interventions in selected priority districts. The malaria program has made significant progress in treatment of malaria cases at both health facilities and community clinics. The new Malaria Strategic Plan 2023-2030 was launched and focuses on elimination of malaria by 2030.

Besides global supply issues and natural catastrophes, such as COVID-19 and Cyclone Freddy, the distribution campaign during GC6 faced additional several challenges. Distribution was not performed on a timely basis (extended from November 2021 to April 2022) and there was a 22-month delay for the distribution of 1.8 million (out of 9.2 million nets procured) due to quality issues. The number of nets distributed was 24% less than the estimated country needs. This was attributed to variances between the macro-planning quantification data used to plan for the insecticide-treated net mass campaigns and the household registration survey data (which established actual households requiring nets). As a result, the maximum number of nets distributed to each household was reduced from four to three nets, and the distribution excluded the urban areas impacting the effectiveness of the vector control intervention. The country's 2021 Malaria Indicator Survey (MIS)<sup>24</sup> highlighted low universal coverage, standing at 21%. Among the general population, 37% were found to use nets, while for children under 5 and pregnant women, this was higher, at 53% and 49% respectively.

Malaria cases<sup>25</sup> in the five districts without any vector control intervention increased by about 2% compared to a 48% decline in malaria cases<sup>26</sup> in the 20 districts where nets were distributed. There was a 24% decrease in morbidity<sup>27</sup> for under-5-year-olds compared to the 32%<sup>28</sup> decrease in the general population during the period 2020 to 2022. The OIG also noted the impact of the climate crisis on malaria in Malawi. The country had an upsurge (78%) in malaria cases in 10 of 13 cyclone-affected districts compared to a 38% increase in the non-cyclone affected districts.

In addition to challenges in quantifying the nets needed and procurement and distribution delays, no recent survey to inform the campaign was performed. Since 2021, the country has not conducted post-distribution surveys to assess the campaign's effectiveness and to inform the next mass campaign. Finally, no Social and Behaviour Change Communication (SBCC) activities were conducted after the mass campaign to ensure continuous messaging on net use, care, repair, and maintenance due to limited funds.

The Global Fund also invested US\$33 million in indoor residual spraying interventions during Grant Cycle 6. This activity was conducted in three out of the 11 targeted high-incidence malaria districts, in line with the allocation envelope. The indoor residual spraying started in October and November 2022, while the peak malaria transmission period in the country is between December and April. Malaria cases increased by 32% in the period 2021-2022 in the four<sup>29</sup> districts where indoor residual spraying was conducted.<sup>30</sup> This activity has been discontinued in GC7 due to its low impact in relation to its cost.

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<sup>23</sup> WHO World Malaria Report 2022, accessed 27 November 2023

<sup>24</sup> Malaria-Indicator-Survey-2021

<sup>25</sup> 2021: 900,335; 2022: 915,572

<sup>26</sup> 2021:5,138,579; 2022:2,657,895

<sup>27</sup> 2020:1,073,971; 2022:815,253

<sup>28</sup> 2020:7,113,674; 2022:4,783,073

<sup>29</sup> USAID PMI implemented indoor residual spraying in one of the four districts

<sup>30</sup> Ministry of Health Program Data (2021: 918,528; 2022: 1,209,605)

No Agreed Management Action was deemed necessary for this finding due to the ongoing work that the Secretariat is undertaking. As part of the GC7 grant approval process, the Principal Recipient developed a procurement and execution plan for mass campaigns, including with Technical Assistance from external providers. The development of a prioritized list of planned actions to mitigate delays and challenges was approved by the Global Fund's Technical Review Panel (TRP) during GC7 grant making. Follow-up actions such as the development of the mass campaign road map will be reviewed and cleared by the TRP in the first six months of GC7 grant implementation.

### **4.3 Notable strides in HIV and TB program outcomes, but prevention and testing interventions stand to improve**

The country has advanced significantly in fighting the HIV and TB epidemics. HIV new infections declined by 59% from 2018 to 2022, and AIDS-related deaths decreased by 29% between 2018 and 2022.<sup>31</sup> TB incidence declined by 18% during the previous 5 years (2018-2022), and the TB death rate dropped by 41% for the same period.<sup>32</sup> However, gaps were noted in HIV and TB prevention and testing interventions for the three diseases.

#### **Progress has been made in HIV response, but suboptimal coverage and quality of HIV prevention and testing interventions for men and key populations could erode the gains made**

Malawi has almost achieved the 95-95-95 goals, with the 2022 UNAIDS report showing one million people estimated to be living with HIV in Malawi, of whom 94% know their status, 93% are on treatment, and 87% have suppressed viral loads.<sup>33</sup> The Adolescent Girls and Young Women (AGYW) program has improved in its design and implementation, and is in line with the Malawi National Strategy.

However, the 2023 UNAIDS HIV regular estimation<sup>34</sup> indicates that there are currently 95,000 undiagnosed PLHIV. Of these, older men represent 41%. Some 89% of men living with HIV know their status compared to 98% of women, highlighting the need to continue scaling up testing and prevention activities for men. In the period January to September 2023, out of 1.7 million people tested for HIV in the age group 15-49, only 30% were males, and only 3% of males were tested under the voluntary medical male circumcision intervention.

One of the reasons for the relatively low number of men tested (compared to women) is the delayed rollout of the National Male Engagement Strategy. Limited availability and demand creation for condoms is another contributing factor. During the period under review, 81% of facilities visited had stock-out of condoms at some point due to distribution arrangement issues. These stock-outs were exacerbated by condom last-mile distribution, which was approved to start in January 2022 but did not begin until April 2023.

The audit also noted that despite high HIV prevalence among prisoners (17% vs 7% to the general population), no IBBS<sup>35</sup> survey was conducted, nor had a transmission prevention package for prisoners been designed at the time of the audit. Considering that Malawi has the highest number of new infections in the Africa and Middle East region (+/- 17,000 per annum), not scaling up HIV testing among males and key populations or linking them to treatment could result in missing the UNAIDS fast-track targets of bringing incidence down to 0.03% by 2030.

#### **DS-TB and MDR-TB case notifications increase and high number of missing cases impacts achievement of grant objectives**

TB notifications in the country have increased by 14% between 2018 and 2022. The number of GeneXpert machines was increased by 340% between 2017 and 2023, supporting progress in using molecular testing and improving case notification, as per WHO recommendations on TB diagnostic tools. Despite the progress made, the country is missing one-third of all DS-TB cases and 82% of MDR-TB cases. Consequently, national targets and objectives on detection of MDR-TB were not achieved and remained the same as 2018 baseline cases.<sup>36</sup> The country is also not on track to meet the TB GC6 objectives by 2024, especially on case detection and treatment. The high percentage of missing cases is attributed to:

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<sup>31</sup> UNAIDS Factsheet 2018 and 2022, accessed 27 November 2023

<sup>32</sup> Global Tuberculosis Report 2023 (who-int), accessed 27 November 2023

<sup>33</sup> 2022 UNAIDS Country Factsheet

<sup>34</sup> Extended National Strategic Plan (NSP) 2025-2027

<sup>35</sup> Integrated biological and behavioural assessment

<sup>36</sup> Estimated TB cases in 2018



- *Inadequate targeting of key populations:* Despite the overall yield from key populations, which has improved from 2% in 2018 to 8% in 2022, the key population focus has been largely on urban dwellers and outpatient department (OPD) attendees visiting health facilities. An intensified key population focus addressing all other risk groups was largely lacking. The major drivers for the active case finding yield were urban dwellers, who comprised 63% and 22% of the general population accessing health facilities. Other key populations – including PLHIV, migrants, health care workers, in-patients, miners, patients with co-morbidities or those who are hard-to-reach, and industrial workers – contributed the remaining 15%.
- *Limited engagement of the community and private-for-profit (PFP):* The audit noted limited progress in community and PFP contributions to TB case notification, with current contributions of 7% and 2% respectively to overall notifications, compared to the TB National Strategic Plan target of 15%. This stall was largely due to limited data and analysis across district and national levels. The data and analysis is to inform effective PFP and community programming for house-to-house surveys and community sputum collection points, with the aim of enhancing the high-impact nature of community TB interventions.
- *Under-utilization of GeneXpert platforms:* Despite the 340% increase in GeneXpert machines between 2017 to 2023, utilization rate in 2022 was 33% for multiple use (for example for TB, viral load, early infant diagnosis, COVID-19) and 16% for TB testing alone.<sup>37</sup> The contributing factors for the under-utilization of GeneXpert include placement and distribution inequities, interrupted supplies of cartridges, lack of coordinated specimen referral systems, lack of systematic monitoring of utilization across platforms, inadequate linkages of GeneXpert with GxAlert, lack of an optimization plan for GeneXpert, and gaps in adopting GenXpert as the primary tools for TB diagnosis. There is no clear national-level GeneXpert optimization plan to address the utilization issues above.

<b>Agreed Management Action 2:</b>
The Global Fund Secretariat will work with the Principal Recipient to address key HIV and TB program challenges, specifically:
<ul style="list-style-type: none"> <li>a. Advance the implementation of the National Male Engagement Strategy for Gender Equality, Gender-Based Violence, HIV and Sexual Reproductive Health Rights (2023-2030) within GC7 grant period.</li> <li>b. Maximize the use of GeneXpert platforms to increase the targeting of key population and increase engagement of the community and private sector.</li> </ul>
OWNER: Head of Grant Management Division
DUE DATE: 30 June 2025

<sup>37</sup> The Malawi NTEP reported data

#### **4.4 Data quality has improved but there are opportunities to improve data accuracy for selected malaria and TB indicators**

According to the Global Fund Strategic Framework, complete, timely and accurate data is required for sound decision-making.<sup>38</sup> While data quality has improved since the last OIG audit, discrepancies in reported TB and malaria data, multiple non-interoperable data systems, and significant reliance on manual data collection systems, remain a concern.

Improvements have been noted in the timeliness of reporting and completeness of HIV, TB, and malaria data since the OIG audit in 2019. Over 250 statistical clerks have been recruited and trained in data management, with a particular focus on DHIS2. Mobile DHIS2 has been introduced in 15 districts with over 2,000 tablets procured as part of the rollout of the mobile DHIS2. This has contributed to improved data quality for HIV with less than 10% variance between source registers and reported indicators. Discrepancies above 10% were, however, noted for selected TB and malaria data reported in the 16 facilities visited:

- A variance of 17% (between data reported in the HMIS<sup>39</sup> and the source registers) was noted in the number of TB presumptive cases identified at the community level.
- Discrepancies of 39% in Nsaje, 45% in Mwanza, and 52% in Blantyre in TB reported cases between the Principal Recipient data and the data reported by the National Tuberculosis and Leprosy Elimination Program (NTEP).
- Considerable variances were noted in malaria data between DHIS2 and source registers: a 10% variance in the number of suspected malaria cases tested, an 11% variance in unconfirmed malaria cases, and a 17% variance in confirmed malaria cases treated.
- Variances ranging between 14% to 19% were noted in malaria medicine (ACTs) dispensed compared to confirmed malaria cases. This was in line with the self-reported discrepancies by the National Malaria Control Program between 2020 and 2023.

Material variances in reported data affect the decision-making process as this is not informed by accurate data. The discrepancies in data were due to inconsistencies in supervision especially for the malaria program. Only 60% of planned malaria supervisions from 2021 to June 2023 were completed. Lack of external quality assessments is another key factor. Data quality assessment (DQA) was last conducted by the Ministry of Health<sup>40</sup> in 2021. There was also no evidence that the issues raised in the last DQA were followed up upon. The Local Fund Agent has not performed a data quality assessment in over two years. In addition, the DHIS2 used by the malaria program allows for data to be edited at any time even after the reporting period has ended. There are no systems or separate processes for reviewing and approving the edits.

About 90% of programmatic data is collected manually through quarterly and semi-annual supervision visits. While this has led to an improvement in data quality, the total budget for these activities was US\$19.5 million in GC6, making this approach economically unsustainable due to the high operational cost. There are three different management information systems<sup>41</sup> that are currently being rolled out without plans for interoperability. This impacts the sustainability of the data and information system. The country lacks a roadmap or overall strategy for programmatic data system integration.

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<sup>38</sup> The Global Fund Strategic Framework for Data Use for Action and Improvement at country level (2017-2022)

<sup>39</sup> Health Management Information System

<sup>40</sup> Central Monitoring and Evaluation Division of the Ministry of Health

<sup>41</sup> DHIS2 (a national health management inform system, currently used for by the malaria, and TB programs for three indicators), Open EMR and DHA-MIS (used by the HIV program)

**Agreed Management Action 3:**

The Global Fund Secretariat will work with the Principal Recipients to improve data quality and to support overall data integration by advancing implementation of the digital health strategy.

OWNER: Head of Grant Management Division

DUE DATE: 31 March 2026

## **4.5 Investments can be further optimized to drive efficiencies and ensure sustainability**

**The Global Fund investments for building resilient and sustainable systems for health could not be fully realized in GC6 due to suboptimal planning and implementation.**

Malawi is the Global Fund's sixth biggest portfolio in terms of allocation, with US\$641 million invested in GC6. The Global Fund has invested continuously in activities to build resilient and sustainable systems for health (RSSH), with more than US\$106 million invested in the last three cycles (US\$32 million in GC6). These investments have been enhanced with US\$47 million of C19RM investments, from a total of US\$109 million.

The Global Fund has also invested in Malawi through nine Strategic Initiatives<sup>42</sup> in GC6 to support the country to integrate its supply chain, improve adolescent girls and young women (AGYW) activities and distribute condoms. In addition, the Global Fund has invested almost US\$20 million to collect data. Implementation of these activities can, however, be further optimized to ensure efficient use of resources and to drive sustainability efforts.

**Poor monitoring of RSSH activities has impacted timely delivery of interventions limiting their impact**

With the support of the Global Fund, Malawi set out to construct 55 health posts, which comprise community health centres for delivering basic community services by March 2023. However, only 20 health posts costing US\$4.5 million had been constructed as of November 2023.<sup>43</sup> Delays in contracting have resulted in a 15% (US\$0.4 million) increase in the contract price for the construction of 12 of the 20 health posts. Health posts that are completed are not being fully utilized due to non-fulfilment of the Government's commitments to fund infrastructure components relating to these facilities. The remaining 35 health posts have not been constructed due to an unmet co-financing commitment of US\$10 million from the Government of Malawi owing to fiscal constraints, such as long-outstanding macroeconomic imbalances.

Similarly, although the planned start date was 2022, infrastructure projects amounting to US\$13 million had not commenced at the time of the audit. These include construction of custom infectious disease facilities, health personnel offices and facility accessories (oxygen tanks, a stand-by generator, etc) for the Kamuzu Central Hospital Infectious Disease Center, and rehabilitation of 29 existing wards into infectious disease wards in selected district hospitals. In addition, sites for eight infrastructure projects (costing US\$1.3 million) were handed over to contractors in October 2023 (although the initial completion date was December 2023). The delays also contributed to an approximately 29% (US\$0.3 million) increase in price for four infrastructure projects.

Around US\$2.9 million allocated for data improvement was transferred to procure commodities due to delays in establishing an Electronic Medical Record (EMR) policy. In addition, the TB Electronic Medical Record (EMR) system procured in 2020 (GC5) remains unutilized despite Global Fund investment of US\$1.2 million. At the time of the audit, the EMR was only used in one out of 30 facilities due to high maintenance costs (estimated at US\$3 million per year), which was not considered in subsequent grants. In addition, the contract between the EMR Implementing Partner and the Principal Recipient did not include a support service component.

The Global Fund has invested US\$21 million since GC4 in the Health Management Information System. Despite these investments, the National System (DHIS2 platform) is only fully utilized by the malaria and TB programs for reporting on only three indicators.<sup>44</sup> As a result, about 90% of programmatic data is currently collected manually through quarterly and semi-annual support supervision visits.

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<sup>42</sup> 5 of 9 Strategic Initiatives with a total US\$3.4 million are specific for Malawi, and 4 of 9 is a regional Strategic Initiative where Malawi is part of the selected countries.

<sup>43</sup> The target period for the construction of the health posts was March 2023

<sup>44</sup> Notified, Success rate, MDR cases

Not all interventions under RSSH had indicators or Work Plan Tracking Mechanisms to measure performance or quantify progress over the grant implementation period. The delays in implementation of the RSSH activities resulted in delays in outcomes, including accessing the hard-to-reach population with key services.

### **Improvement is needed in the efficient and effective implementation of Strategic Initiatives to achieve the desired results**

According to Global Fund guidelines, Strategic Initiatives support the success of country allocations through programs that cannot be funded through country grants.<sup>45</sup> The Strategic Initiatives – which were designed to support the resolution of challenges in the GC6 grant and successful implementation — were delayed, limiting the effectiveness of Global Fund investments in the current cycle. Almost all the Global Fund-supported Strategic Initiatives in Malawi started late. For example, the AGYW Strategic Initiative was approved in July 2021, but the inception report was finalized in September 2023 and the Technical Assistance was completed in November 2023, although the projected end date was December 2023. The Strategic Initiative for the condom program was approved in 2021, but the policy was not approved until December 2022 and the project started in March 2023 in five out of 16 high-priority districts. Operational Excellence (OPE)<sup>46</sup> support to the Malawi Central Medical Store Trust (CMST) started in 2022 instead of 2021.

Expected outcomes of the Strategic Initiatives are not adequately tracked and assessed by the Global Fund Secretariat. For example, Technical Assistance interventions (PMT)<sup>47</sup> for CMST in 2019/2020 were repeated in the OPE Technical Assistance for CMST in 2022/2023. Furthermore, the objectives were not fully achieved although the Technical Assistance will end in December 2023. The Condom Strategic Initiative has been completed, but the proposed last-mile distribution recommendation was not accepted by the HIV program. Root causes of Strategic Initiative challenges include delays in identification, contracting, and validation of consultants to support implementation. Limited coordination with relevant in-country stakeholders to ensure visibility and ownership of the Strategic Initiatives is another contributing factor.

No Agreed Management Action was deemed necessary for this finding due to the ongoing work that the Secretariat is undertaking. The RSSH Implementation Acceleration Plan for Malawi is being developed and the detailed workplan is expected to be completed before the end of March 2024. This is part of a corporate initiative that includes 17 countries with the largest RSSH components in their portfolios.

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<sup>45</sup> Strategic Initiatives – The Global Fund website (<https://www.theglobalfund.org/en/applying-for-funding/sources-of-funding/strategic-initiatives/> - accessed on 18 November 2023)

<sup>46</sup> Operational Excellence (OPE) is the name given to the Technical Assistance executed by Kaizen at CMST, running from January 2022 to December 2023

<sup>47</sup> Project Management Team

## **4.6 Improvement is needed in financial and procurement oversight to safeguard grant funds**

**Measures instituted by the Global Fund have helped to reduce overall fiduciary risk in the portfolio since the OIG audit in 2019. However, gaps in financial controls and procurement processes are impacting effective and efficient use of Global Fund investments.**

The Global Fund has instituted measures in the grants in Malawi to reduce the high fiduciary and financial risk in the country. This includes working with the Office of the Auditor General (OAG) of Malawi to audit the grant funds and appointing a fiscal agent to provide fiduciary oversight of grants implemented by the Ministry of Health. The Principal Recipients prepare procurement plans at the beginning of the year which helps to ensure visibility of procurements. The audit, however, noted gaps in the financial controls and procurement processes at the Principal Recipients impacting effective and efficient utilization of the Global Fund investment.

**Gaps in financial controls have resulted in payments not adequately supported, weak advance payment management, and untimely recovery of VAT paid**

Global Fund implementers are required to have adequate financial management systems for the effective and efficient use of financial resources for their intended purposes.<sup>48</sup> However, the audit noted inadequate grant financial management controls:

- *Internal controls over payments are not effective, leading to payments not adequately documented and supported:* Some basic financial controls are not in place to manage grant funds. For example, one of the Principal Recipients attached photocopies rather than original documents to support transactions totalling US\$2.5 million, which hinders assurance providers' validation of the payments made. The Principal Recipient did not have or use the control measure of a "PAID" stamp on the original invoices for expenses paid for transactions amounting to US\$3.4 million. The absence of such controls increases the risk of the same expense being charged twice under different donor programs.

The audit also noted weaknesses in internal controls over payments. The current process allowed for double payments (i.e., presenting the same transaction more than once) in seven transactions without authorization procedures for the second payment made. There was also overpayment of salaries amounting to US\$100,000 to six employees between January 2021 and October 2023 due to errors in calculating the employer pension contribution.

- *Delays in processing by the Central Bank and long-outstanding reconciling items:* The audit noted delays in the processing of funds by the Central Bank between January 2021 and May 2023, and these averaged 28 days (from 13 to 127 days) for the TB and HIV grant and 20 days (7-60 days) for the malaria grant. Long-outstanding reconciling items were observed in bank reconciliations for the program accounts as of 30 September 2023. Transactions totalling over US\$0.5 million remain unreconciled since August 2021.
- *Gaps in the management of advance payments:* The OIG noted long-outstanding advances of US\$5.5 million, as of June 2023, of which 74% were outstanding for over six months. About 38% of the advances were disbursed without previous advances being retired. Contributing factors include delays in liquidation and posting of the transactions in the accounting system due to other commitments.
- *Delays in reimbursement of paid Value Added Tax (VAT):* About US\$1.7 million of VAT paid by the Principal Recipients had yet to be refunded by the Malawi Revenue Authority (MRA) at the time of the audit. No refund had been received since March 2022 and December 2022 for the malaria grant and the HIV/TB grant, respectively. Delays of approximately six months in the

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<sup>48</sup> Global Fund Financial Management Handbook for Grant Implementers, Dec 2017, page 4

review of VAT submission by MRA and up to nine months for in the submission of VAT claims by the Ministry of Health contributed to the delays.

- *Gaps in management of sub-recipient and service providers:* The OIG noted about four-month and nine-month delays<sup>49</sup> in signing grant agreements with sub-recipients and service providers respectively. These delays contributed to late disbursement of funds. This impacted the implementation and contributed to significant reprogramming during the grant. For example, one sub-recipient increased an initial budget of US\$2.7 million to US\$5.3 million in December 2022, two years after the grant start date (i.e., January 2021), delaying implementation of complementary grant interventions.

The OIG also noted weak contract management for warehouse and distribution. The Service Provider is contracted for US\$5.2 million per year, with payment terms based on actual costs. The Principal Recipient, however, paid the full contract fees without taking into consideration the actual space used, and actual distance and tonnage of Global Fund-funded commodities transported. The audit noted that the warehouse space utilized for Global Fund-funded commodities was on average 69% and 83% in 2021 and 2022, respectively. The grant could have saved about US\$2 million if contract terms were adhered to.

### **Improvement needed in the compliance and timeliness of the procurement processes to ensure efficient and competitive procurements**

The Principal Recipients have made progress in improving their procurement processes, following the last OIG audit in 2019. Challenges, however, persist in timeliness of contracting, evaluation processes, and mechanisms to reduce non-compliance to procurement processes. The OIG reviewed 181 local procurements amounting to US\$17 million (25% of total local expenditure). The procurement processes took an average of 212 days (maximum of 610 days) to complete, from initiation to delivery of the required items. The protracted processes were attributed to average delays of 97 days for obtaining 'no objection' approvals on procurement processes from the Malawi Public Procurement and Disposal of Assets Authority (PPDA), long processes for approval by the Government contracting units (average of 66 days), and lengthy time periods for delivering goods and services (average of 94 days). Of the 128 procurements sampled at the Ministry of Health, the audit noted non-compliance rates of 33% for most of the procurement processes, affecting the competitiveness of these procurements.

### **Improvement needed in the fiduciary and capacity-building activities of the Fiscal Agent to address some of the issues identified above**

The Fiscal Agent has contributed to improving its procurement and fraud risk management processes in the grants implemented by the Ministry of Health. However, capacity building and training activities for the Project Implementation Unit (PIU) remain challenging. About 21% of transactions submitted by the PIU were returned/rejected by the Fiscal Agent due to inadequate documentation and justification from the Principal Recipient. Although the Fiscal Agent's primary role is to ensure the correct processing of grant transactions, they need to also ensure on-the-job training of Principal Recipient staff in the relevant financial procedures. Their performance in terms of capacity and system building at the PIU is however not sufficiently monitored.

The standard turnaround time for transaction processing by the Fiscal Agent is set at 72 hours. However, the sample taken during the audit has shown that, in practice, the time taken for processing and to clear/approve transactions is substantially more than this. This is attributed to several factors, including pushbacks linked to inadequate documentation and justification from the Principal Recipient. It also took the Fiscal Agent an average of 30 days to review procurements which contributed to delays in the procurement process. High turnover of the Fiscal Agent Team Leader (five different Team Leaders in three years, three of these changes occurred in 2023) contributed to

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<sup>49</sup> Sub-recipient agreements signed in April/May 2021 and Service Providers agreement signed in Oct 2021

delays in review and approvals performed by the Fiscal Agent. This contributed to the delays in procurement and gaps in the financial controls identified above.

<b>Agreed Management Action 4:</b>
The Global Fund Secretariat will work with the Principal Recipient, Fiscal Agent and Technical Assistance provider to: <ul style="list-style-type: none"><li>a. Monitor the implementation of the financial controls improvement plan (targeting more effective payment processes and systems).</li><li>b. Establish a mechanism to monitor the implementation of the Principal Recipient's capacity-building plan (supported by the Fiscal Agent).</li></ul>
OWNER: Head of Grant Management Division
DUE DATE: 31 December 2025



## Annex A. Audit Rating Classification and Methodology

<b>Effective</b>	No issues or few minor issues noted. 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>	Moderate issues noted. 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 significant improvement</b>	One or few significant issues noted. 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>	Multiple significant and/or (a) material issue(s) noted. 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 Malawi: comparison of OIG and Secretariat risk levels

Overall, the Secretariat risk rating on the Malawi portfolio is within the risk rating for the South and East Africa region and below the corporate risk appetite level. Based on the result of the Audit, OIG has, however, rated three out of eight risk areas, within the audit objectives, higher compared to the Secretariat rating:

**Malaria Program Quality Risk:** the OIG audit has rated this risk “moderate” compared to a low rating by the Secretariat. Despite the LLINs distribution and IRS campaign, the low coverage and utilization of nets was not included in the Secretariat-identified risk. The OIG also noted 31% increase in malaria cases in districts where IRS campaign was conducted. The country also had an upsurge (78%) in malaria cases in 10 of 13 cyclone-affected districts compared to 38% increase in the non-cyclone affected districts. The assurance activity to address the identified risk of mismatch between confirmed malaria cases and the quantities of malaria medicine (ACT) issued & dispensed has been delayed and remains a risk during the audit.

**Procurement:** the OIG has rated in-country procurement as high risk compared to moderate risk by the Secretariat due to high risks identified for two or the three sub risks: Quantification, Forecasting, and Supply Planning; and Health Products and Non-Health Products Procurements processes and outcomes. The Forecasting risk has been identified by the Secretariat and Supply Chain Transformation Plan has been identified as a key mitigation, but this is significantly delayed. As a result, lack of reliable aggregation and reporting of data for quantification contributed to high expiry of commodities, and this risk continues to remain high. While the Secretariat identified risks pertaining to local procurement by the Principal Recipients, root causes, mitigation actions and assurance activities have not been established by the Secretariat. The audit noted long procurement process with an average of 212 days, and between 33% to 47% of non-compliance with most of the established policies in audit samples reviewed.

**Health financing risk**, which includes Domestic Health Financing and Co-Financing, and Sustainability & Efficiency has not yet been rated by the Secretariat. The OIG rated this risk as high due to delays in implementation of the supply chain transformation plans (Finding 4.1) and RSSH interventions, as well as non-fulfilment of Government contribution for key RSSH interventions (Finding 4.4).