



Audit Report

Global Fund Grants to the Republic of Kenya

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12 November 2018
Geneva, Switzerland

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Audit Report

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1. Executive Summary

1.1. Opinion

Kenya, a lower-middle income country with a population of 48.6 million, is considered to be the regional economic hub for East and Central Africa. It is one of the Global Fund's 'high impact' countries with active signed grants of US\$384 million for the period January 2018 to June 2021.

Health worker strikes in 2017 affected health care delivery and programmatic results in most parts of the country. Despite this, Kenya has made significant progress in the fight against the three diseases, with support from the Global Fund and other partners. Most challenges in the delivery of quality services to beneficiaries have been identified by the country, through assessments by the Ministry of Health, the Global Fund and partners. However, effective measures need to be implemented to address these challenges to enable the country to achieve its national strategic goals. Quality of service delivery under the grants is rated as **partially effective**.

The country is making progress in devolving grant implementation arrangements to counties. The Global Fund grants have appropriate national coverage indicators to monitor grant performance with specific measures to track activities financed by the Global Fund. However, improvements are also needed in the quality of data reported, and in oversight and coordination arrangements for Global Fund grants in the context of devolution¹. The implementation arrangements and frameworks to measure grant performance are **partially effective**.

Approximately 60% of Global Fund grants to Kenya are spent on procuring medicines and health products. Procurement processes are able to procure medicines at cheaper prices than the Global Fund's pooled procurement mechanism. The underlying supply chain systems are able to distribute medicines to health facilities. There are a few areas of improvement in inventory and waste management processes, but these limitations do not materially affect the ability of procurement and supply chain processes to procure and deliver quality assured medicines to facilities. Therefore the processes are rated as **effective**.

1.2. Key Achievements and Good Practices

Significant progress made in the fight against the three diseases: Kenya has achieved major progress with the support of the Global Fund and partners. Approximately 14.9 million mosquito nets were distributed between 2017 and 2018, supporting the country's fight against malaria in endemic areas. The country achieved a 47% reduction in malaria incidence between 2015 and 2017. With respect to HIV, AIDS related deaths declined by 38% between 2013 and 2015, and there has been a 52%² increase in the number of people enrolled in anti-retroviral treatment. The country has started an evaluation of those HIV prevention activities implemented in prior periods to inform subsequent programming. The TB treatment success rate was 87% for new and relapse cases registered in 2015.³

Increased government financial commitment to the three diseases: The government of Kenya meets all its counterpart funding in line with Global Fund requirements. The government provided up to US\$84 million to the national programs between 2015 and 2017 and donated US\$5 million to the Global Fund during the 5th replenishment. The government has also launched a campaign for universal health coverage which will accelerate progress in fighting the three diseases.

Functional in-country procurement and supply chain systems and processes. KEMSA, the entity responsible for procurement and distribution of medicines under the grant, is able to procure quality assured medicines through international tender at cheaper rates than international reference prices. For instance, for some anti-retroviral medicines KEMSA has secured prices up to

¹ Kenya's 2010 constitution paved the way for devolving certain health care functions from central to county governments

² From 656, 359 in 2013 to over 1,000,000 in 2016. Source: UNAIDS <http://www.unaids.org/en/regionscountries/countries/kenya>

³ WHO World TB report 2017 http://www.who.int/tb/publications/global_report/gtbr2017_annex2.pdf?ua=1

21% lower than those available at the time through the Global Fund's pooled procurement mechanism. The entity is also able to distribute medicines directly and efficiently to health facilities. Strong government commitment, oversight and stakeholder coordination have contributed to building functional procurement and supply chain systems in Kenya.

1.3. Key Issues and Risks

Improvement required in quality of services: A number of quality of service issues across the three diseases need to be addressed to sustain and/or scale up the significant progress achieved by the grants. For instance, Kenya has not met its case notification targets for TB in each of the last three years. TB treatment coverage remains low at 45%⁴, though a recent national TB prevalence survey noted the TB burden is twice previous WHO estimates. Some of the health care providers offering HIV testing services in some of the sampled health facilities do not always follow national guidelines.

Challenges in programming and implementation of interventions for key populations: The bio-behavioural data which underlines programs designed for Key Populations is outdated. The national program initiated a new survey in 2017 but this has been suspended due to lack of consensus on use of biometrics between the national program and key population groups. In the absence of nationally representative bio-behavioural surveillance data, it is difficult to track HIV prevalence and incidence and related factors among key populations, which in turn makes it difficult to determine the impact of the prevention programs and the specific interventions needed. As an interim measure, development partners have agreed to perform a study in 2018 to estimate the size of key affected populations.

The "in and out of school" behavioural interventions for 10-17 year olds piloted in one county under the Adolescent Girls and Young Women (AGYW) population have not been effectively implemented. None of the expected beneficiaries has received the planned "in school" interventions; under the previous grant, 30% of eligible girls received the "out of school" intervention. Since January 2018, none of the AGYW interventions in this county have commenced due to delays in engagement of service providers by the Principal Recipient.

Limited visibility on all donor activities resulting in duplication. In country stakeholders and partners have implemented structures to coordinate health sector programs. The Global Fund Country Team shares the grant work plans, budgets and related performance frameworks with in-country stakeholders and development partners.

However, there is duplication between programs supported by the Global Fund and other health partners due to limited information sharing among partners at the central and county level. For instance, the Global Fund and two other development partners provide resources to the same implementers for the same interventions for men who have sex with men and people who inject drugs in the same five counties. The implementers report the same results to both donors, which leads to over reporting at the national level.

Need to adapt Global Fund's risk mitigation measures and assurance: The country is working on devolving grant implementation to counties, which will significantly change the risk exposure of Global Fund grants. The existing Global Fund Country Team structure and assurance arrangements, as well as in-country oversight mechanisms by the Principal Recipients, were designed based on the national implementation arrangement where all activities are managed and implemented at the national level by the Ministry of Health or the National Treasury. These measures will have to be adapted to respond to changes in implementation arrangements.

⁴ Global TB report 2017, Kenya country profile, page 174. The recommended target is over 90%

1.4. Rating

Objective 1: Design and implementation of the programs to deliver quality services to intended beneficiaries.
The quality of services is partially effective . The programs are designed in line with the Country's strategic plans and generally executed as planned. Most challenges in the delivery of quality services to beneficiaries have been identified by the country, through assessments by the Ministry of Health, the Global Fund and partners. However, effective measures need to be implemented to address these challenges to enable the country to achieve its national strategic goals.
Objective 2: Procurement and supply chain processes and systems in ensuring availability of quality assured medicines and health products to patients.
The procurement and supply chain is able to procure at competitive prices, and distribute quality assured medicines to health facilities and no major stock-outs were noted at the service delivery point. There are few limitations in the underlying systems and management of expired medicines and these do not materially affect delivery of quality assured medicines to facilities. This is therefore rated as effective .
Objective 3: Grant implementation arrangements in the context of devolution including governance, oversight and coordination to ensure sustainability.
The existing implementation arrangements have largely achieved most of the core objectives of the grants. The country is working on devolving grant implementation to counties, which will significantly change the risk exposure of Global Fund grants. The existing Global Fund Country Team structure and assurance arrangements, as well as in-country oversight mechanisms will have to be adapted to respond to changes in implementation arrangements. Donor coordination and information sharing also need improvement. This objective is rated as partially effective .
Objective 4: Adequacy and effectiveness of frameworks in place to measure grant performance.
Existing frameworks to measure grant performance are partially effective . The grants have suitable national coverage indicators to monitor their performance with specific measures to track the status of activities financed by Global Fund. However, improvements are needed in the quality of data reported.

1.5. Summary of Agreed Management Actions

The Global Fund Secretariat plans to address the risks identified by the OIG through the following actions:

- Development of an action plan for implementation of the TB strategic initiatives. This will include implementation arrangements for expansion of TB case detection and reporting in the private sector, interventions for improving and monitoring active case findings at facility and communities, and a challenge fund to pay for performance initiatives.
- Revision of the implementation strategy for AGYW interventions based on lessons learned during the pilot phase of implementation.
- Development of an oversight and implementation plan to improve timely identification and management of expiries at the central and facilities level, including measures to address identified control gaps upstream and downstream.
- Design of an appropriate framework which takes into consideration different options for implementing Global Fund grants in a devolved setting, in line with Global Fund guidelines. This will include a plan for a phased or pilot approach based on agreed criteria.
- Engage and follow up with the Kenya Coordinating Mechanism to develop guidelines for timely selection of sub recipients at the start of new implementation periods with a view to ensuring uninterrupted program continuity.

2. Background and Context

2.1. Overall Context

Following the promulgation of its new constitution in 2010, the Republic of Kenya has a devolved system of governance comprising the National Government and 47 County Governments. In the health sector, the National Government provides policy and strategic direction, technical assistance, standards, quality control, national referral services, and medicines control. County governments are autonomous and are responsible for managing health facilities and pharmacies, and for providing healthcare services including HIV, tuberculosis and malaria.

The country is ranked 146 out of 187 countries in the 2017 United Nations Development Program Human Development Index. Transparency International's 2017 Corruption Perceptions Index ranks the country at 143 out of 180. The country hosts an estimated 600,000 refugees who have fled war and instability in the region.⁵ The human resources for health professional density is reported at 13 doctors, nurses and midwives per 10,000 people, below the World Health Organization's (WHO) recommendation of 23.⁶ The government rolled out an Integrated Financial Management Information System (IFMIS) during the audit period to improve public financial management.

The health workforce across all levels, especially at the facility level, remains a major constraint: the quantity, quality and geographical distribution of the health workforce affect all health sector programs. There have been frequent health worker strikes in the last two years, affecting implementation and delivery of services to patients. In 2017, all doctors were on strike for about three months (December 2016 to March 2017) followed by five months of industrial action by nurses from June to November. The 2017 general elections slowed the execution of some activities in the public sector.

2.2. Differentiation Category for Country Audits

The Global Fund has classified the countries in which it finances programs into three overall portfolio categories: focused, core and high impact. These categories are primarily defined by size of allocation amount, disease burden and impact on the Global Fund's mission to end the three epidemics. Countries can also be classed into two cross-cutting categories: Challenging Operating Environments and those under the Additional Safeguard Policy. Challenging Operating Environments are countries or regions characterized by weak governance, poor access to health services, and manmade or natural crises. The Additional Safeguard Policy is a set of extra measures that the Global Fund can put in place to strengthen fiscal and oversight controls in a particularly risky environment.

Kenya is:

- Focused: (Smaller portfolios, lower disease burden, lower mission risk)
- Core: (Larger portfolios, higher disease burden, higher risk)
- High Impact: (Very large portfolio, mission critical disease burden)**

- Challenging Operating Environment
- Additional Safeguard Policy

⁵ UNHCR Kenya comprehensive refugee program 2016 report

⁶ http://www.who.int/hrh/resources/strengthening_hw/en/

2.3. Global Fund Grants in the Country

The Global Fund has signed over US\$1.4 billion and disbursed US\$1 billion to Kenya since 2003; this includes the active grants which total US\$384 million for the January 2018 to June 2021 implementation period.

The National Treasury and two non-governmental organizations are the Principal Recipients for Global Fund grants. The Ministry of Health, through the national programs for the three diseases, implements the grants on behalf of the National Treasury. Each disease program is implemented by a government implementer and non-governmental organization. There are currently six active grants in the country:

Grant Number	PR Name	Disease component	Grant period	Signed Amount	Disbursed Amount
KEN-H-KRCS	Kenya Red Cross Society	HIV	Jan 2018 - Jun 2021	70,745,412	10,441,386
KEN-H-TNT	National Treasury of the Republic of Kenya		Jan 2018 - Jun 2021	183,321,179	4,400,553
KEN-T-AMREF	Amref Health Africa in Kenya	TB	Jan 2018 - Jun 2021	32,651,550	10,172,857
KEN-T-TNT	National Treasury of the Republic of Kenya		Jan 2018 - Jun 2021	54,156,636	4,110,177
KEN-M-AMREF	Amref Health Africa in Kenya	Malaria	Jan 2018 - Jun 2021	13,240,138	3,958,373
KEN-M-TNT	National Treasury of the Republic of Kenya		Jan 2018 - Jun 2021	30,043,120	4,674,159
Total				384,158,035	37,757,505

Approximately 60% of the grants is spent on procuring medicines and health products. The Kenya Medical Supplies Authority (KEMSA), a legal entity established by the Government, is responsible for the procurement, storage and distribution of medicines and health products under the grants managed by the National Treasury. The civil society Principal Recipients are responsible for the procurement and distribution of health equipment and commodities in their grants.

The Local Fund Agent reviews expenditure biannually and performs risk based spot checks on grant activities. These include verification of procurement processes and review of expenditure and cash forecasts submitted by the Principal Recipients before disbursements are made by the Global Fund.

2.4. The Three Diseases



HIV/AIDS: The HIV epidemic in Kenya is generalized among the general population (with age, sex variations) and concentrated among specific key populations and geographies. Kenya accounts for 5%⁷ of the world's HIV burden with 1.6 million people living with HIV (58% women, 35% men over age of 15 and 8% children aged 0-14).⁸ 62,000 people are newly infected annually of which 55% are women, 35% are men aged 15 and over and 10% children aged 0-14.

1,136,251 People currently on anti-retroviral therapy

Over 90% provision of ART among pregnant women

⁷ As per 2017-2020 Global Fund allocation methodology

⁸ UNAIDS report 2016

The burden of HIV is disproportionate across the 47 counties; 65% of people living with HIV are in 11 counties.

38% decline in number of HIV related deaths

The HIV prevalence among key populations is higher than the national average: Female Sex Workers (FSW), 29.3%; Men who have Sex with Men (MSM), 18.2% and People who inject Drugs (PWID), 18.3%.

PEPFAR/United States Agency for International Development (USAID) and The Global Fund are the largest donors for the Kenya HIV program.



Malaria: The country accounts for approximately 2%⁹ of the global malaria burden and 3% of all deaths. Malaria is endemic with differing transmission intensity. The country has been stratified into four zones; Lake and Coast Endemic, Highland Epidemic Prone, Seasonal Transmission and Low Risk.

14,573,393 Insecticide-treated nets distributed¹⁰

Investments in prevention and case management interventions at facility and community level have resulted in a 47% decline in cases between 2015 and 2017.

The Global Fund and United States President's Malaria Initiative are the largest donors for the Kenya malaria program.



Tuberculosis: Kenya is one of the top 20 tuberculosis burden countries with 1%¹¹ of the global burden. The 2016 TB prevalence survey estimated the prevalence of tuberculosis in the country at 558 per 100,000, much higher than previous estimates. Tuberculosis is the ninth leading cause of death, accounting for 3% of deaths.

85,209 cases notified in 2017

84% treatment success rate for 2016 cohort

TB/HIV co-infection is estimated at 31%. About 95% of TB/HIV patients are on anti-retroviral treatment.

95% of TB/HIV patients are on anti-retroviral treatment with **82%** treatment success rate

The Global Fund is the largest donor for the Kenya TB program.

72% treatment success rate for MDRTB (2014 cohort – 251 cases)

⁹ As per 2017-2020 Global Fund allocation methodology

¹⁰ National Malaria program data on number of nets distributed in 2017 and 2018

¹¹ As per 2017-2020 Global Fund allocation methodology

3. The Audit at a Glance

3.1. Objectives

The audit sought to provide assurance that Global Fund grants are adequate and effective in supporting achievement of impact in Kenya. Specifically the audit assessed the efficiency and effectiveness of the:

- design and implementation of the programs to deliver quality services to intended beneficiaries;
- procurement and supply chain processes and systems in ensuring availability of quality assured medicines and health products to patients;
- grant implementation arrangements in the context of devolution including governance, oversight and coordination to ensure sustainability;
- frameworks in place to measure grant performance.

3.2. Scope

The audit was performed in accordance with the methodology described in Annex B covering the period January 2016 to December 2017. Where relevant, the period was extended to enable the auditors to assess progress made by implementers in addressing identified issues within the new grants which started in January 2018. The audit covered grants implemented by the three Principal Recipients (the National Treasury, AMREF Health in Kenya and the Kenya Red Cross), their sub-recipients and KEMSA.

The OIG visited 21 health facilities, ten bed net distribution points, five KEMSA warehouses and five key population groups in ten counties. The auditors engaged with in-country partners during the audit planning and fieldwork stages.

3.3. Progress on Previously Identified Issues

The last OIG audit of grants in Kenya was in 2014. The audit identified a number of unmitigated strategic portfolio issues, such as TB prevalence not being surveyed since the 1950s, devolution challenges and the need for donor coordination. The 2014 audit also noted a need for improved coordination of assurance arrangements in order to obtain more efficient and representative assurance for Kenya grants.

Since the 2014 audit;

- A TB prevalence survey was conducted in 2016 and results have informed the program activities for the 2018 to 2021 implementation period.
- In terms of devolution challenges, the grants have not been devolved yet but progress has been made at the country level to involve counties in implementing grant activities.
- The Secretariat's Country Team shares grant work plans and budgets with the Kenya Coordinating Mechanism to improve partners' visibility on activities supported by the Global Fund. However, there are still limitations in donor coordination as indicated in Finding 4.
- In line with the Global Fund approach, the Secretariat's Country Team still uses national indicators and targets to measure performance of the grants. These national targets are supported by specific work plan tracking measures which are qualitative milestones and/or input/process measures with numeric targets specific to the Global Fund grant activities. The status of implementation of these activities is considered by the Global Fund Country Team in assessing performance of the Kenya grants.

Previous relevant OIG audit work

[Audit of Global Fund grants to the Republic of Kenya](#)

[Investigation report on Global Fund Grants to Kenya – National Tuberculosis and Lung Disease program \(NTLDP\)](#)

4. Findings

4.1. Grants are achieving impact, but improvements are required in delivery of quality services to beneficiaries

Global Fund grants in Kenya have made significant progress in the fight against the three diseases. There has been a 52%¹² increase in the number of people enrolled in anti-retroviral treatment and there is universal¹³ knowledge of HIV status among pregnant women and TB patients. These and other results contributed to a 38% reduction in HIV/AIDS related deaths between 2013 and 2015;¹⁴ as well as access to anti-retroviral treatment¹⁵ for co-infected TB patients. At the time of the audit, the country was assessing the effectiveness of the mass media activities implemented during the previous grants. The TB treatment success rate for new and relapsed cases registered in 2015 is 87%, while the rate for patients with multi drug resistant TB who started second-line treatment in 2014 is 72%.¹⁶ Malaria cases declined by 47% between 2015 and 2017, thanks to Global Fund and other partners' support in bed net distribution and other related interventions.

Nevertheless, certain components essential to the success of funded interventions across all three diseases require improvements to sustain the gains made thus far and provide better quality services to beneficiaries.

Low TB case notification due to weaknesses in the implementation of critical TB interventions: The identification of TB and multi drug resistant-TB cases has improved throughout the grant period. Measures are in place which keep most patients on treatment once they are identified. While Kenya has improved its case detection over the period, it has consistently not met its case notification targets for the last three consecutive years. TB treatment coverage remains low at 45%.¹⁷ The recent national TB prevalence survey noted the TB burden is twice previous WHO estimates. The underlying reasons for not meeting the targets include:

- *Active case finding:* The Global Fund grant provides resources for screening health workers for TB; however, 14 out of the 21 facilities visited did not screen their health workers for TB in 2017. At the community level, none of the community health workers implementing funded TB interventions had been screened. Community health workers contributed over 11% of TB cases notified in 2017.
- *Contact investigation and management:* Data available at the national level indicate that less than 10% of facilities conducted contact tracing for confirmed TB cases in 2017, contrary to the country's guidelines. This is in line with results identified at the 21 facilities visited by the auditors. The required systems and tools, including registers for contract tracing, were not consistently available in the facilities.
- *TB diagnosis in the private sector could be improved:* A TB patient pathway analysis (to better understand the alignment between patient care seeking and tuberculosis service availability) showed that 42% of suspected TB patients access the private sector as the initial point of care. However, the National TB Program's report indicates that about 18% of total case finding was diagnosed and notified through the private sector. Guidelines and action plans have been developed to increase private sector engagement in TB diagnosis and treatment. The Global Fund has also allocated funding in the new grant to ensure active involvement of the private sector in implementation of TB interventions. However, the earmarked activities have been delayed by six

¹² From 656, 359 in 2013 to over 1,000,000 in 2016. Source: UNAIDS <http://www.unaids.org/en/regionscountries/countries/kenya>

¹³ Universal is defined as 90% and above

¹⁴ Kenya AIDS response progress report 2016

¹⁵ 95% TB patients who are HIV positive are on anti-retroviral therapy. Coinfection rates are at 11%. Source: WHO http://www.who.int/tb/publications/global_report/gtbr2017_annex2.pdf?ua=1

¹⁶ WHO World TB report 2017 http://www.who.int/tb/publications/global_report/gtbr2017_annex2.pdf?ua=1

¹⁷ Global TB report 2017, Kenya country profile, page 174. The recommended target is over 90%

months because the implementers are yet to finalise concept note to enable implementation of the actions.

The Global Fund and other partners have supported interventions to improve TB case notification and management in Kenya but there are weaknesses in implementation of some of the activities. For instance, the Global Fund has supported the procurement and roll out of GeneXpert machines to increase diagnosis of both TB and multi-drug resistant TB. However, there is low utilization of the machines (average of 49% in 2016 and 2017) due to limited functionality of those installed and inconsistent availability of cartridges. 47% of the modules on installed machines were not functional at the time of the audit because the maintenance of these machines had not been adequately planned for in previous grants. In addition, the cartridges required by the machines were not consistently available in 18 of the 21 facilities visited by the auditors. The country procured an additional 30 GeneXpert machines in mid-2017 under the Global Fund grants. These machines had not been installed as of June 2018 due to sub-optimal planning and coordination among the implementers. There was still no uninterruptible power supply (required for the installation of the machines) several months after the machines arrived in the country. Going forward, the Global Fund has earmarked resources in the new grant to support maintenance for the machines. The Country Team has also asked the country to demonstrate improvements in machine utilization before additional ones can be procured.

Gaps in planning and coordination of bed net distribution. There was a delay of 87 days between bed nets arriving in the country to receipt at distribution points, meaning that distribution could not take place prior to the peak transmission periods¹⁸. Distribution of bed nets in nine counties happened during the peak transmission seasons in 2017 (these counties accounted for 66% of reported malaria cases in 2017). Plans to redistribute bed nets across the various counties after the initial campaign were inadequate, resulting in 109,694 eligible persons in 14 counties not receiving nets even though 299,000 excess nets were available in other counties. This was due to limited detailed information in the county and sub county level distribution plans. Post campaign reviews are expected to be carried out in 2018 to inform action plans for next campaigns.

Inconsistencies in compliance with national guidelines for HIV testing and counselling services: Kenya has developed robust guidelines on HIV testing. In 2016 and 2017, approximately 25.5 million HIV tests were conducted. The auditors found that some service providers in the facilities did not consistently follow national HIV testing guidelines. About 24% of the 21 facilities visited do not consistently follow the national standardized testing procedures or algorithms.¹⁹ Challenges in training health practitioners and in supervision have affected the quality of HIV diagnosis. Nine of the 21 (41%) facilities visited had not received any HIV testing-related supervision in the past six months. The national guidelines recommend that HIV testing providers undergo annual refresher training. However, none of the testing providers in 21 facilities visited had been trained in 2017. This is because the entity responsible for certifying testing at the national level suspended training in June 2017 in order to assess the quality of refresher training for health care providers to inform subsequent training improvements.

Inconsistencies in measurement of outcome and reporting of data: The audit also identified areas that need improvement in the data measurement and reporting processes. The HIV performance frameworks include relevant indicators for monitoring outcomes of the interventions focusing on female sex workers. There are no similar outcome indicators²⁰ for other key populations, in particular for Adolescent Girls and Young Women interventions which account for approximately US\$23 million (24%) of the grant, excluding medicines and commodities. There are appropriate outcome indicators for the malaria and TB grants.

Various discrepancies were also noted in the data reported by health facilities. For instance, data quality reviews conducted by the national malaria program indicated an error rate of 29% in case

¹⁸ The peak transmission periods are June/July and November/December in Kenya.

¹⁹ The algorithm requires a second confirmatory test when the first test is positive and collection of DBS for PCR where the first two tests show different results.

²⁰ The outcome indicators measure the effect of the specific interventions for the target population by assessing the progress in the outcomes or outcome objectives that the program is to achieve.

management data reported to the Global Fund. Similarly, the auditors noted variances between results reported to the Global Fund and the underlying registers at the facility level ranging from 11% over-reporting in the number of people living with HIV currently receiving antiretroviral therapy to 24% under-reporting for number of TB cases notified. The data challenges are due to multiple causes, including errors in manual aggregation of the various registers before the data is captured in the electronic platforms, misunderstanding of the indicators at the service delivery level, lack of a unique identifier for patients, and inconsistent availability of data capturing tools such as TB registers at service delivery points. The Secretariat is working with the national TB program to conduct an annual data quality audit by end of 2018. The recommendations from this and other data quality reviews will inform measures to strengthen data systems and processes.

Agreed Management Action 1: The Secretariat, in collaboration with partners, will engage and follow up with the National Treasury and the National TB Program to develop an action plan / roadmap for implementation of the TB strategic initiatives. Specifically, this plan will include implementation arrangements for:

- a) The expansion of TB case detection and reporting in the private sector;
- b) Interventions aiming at improving and monitoring active case findings at facilities and communities;
- c) The challenge fund and pay-for-performance initiatives.

Owner: Mark Edington, Head Grant Management Division

Due date: 31 December 2019

4.2. Sub-optimal implementation of community interventions for some key populations

Community interventions are included in the grant to contribute to the prevention of HIV among adolescent girls and young women and other key populations, e.g. female sex workers, men who have sex with men and people who inject drugs. The key population networks are involved in the design and implementation of interventions. There is increased focus on adolescent girls and young women, with targeted interventions to reduce their vulnerability to HIV infection. There is good collaboration between the national program and civil society implementers to ensure provision of services to key populations. However, there have been challenges in implementing some of the interventions.

Programming for key populations based on outdated bio-behavioural data: Interventions for key populations are currently being implemented based on bio-behavioural surveillance²¹ undertaken in 2011-13. In the absence of nationally updated, representative bio-behavioural surveillance data, it is difficult to estimate the size of key populations and to determine the interventions that are needed.²² The national program initiated a new survey in 2017 but this has been suspended due to lack of consensus on the use of biometrics between the national program and key affected populations. At the time of the audit, consensus had yet to be established. As an interim measure, the partners have agreed to perform a study in 2018 to estimate the size of the key affected populations.

Some key components of the Adolescent Girls and Young Women program not implemented as designed. The Global Fund HIV grant managed by the Kenya Red Cross Society has an intervention targeting Adolescent Girls and Young Women (AGYW). A cash transfer program, where a specified amount is paid to approximately 9,000 girls every quarter to reduce their involvement in behaviours that expose them to HIV, was piloted in one county in 2017. The AGYW program has been scaled up to five counties from 2018.

The cash transfer intervention was designed to be complemented by other activities which have not been effectively implemented by the Principal Recipient and its sub recipients. The program includes “in and out of school” behavioural interventions for 10-17 year olds. However, none of the expected 4,226 beneficiaries had received the planned “in school” interventions in 2017, while 30% (1,246/4,174) of the eligible girls had received the “out of school” interventions. Dignity kits,²³ which were expected to be provided to the intended beneficiaries every quarter, were distributed only once to 72% of the beneficiaries in the last implementation period. Further, since January 2018 none of the AGYW interventions (cash transfer and dignity kits) budgeted under the new grants have commenced due to delays in the Principal Recipient engaging service providers.

Inconsistent availability of selected commodities for diagnosis, prevention and treatment for key populations: As indicated above, the key populations are actively involved in provision of services to various groups. However, required commodities such as HIV test kits, lubricants, medicines for sexually transmitted infections and masks are not consistently available at the service delivery points. During the audit period, all 26 sub implementers of interventions targeting key populations reported stock outs of the above commodities lasting longer than 90 days. This impacts the quality and comprehensiveness of services provided. For instance, the service delivery points screened clients for sexually transmitted infections in accordance with national guidelines but treatment could not be provided due to stock outs of medicines at the implementer level.

Some commodities for key populations are not delivered directly to the service delivery points accessed by these groups. The implementers are expected to collect the medicines from public health

²¹ This is surveillance done to understand the magnitude and transmission dynamics of the HIV epidemic amongst the key populations.

²² Essential treatment care and support investments aside, KP investments constitute 30.1% of funding allocated for HIV

²³ Dignity kits include selected personal hygiene items that recipients would not have easy access to, for example sanitary pads.

facilities which receive the commodities on their behalf. These medicines are absorbed into the health facility's overall pool of medicines and commodities. Consequently, the facilities use medicines such as antibiotics for sexually transmitted infections rather than issuing them to the implementers serving the key affected populations. At the time of fieldwork, the national program recognized this issue and had begun planning for a logistics systems to deliver commodities and medicines directly to the implementers of key population interventions.

Agreed Management Action 2: The Secretariat will engage and follow up with the KRCS to provide an updated implementation strategy for the AGYW interventions based on lessons learned during the pilot phase of implementation.

Owner: Mark Edington, Head Grant Management Division

Due date: 31 March 2019

4.3. Significant progress has been made in enhancing procurement and supply chain arrangements however, improvements are needed in inventory and waste management

KEMSA, the entity responsible for the procurement and distribution of medicines, has the required processes and controls to achieve its core mandate under the grant. Thanks to the support of the government, the Global Fund, United States government and other donors, KEMSA is regarded as a leading procurement and supply chain agency in the region. Annual procurements of medicines and commodities under the Global Fund grants increased from US\$28 million in 2013 to US\$100 million in 2016.

The supply chain has significantly facilitated the impact achieved by Global Fund grants; KEMSA is able to procure quality assured medicines through international tender at cheaper rates than international reference prices. For instance, the price of some anti-retroviral medicines procured by KEMSA were below Global Fund's pooled procurement prices by up to 21%.²⁴ These price differentials increase further once KEMSA's prices are adjusted for freight costs, as pooled procurement prices only include the unit cost of medicines. KEMSA distributes Global Fund supported medicines and commodities to all health facilities in line with orders rationalized by the national programs. The procurement and supply chain activities are supported by comprehensive policies and Standard Operating Procedures.

In general, the Kenya audit identified a good example of a well-functioning procurement and supply chain in a Global Fund country portfolio. Several key success factors enabled KEMSA's overall good performance, including: strong country ownership and political will, with a robust procurement act enacted by parliament; effective partner coordination and collaboration in support of the country's procurement and supply chain system to avoid duplication or parallel processes; adequate human resource capacity, with the availability, across all procurement and supply chain functions, of technically competent staff whose skills are maintained through periodic training; and effective coordination amongst the different supply chain stakeholders.

Despite the substantive progress made in procurement and the supply chain for the grant, improvements are needed in some specific areas.

Traceability, quantification and management of expired medicines: The country has developed Standard Operating Procedures for the management of expired medicines and commodities, but the processes are not consistently followed. As a consequence, the auditors could not determine the extent of expired medicines and commodities across the supply chain.

At the central level, KEMSA undertakes annual reviews to determine the extent of expired medicines and commodities for its Board's approval, referred to as Board of Survey reports. The value of expired Global Fund-supported medicines identified from those reviews is always different from the value written off by KEMSA's finance team. These inconsistencies are caused by the finance team not making use of the Board approved reports. OIG could not reconcile the differences because some of the expired medicines had been destroyed without adequate records. For instance, the destruction certificates issued only indicated that assorted items were destroyed without detailing the name of the medicines, quantities or the donor. Our analysis of inventory management system indicated unreconciled variances of US\$1.9 million between expected and actual stock balances. These differences could potentially be due to expiries of condoms, HIV and malaria medicines that were not accurately recoded by KEMSA in its inventory management system, and to inventory adjustment which could not be readily explained by KEMSA. The Global Fund Secretariat is planning a comprehensive review of KEMSA's information technology systems to identify and mitigate these inventory management challenges.

²⁴ Compared to PPM prices for 2016 and 2017

At the health facility level, 57% of facilities visited kept no records of expired medicines and commodities. The national Standard Operating Procedures require KEMSA to collect expired medicines and commodities from health facilities for destruction. However, these facilities destroyed medicines at the service delivery and sub county levels despite lack of appropriate destruction facilities. The facilities did not maintain records of the medicines destroyed at the lower levels. In three facilities, the OIG noted that expiries had accumulated over a long period, taking up valuable storage space, because KEMSA had yet to collect them for destruction.

Improvement required in storage conditions. KEMSA has two central warehouses; the main central warehouse at Embakasi and a holding warehouse otherwise known as Commercial Street. The warehouse facilities and storage conditions at Embakasi are optimal and in line with most of the World Health Organization's storage requirements. However, the facilities at Commercial Street are suboptimal: the roof leaks and the warehouse floods during the rainy season. At the time of the audit, Global Fund commodities worth US\$3.8 million were stored in these suboptimal conditions. Recognising the storage challenges, the Global Fund and in country stakeholders allocated approximately US\$9.5 million from the previous grant to support construction of a new warehouse. The activity, which was planned for July 2016, had not substantially commenced as of June 2018 due to legal challenges in securing the required land and to delays by the implementer in addressing risk factors identified by the Secretariat. Kenya thus risks losing funds in line with Global Fund guidelines on transition between allocation utilization periods.

Quality assurance is effectively designed but not consistently performed for two commodities. The OIG found that quality assurance mechanisms are properly designed and effective for most medicines and commodities. KEMSA performs quality assurance procedures throughout the entire procurement and supply chain processes. However, similar processes are yet to be instituted for condoms (valued at U\$6 million) procured by KEMSA. The United Nations Population Fund supported the procurement of equipment to test condom quality at Kenya's National Quality Control Laboratory, but the tests are not being performed there. Most medicines are instead quality assured at KEMSA's laboratory.

The Kenya Red Cross Society procured needles and syringes at an estimated cost of US\$470,000 under the Global Fund grants. However, appropriate quality assurance was not performed before the equipment was distributed to the intended users. The users reported defects and the equipment had to be withdrawn with the support of the national HIV program.

KEMSA operated without a chief executive officer and board chair for over two years until a new CEO was appointed in July 2018. While operational activities have continued, a number of strategic initiatives have been delayed. For instance, as part of KEMSA's 2014/15 – 2018/19 strategic plan, two regional centres should have been completed in 2016. However, these centres were yet to be completed as of June 2018. A number of key management positions at KEMSA were also vacant at the time of the audit. If not addressed, these governance challenges could erode the gains made in Kenya's supply chain.

Agreed Management Action 3: The Secretariat will engage and follow up with the National Treasury and relevant stakeholders to develop an oversight and implementation plan to improve timely identification and management of expiries at the central and facilities level, including measures to address identified control gaps upstream and downstream.

Owner: Mark Edington, Head Grant Management Division

Due date: 31 December 2019

4.4. Improvement required in the planning and coordination of program activities

The country has a number of well-established coordinating platforms to support the funded interventions. Kenya has a well-resourced country coordinating mechanism (KCM) with representation from government, people affected by and living with the three diseases, key populations, non-government constituencies, bilateral and multilateral partners. There is a separate coordinating mechanism for all development partners in health. Inter-agency coordinating committees for HIV, TB and malaria provide support to the KCM and the development partners in health. The KCM has oversight plans and conducts regular oversight visits in service delivery points. However, significant gaps exist in the timely selection of sub-recipients and the coordination of activities among health sector donors.

Gaps in appointing and managing sub recipients. There have been delays in engaging sub recipients for the grants managed by the civil society Principal Recipients. Based on previous cycles, the sub recipient selection process takes nine months on average to complete, delaying implementation of some activities. The Country Team supports implementers in developing accelerated implementation plans to ensure most activities are executed after the selection of the sub recipients. That said, some activities are time sensitive and cannot be rolled over to subsequent periods, such as routine HIV care and support activities to patients at the community level (which should be performed every quarter).

The current grants commenced on January 2018 but some sub recipients had not been selected as of June 2018. Thirteen counties are not receiving HIV community services because the Kenya Red Cross Society has not completed the sub recipient selection processes, six months into the current implementation period. While the other civil society Principal Recipient, AMREF, is yet to select sub recipients for eighteen counties, it has deployed its own staff to directly implement TB activities in those areas until the sub recipients are engaged.

The KRCS has developed policies and guidelines for managing its 52 sub recipients. It has an internal audit team, and program teams are responsible for monitoring sub recipients. The KRCS needs however to improve the management of its sub recipients, whose program activities are not reviewed consistently. As an example, the challenges in implementing AGYW interventions referred to in finding 4.2 were not identified through the principal recipient's supervision arrangements.

Delays in planning and implementation of program activities affect absorption of funds disbursed to the government implementers: Civil society implementers can utilise the funds received from the Global Fund on time due to streamlined planning and internal payment processes. As of December 2017, the two civil society Principal Recipients had used over 90% of funds disbursed by the Global Fund. In contrast, absorption rates at the national implementers are relatively low due to delays in planning at the national program level and in disbursing funds from the National Treasury to the implementers. The national programs are required to submit bi-annual work plans to the National Treasury before disbursements are made. On average, it takes eight months from the national programs initiating these plans to when the funds are actually utilised. These delays are due to the time taken to approve work plans (up to three months), disbursement delays to the national programs (between two to three months) and delays in submission of expenditure reports (between two to three months), all of which affect the implementation of core activities managed by the national programs. The TB, HIV and malaria grants had absorption rates of 58%, 65% and 88% respectively as of December 2017.²⁵ The issues noted above were primarily due to challenges related to the implementation and use of the Integrated Financial Management Information System (IFMIS) in 2017, which have subsequently been addressed. Global Fund policies currently do not allow implementers to carry over unutilised funds from one implementation cycle to the next. Kenya has received exceptional conditional approval to utilise grant funds related to procurement of health commodities by December 2018, and to construction by September 2018.²⁶ Any unutilised funds will have to be returned to the Global Fund. As indicated under finding 3, the country risks losing some funds from its grants.

²⁵ Additional US\$7.1 million and US\$83.5 million had been committed under the TB and HIV grants with 16% and 32% spent as of April and May 2018 respectively

²⁶ Conditions included in this approval related to timing of purchase orders and receipt of goods in country

The government of Kenya meets all its counterpart funding in line with Global Fund requirements. From 2015 to 2017, the government provided up to US\$84 million to the national programs. The counterpart funds provided by the government were not fully utilised by the national programs and had to be returned to the National Treasury in line with the country's financial management regulations. Counterpart funds are provided for the procurement of health commodities which have to be received in country within the fiscal year. The national programs spent approximately 78% of the counterpart funds received from the National Treasury in 2015 and 2016.²⁷ This meant that approximately 22% of the counterpart funds had to be returned to the government despite funding gaps in other areas.

Sub optimal coordination in the health sector resulting in duplication of interventions.

The Development Partners for Health in Kenya meet on a regular basis and have representation on the KCM, which oversees and coordinates implementation of Global Fund grants. The Global Fund Country Team shares grant work plans, budgets and related performance frameworks with in-country stakeholders including the development partners. However, there is duplication in programs supported by Global Fund and other health partners due to the absence of detailed donor mapping (including detailed budgets and implementation arrangements) at the central and county level, which in turn is due to limited visibility among the Development Partners on what each of them supports.

The Global Fund and two other development partners provide resources to the same 26 implementers for the same interventions for key populations in the same geographical locations. The implementers report the same results to the donors, which leads to over reporting at the national level. There are overlaps and duplications in the work performed by the Community Health volunteers (CHVs); for example, the Global Fund and one other donor are paying the same CHVs to perform the same activities and report the same results to different partners. Further, over 400 community health workers receive multiple payments at different rates for the same activities under different Global Fund grants.

The National AIDS Control Council (NACC) has developed the HIV Implementing Partners Online Reporting System to track all HIV/AIDS interventions funded by donors in Kenya. This is expected to provide visibility on donor funding for HIV. However, most implementers do not submit reports to the NACC. In 2016, 12% of the estimated 411 HIV implementers submitted reports to the NACC (2015: 10%). The NACC is liaising with the Ministry of Health and other oversight bodies to enforce reporting by implementers. The country is currently working on a community strengthening strategy to address the overlaps in the community health volunteers and other challenges at the lower level. However more progress is required on the visibility of interventions supported by partners at the national and county levels. This is an ongoing issue and requires engagement of all stakeholders including the government, donors and implementers to address it.

Agreed Management Action 4: The Secretariat will engage and follow up with the KCM to develop guidelines for timely engagement of SRs at the start of new implementation periods with a view to ensure uninterrupted program continuity.

Owner: Mark Edington, Head Grant Management Division

Due date: 31 December 2019

²⁷ TB, malaria and HIV had 66%, 78% and 79% absorption rates respectively for 2015/16 and 2016/17.

4.5. Need to adapt Global Fund's risk mitigation and assurance mechanisms in the context of devolution

Progress has been made to devolve Global Fund grants, but challenges exist and will require changes in oversight, risk mitigation and assurance arrangements

The country's 2010 constitution paved the way for the devolution of health care services with specific functions for the national and county governments. The national government is in charge of policy formulation, national referral hospitals, norms and standards, capacity building and technical assistance to counties. The counties are in charge of service delivery including responsibility for supervision of health facilities and promotion of primary health care. The two levels of governance have consultative fora to coordinate the health sector as indicated in Kenya's Intergovernmental Relations Act, 2012.

Global Fund grants are currently managed at the central level, through the National Treasury, the national disease programs and the National AIDS Control Council. Progress has been made towards the devolution of Global Fund grants; this started with aligning the new grants to the country's fiscal year. The counties are represented on the Kenya Coordinating Mechanism (KCM) and participated in the funding request submitted to the Global Fund. In April 2018, the KCM approved an approach to use all counties as sub implementers of Global Fund grants. A road map and implementation plan for devolution have also been endorsed by the KCM. The KCM is yet to formally submit the decision to the Global Fund for final review and approval. The Global Fund is engaging with the country to agree on the optimal implementation arrangement in the context of devolution.

Varied capacity levels within counties: The main risk identified in the devolution process is the ability of counties to implement activities and account for grant funds in a timely manner due to the varied capacities of each county. For example, six of the 10 counties visited during our audit had insufficient finance and program staff to manage grant activities. The county health management teams have limited experience in planning and budgeting, and programmatic and financial reporting under Global Fund grants.

In recognition of the different capacity levels, the KCM proposed to assess capacity of the counties before starting to devolve activities, but the assessment had been delayed by six months at the time of the audit. Performance metrics for each county are yet to be determined due to delays in the capacity assessment.

Devolution risks have not yet been captured. As the grants devolve to 47 counties with varied capacity levels, the risks to Global Fund grants will change significantly. The increased number of implementers could for instance delay the flow of funds from the central level, the absorption of funds and subsequent reporting by the counties. The Principal Recipient's Project Management Unit will face increased responsibilities for supervising and consolidating reports from 47 counties. Delays have been reported in implementation and reporting of county level activities supported by other partners. For example, reviews conducted by other donors indicated delays (average of nine months) in the disbursement and expense accountability processes in the counties they fund.

The existing Global Fund Country Team structure and assurance arrangements were designed based on a national implementation arrangement where all activities were centrally managed and implemented by the Ministry of Health or National Treasury. These measures will have to be adapted to respond to the changes in the implementation arrangement. Potential changes in the oversight roles for the National Treasury, the Ministry of Health and national disease programs in the implementation and reporting for grant activities are yet to be defined.

Agreed Management Action 5: The Secretariat in collaboration with the KCM, National Treasury and partners will agree on an appropriate framework which takes into consideration different options for implementing Global Fund grants in a devolved setting, in line with Global Fund guidelines. This will include a plan for a phased or pilot approach based on agreed criteria.

Owner: Mark Edington, Head Grant Management Division

Due date: 31 December 2019

5. Table of Agreed Actions

Agreed Management Action	Target date	Owner
<p>1. The Secretariat, in collaboration with partners, will engage and follow up with the National Treasury and the National TB Program to develop an action plan / roadmap for implementation of the TB strategic initiatives. Specifically, this plan will include implementation arrangements for:</p> <ul style="list-style-type: none"> a) The expansion of TB case detection and reporting in the private sector; b) The interventions aiming at improving and monitoring active case findings at facility and communities; c) The challenge fund and pay for performance initiatives. 	31 December 2019	Mark Edington, Head Grant Management Division
<p>2. The Secretariat will engage and follow up with the KRCS to provide an updated implementation strategy for the AGYW interventions based on lessons learned during the pilot phase of implementation.</p>	31 March 2019	Mark Edington, Head Grant Management Division
<p>3. The Secretariat will engage and follow up with the National Treasury and relevant stakeholders to develop an oversight and implementation plan to improve timely identification and management of expiries at the central and facilities level, including measures to address identified control gaps upstream and downstream.</p>	31 December 2019	Mark Edington, Head Grant Management Division
<p>4. The Secretariat in collaboration with the KCM, National Treasury and partners will agree on an appropriate framework which takes into consideration different options for implementing Global Fund grants in a devolved setting, in line with Global Fund guidelines. This will include a plan for a phased or pilot approach based on agreed criteria.</p>	31 December 2019	Mark Edington, Head Grant Management Division
<p>5. The Secretariat will engage and follow up with the KCM to develop guidelines for timely engagement of SRs at the start of new implementation periods with a view to ensure uninterrupted program continuity.</p>	31 December 2019	Mark Edington, Head Grant Management Division

Annex A: General Audit Rating Classification

Effective	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.
Partially Effective	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.
Needs significant improvement	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.
Ineffective	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.

Annex B: Methodology

The OIG audits in accordance with the global Institute of Internal Auditors' (IIA) definition of internal auditing, international standards for the professional practice of internal auditing (Standards) 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 our auditors to provide high quality professional work, and to operate efficiently and effectively. They also help safeguard the independence of the OIG's auditors and the integrity of their work. The OIG's Audit Manual contains detailed instructions for carrying out its audits, in line with the appropriate standards and expected quality.

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 takes place at the Global Fund as well as in country, and is used to provide specific assessments of the different areas of the organization's activities. 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.