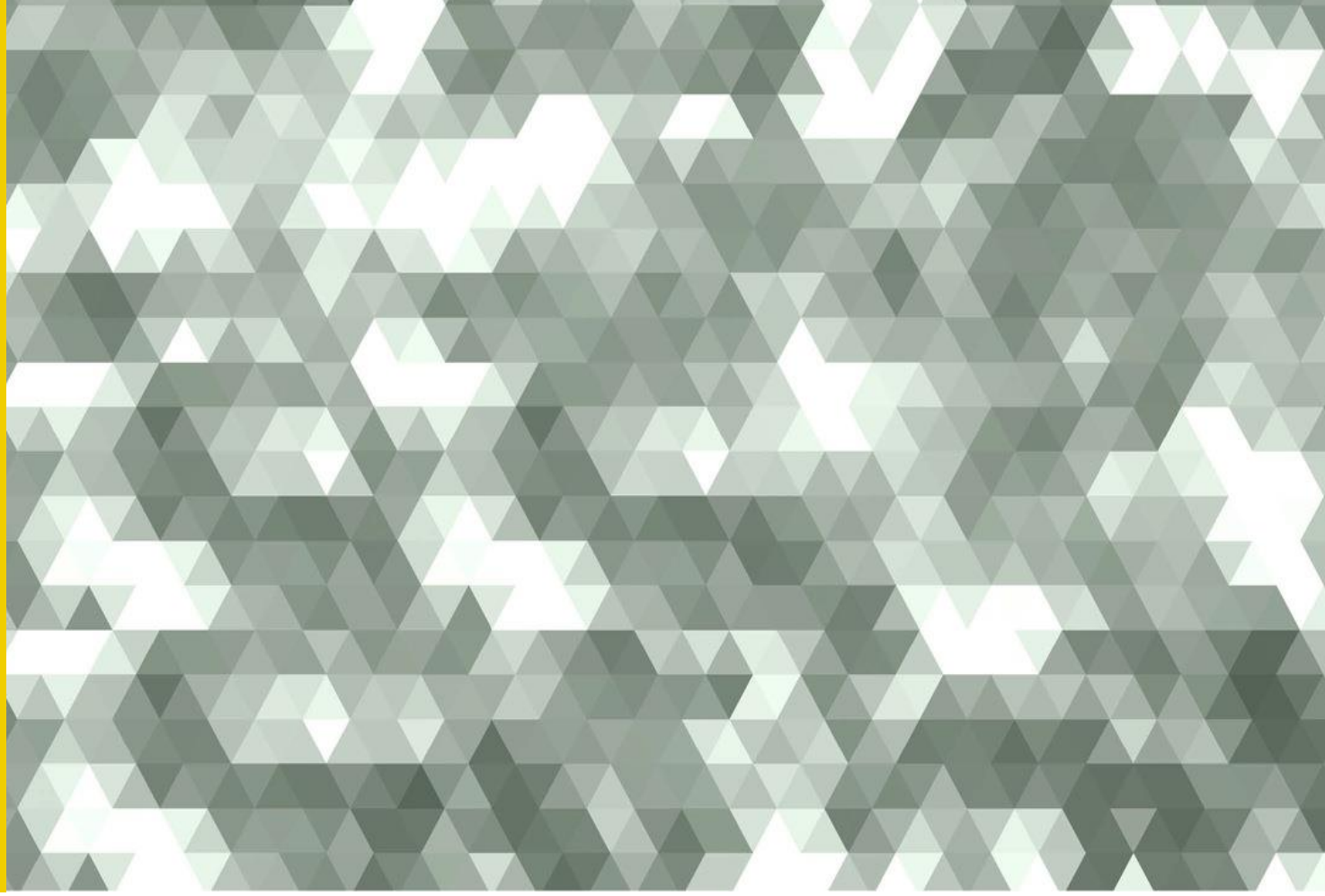

Audit Report

Global Fund Grants in Malawi

GF-OIG-19-024
09 December 2019
Geneva, Switzerland

The Global Fund
Office of the Inspector General

What is the Office of the Inspector General?

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

Established in 2005, the OIG is an independent yet integral part of the Global Fund. It is accountable to the Board through its Audit and Finance Committee and serves the interests of all Global Fund stakeholders. Its work conforms to the International Standards for the Professional Practice of Internal Auditing and the Uniform Guidelines for Investigations of the Conference of International Investigators.

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Audit Report

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OIG investigations examine either allegations received of actual wrongdoing or follow up on intelligence of fraud or abuse that could compromise the Global Fund's mission to end the three epidemics. The OIG conducts administrative, not criminal, investigations. Its findings are based on facts and related analysis, which may include drawing reasonable inferences based upon established facts.

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1. Executive Summary

1.1. Opinion

Global Fund grants in Malawi, which total US$1.6 billion cumulatively since 2003, have significantly reduced death rates across the three diseases, despite challenges in the country's health care delivery systems such as limited government funding and lack of trained staff.

Malawi now has an electronic Health Management Information System thanks to the support of the Global Fund and other partners. HIV and TB data from health facilities are of good quality and the audit found no material variances in reported results. For malaria, there are data inaccuracies at the health facilities due to limited supervision and poor record keeping. While community level data generally aligns with the registers at that level, aggregation errors and missing records at health facilities lead to reporting of inaccurate results to the Global Fund. The HIV and TB grants, which focus on health facility level and account for 83% of Global Fund investments, have good data. Overall, the data collection and reporting arrangements are rated as **partially effective**.

In 2015, the Global Fund began implementing interventions targeting Adolescent Girls and Young Women (AGYW) to reduce their vulnerability to HIV infection. Some key components were not fully defined before commencing and scaling up the programs. Where interventions are fully defined, they are not being effectively implemented, due to weak supervision arrangements by the Principal Recipient. Gaps in the performance indicators and multiple errors in the reported results limit the ability to measure the program's achievements. Hence, AGYW implementation arrangements are rated as **needing significant improvement.**

Grants in Malawi are significantly commoditized, and there are ongoing measures to integrate the in-country supply chain; e.g., the Global Fund is financing capacity-building activities at the Central Medical Stores. The audit found no material stock-outs of medicines at service delivery points. All medicines financed by the Global Fund were fully reconciled at the central level, but traceability challenges remain at the District Health Office and health facility levels. The ability of the supply chain to deliver and account for quality-assured medicines is rated as **partially effective**.

US$81 million[1] of grant funds were disbursed for in-country activities from 2017 to mid-June 2019. World Vision, a Principal Recipient, has adequate financial controls. The Project Implementation Unit at the Ministry of Health is functional and is continuously enhancing its internal processes. However, there are significant weaknesses in controls at the Ministry of Health, Action Aid, and within the Secretariat's risk mitigation measures. The fiduciary assurance framework and the portfolio's anti-fraud measures are rated as **needing significant improvement.**

1.2. Key Achievements and Good Practices

Good programmatic performance. Malawi has made good progress in addressing the HIV, TB, and malaria epidemics, despite limited Government fiscal space. AIDS-related deaths fell six-fold between 2006 and 2016, and HIV viral suppression among people on anti-retroviral treatment is at 86%[2]. TB incidence decreased by 31%, from 193 per 100,000 in 2015 to 131/100,000 in 2018.[3] Despite an increase in cases, malaria deaths have fallen by 71%, from 59/100,000 population in 2010 to 16.9/100,000 population in 2018.[4] The 2018 malaria bed net distribution, performed jointly by World Vision Malawi and the National Malaria Control Program, was better managed compared to

[1] World Vision received US$ 23million while the Ministry of Health and ActionAid received a total of 58million
[2] Progress Updated and Disbursement Request (PUDR) 31 December 2018
[3] National TB program data.
[4] DHIS2 2010-2018

previous bed net distributions. However, significantly low domestic funding for the three diseases affects the sustainability of the programs.[5]

Progress on supply chain integration. In 2012, Malawi agreed with partners to integrate the various supply chain arrangements. In July 2019, the Global Fund funded a Project Management Team (PMT) to support the implementation of integration activities. The PMT is scheduled to complete its work by December 2020; challenges such as storage, cost effectiveness of the central medical stores, and inventory management are expected to be addressed in the process. Strong leadership from the Ministry of Health will be needed, however, to achieve the integration objectives.

Good HIV and TB data quality at health facility: HIV and TB data are of good quality, and the audit found no material variances. HIV and TB data are reported through a parallel system financed by a partner who supports quarterly supervision visits to all health facilities providing HIV and TB services.

Improved Project Implementation Unit (PIU) at the Ministry of Health: The PIU at the Ministry of Health is functional and is continuously enhancing its internal processes. It has instituted routine meetings with national programs, to review implementation of activities and reprogram funds as needed. This has improved absorption of in-country funds to 75%, compared to 30% in 2015.

1.3. Key Issues and Risks

Weaknesses in design and implementation of Adolescent Girls and Young Women program: Key components of this intervention are either not adequately defined or not effectively implemented by the Principal Recipient, Action Aid. The criteria for recruiting beneficiaries and the comprehensive packages of services under the program are yet to be fully defined, resulting in inconsistent selection of beneficiaries and services provided under the program. Where components have been defined, such as referral processes, there are gaps in implementation due to weak supervision by the Principal Recipient.

There are difficulties in measuring performance of the program due to challenges with the indicators and data inaccuracies. The reported results are also materially overstated, making it difficult to accurately measure the performance of interventions. The Global Fund previously identified some of the above challenges but there have been delays in addressing them.

Limited medicine traceability at lower levels; lack of in-country quality control: There has been significant improvement in traceability of medicines at central level, where auditors were able to reconcile all Global Fund medicines. However, limited record keeping and weak supply chain supervision continue to affect the traceability of medicines at the District Health Office (for TB commodities) and health facility levels (for HIV and malaria commodities). 32%, 24% and 14% of sampled anti-malaria, anti-retroviral and TB medicines, respectively, could not be traced at 24 out of the 25 health facilities visited. Global Fund-financed medicines are procured from WHO prequalified suppliers. However, post-shipment quality testing of medicines and commodities are not systematically performed, despite grant funds being available for this.

Inaccuracies in reported results under the malaria program. There are discrepancies of more than 10% in all the sampled malaria indicators at health facility level, due to challenges in record keeping and supervision.

Malaria cases treated at the community level are generally aligned with the registers maintained by the village clinics, but aggregation errors and missing records at the health facilities lead to overstating the reported results by 27%. This is due to limited coordination and accountability for

[5] Domestic resources for HIV, TB and malaria over 2018-21 are 1.6%, 23% and 0.9% respectively

community-level data between the national programs, district health office and the non-government implementers. The National Malaria Control Program has, since the audit field work, performed detailed data validation and is reprogramming funds to improve data quality.

Inadequate financial management at Ministry of Health and ActionAid; weaknesses in the Secretariat's risk mitigation measures. The financial controls of the two Principal Recipients are inadequate, resulting in procurement irregularities and weak contract management in 24 out of the sampled 30 transactions. Value-for-money issues are being analyzed by the OIG investigation team. Recognizing the high financial risk at the Ministry of Health, the Secretariat installed a fiscal agent as a mitigation measure. However, the Secretariat did not align the roles of the fiscal agent and the Local Fund Agent to the risk levels. Since 2018, neither verifies the procurement process before contracts are signed; they review it after services have been provided or the goods have been received, making it impossible to promptly identify and address procurement irregularities. Since the audit fieldwork, the Ministry of Health has initiated actions to improve its financial controls.

1.4. Rating:

	Objective 1: Measures to enhance the supply chain management systems to deliver and account for quality assured medicines and health products. OIG rating: Partially effective
	Objective 2: Implementation arrangements focusing on data collection and reporting OIG rating: Partially effective.
	Objective 3: Implementation arrangements focusing on Interventions targeting Adolescent Girls and Young Women OIG rating: Needs significant improvement.
	Objective 4: Fiduciary assurance framework and anti-fraud measures. OIG rating: Needs significant improvement.

1.5. Summary of Agreed Management Actions

The OIG and the Global Fund Secretariat have agreed on actions to address the findings.

The Global Fund Secretariat will work with the Ministry of Health and partners to:

- address the accountability of medicines and work towards supply chain integration and systematic in country quality assurance of medicines;
- develop a roadmap towards practical interoperability of the existing data reporting systems and revise in country data validation processes by increasing focus on malaria;
- review the design of the implementation arrangement of the AGYW program and institute measures to improve the execution and monitoring of the activities.

The Global Fund Secretariat will also align the scope of work of its assurance providers to the fiduciary risk levels at the Ministry of Health and Action Aid. As part of its long-term measures, the Secretariat will support financial management capacity building activities at the Ministry of Health.

2. Background and Context

2.1. Overall Context

A landlocked country in south-eastern Africa, Malawi has a decentralized government. With decentralization, public health services (primary and secondary level) moved from the central level Ministry of Health (MOH) to the district councils. MOH is now limited to providing support and technical guidance to districts.

Malawi is classified as a low-income country. While the share of external resources in total health expenditure declined from a peak of 71% in 2012 to 51% in 2015, Malawi continues to have one of the most aid-dependent health care systems in the world.

Population: **19 million**

GNI per capita: **US$360** (2018, World Bank)

UNDP Human Development Index: **171 of 189** (2018)

Transparency International Corruption Perceptions Index: **120 of 180** (2018)

UNDP Gender Inequity Index: **148 of 160** (2018)

Challenges in the health care delivery system are largely due to inadequate human resources. World Bank analysis[6] noted that all main cadres of the health workforce (medical officers, nurses, pharmacists and laboratory technicians) were severely understaffed in Malawi, and that the existing workforce was not optimally distributed across the country.

2.2. Differentiation Category for Country Audits

The Global Fund has classified the countries in which it finances programs into three portfolio categories: focused, core, and high impact. These categories are primarily defined by the size of allocation amount, disease burden, and impact on the Global Fund's mission to end the three epidemics.

Malawi is classified as:

- [ ] Focused: (Smaller portfolios, lower disease burden, lower mission risk)
- [ ] Core: (Larger portfolios, higher disease burden, higher risk)
- [X] **High Impact: (Very large portfolio, mission-critical disease burden)**
- [ ] Challenging Operating Environment
- [ ] Additional Safeguard Policy

2.3. Global Fund Grants in Malawi

The Global Fund has invested US$1.6 billion in Malawi since 2003, with US$464 million in current active grants. Currently, there are three Principal Recipients: Ministry of Health, ActionAid International and World Vision Malawi. The Global Fund's active grants in Malawi at the time of the audit are[7]:

Grant No.	Principal Recipient	Grant component	Grant period	Signed amount (USD)
MWI-C-MOH	Ministry of Health	TB/HIV	January 2018 to December 2020	369,229,296
MWI-C-AA	ActionAid International Malawi	TB/HIV		29,376,543
MWI-M-MOH	Ministry of Health	Malaria		25,153,571
MWI-M-WVM	World Vision Malawi	Malaria		40,278,420
				464,037,830

[6] Universal Health Coverage Study Series No 34 2018

[7] The audit covered parts of the grants that ended in December 2017.

2.4. The Three Diseases[8]

HIV/AIDS: HIV prevalence is one of the highest in the world, with 10.3% of the population living with HIV. AIDS continues to be the leading cause of death among adults in Malawi.

The Global Fund is the second-largest donor to the country's HIV response, representing 43% of the funding available for 2018-2021. The US Government represents 51% and domestic resources represent 1.6% of the total funds available.

- **1,062,721** estimated people living with HIV, of which **76%** (805,232) are on treatment.[9]
- **AIDS-related deaths** were 2% in 2016, down from 12% in 2006.
- In 2018, **65% of people retained on treatment** after 12 months of initiation.

Malaria: Malawi is in the malaria control phase, with reducing parasite prevalence from 43% in 2010 to 24% in 2017 and reducing malaria incidence from 484 cases per 1,000 population to 323 cases in 2017. The death rate decreased from 59 to 23 per 100,000 population for the same period.

63% of the population has access to an Insecticide Treated Net. In households with at least one ITN, 55% of the population slept under an ITN the previous night.

For funding cycle 2018-21, the Global Fund grant represents 41% of total resources available and is the second biggest donor for Malaria after the US Government (50%). Domestic resources represent 0.9% of total funds available.

- **6,859,332** confirmed and presumed cases treated.
- Deaths due to malaria were **4,025** in 2017, compared to 9,506 in 2010.

Tuberculosis: Malawi's high TB burden is primarily driven by the HIV epidemic.

TB incidence was estimated at 193/100k in 2015 and has declined dramatically over the last four years. In 2018, cases notified were 67%, with 33% missing cases.

For funding cycle 2018-2021, the Global Fund grant represents 36% of total resources available and is the biggest donor for TB. The US Government contribution represents 20%. Domestic resources represent 23% of total funds available.

- TB treatment success rate improved from 80% in 2009 to 86% in 2017.
- TB mortality reduced by 43% from 28/100,000 in 2015 to 16/100,000 in 2018. [10]

[8] Unless otherwise noted, data has been summarized from latest country funding requests and Global Fund Secretariat Briefing notes, funding request 2018-2020, 2019 UNAIDS, WHO TB and World Malaria reports, and the latest country annual report for three diseases or latest indicator survey.
[9] The Progress Update and Disbursement Report, December 2018
[10] Malawi National TB Program presentation, 2019

2.5. Portfolio Performance

Based on results reported by the country to the Global Fund, grants are generally performing well against the targets set in the performance framework, except for the indicators related to AGYW interventions. The challenges in AGYW interventions are highlighted under finding 4.3. Data inaccuracies in the malaria results are highlighted under finding 4.2. Performance on key coverage indicators reported by the country as of 31 December 2018 is shown in the table below:

Global Fund Key Indicator Achievements (December 2018)[11]			
TB/HIV	**Target**	**Actual**	**Achieve-ment**
Percentage of people living with HIV currently receiving antiretroviral therapy	76.6%	75.8%	99%
Percentage of people living with HIV (including PMTCT) who are screened for TB in HIV care or treatment settings	50%	99%	120%*
Percentage of adolescent girls and young women (AGYW) reached with HIV prevention programs-defined package of services	30%	12.45%	41%
Number of notified TB cases (all forms) contributed by non-national TB program providers -community referrals	1,038	618	60%
Malaria	**Target**	**Actual**	**Achieve-ment**
Number of long-lasting insecticidal nets distributed to at-risk populations through mass campaigns	10,958,223	10,685,831	98%
Proportion of confirmed malaria cases that received first-line antimalarial treatment at public sector health facilities	100%	102.58%	103%
Proportion of confirmed malaria cases that received first-line antimalaria treatment in the community	100%	99.61%	100%

Exceeding Expectations	>100%
Meeting Expectations	90-100%
Adequate	60-89%
Inadequate but potential demonstrated	30-59%
Unacceptable	<30%
*The % of target reached for individual indicators is capped at 120% (to avoid over-performing indicators skewing the mean disproportionally)	

2.6 Risk Appetite

Risk appetite has been developed at the organizational level using data from a cohort of 25 countries[12] representing the majority of the global burden for the three diseases: 85% for HIV/AIDS; 80% for TB; 76% for malaria. The Global Fund's Risk Appetite Framework, operationalized in 2018, sets recommended risk appetite levels for eight key risks affecting Global Fund grants. Country Teams determine each risk at the grant level using the Integrated Risk Management module. The ratings are reviewed by the second line functions and senior management from the Grant Management Division. Grant risk ratings are weighted using the country allocation amount to arrive at an aggregate risk level for the country portfolio. The aggregated risk levels, along with the mitigation plan and expected trajectory of risk levels, are then approved by the Portfolio Performance Committee (PPC)[13] during the Country Portfolio Review (CPR). Aggregated risk levels for Malawi have been reviewed and were approved by the Country Portfolio Review in July 2019.

[11] Global Fund Progress Updated and Disbursement Request December 2018
[12] Bangladesh, Burkina Faso, Cameroon, Congo (DRC), Côte d'Ivoire, Ethiopia, Ghana, India, Indonesia, Kenya, Malawi, Mali, Mozambique, Myanmar, Nigeria, Pakistan, Rwanda, South Africa, Sudan, Tanzania, Uganda, Ukraine, Viet Nam, Zambia, Zimbabwe
[13] The role of the Portfolio Performance Committee is to conduct country portfolio reviews and enterprise reviews

The OIG compared the Secretariat's aggregated assessed risk levels for the key risk categories covered in the audit objectives with the residual risk that exists based on OIG's assessment, mapping risks to specific audit findings. Please refer to the table below.

Risk	Secretariat aggregated assessed risk level[14]	Assessed residual risk, based on audit results	Relevant audit report Finding
Monitoring and Evaluation	**Moderate**	**Moderate**	**4.2**
In-Country Supply Chain (ICSC)	**Moderate**	**Moderate**	**4.1**
Grant-Related Fraud & Fiduciary	**Moderate**	**High**	**4.4**
Quality of Health Products	**Moderate**	**Moderate**	**4.1**

The assessment of risk levels by OIG and the Secretariat are aligned for Monitoring and Evaluation, in-country supply chain and quality of health products; but not for risks related to grant fraud and fiduciary.

Grant-Related Fraud and Fiduciary: OIG audit findings suggest the current level of residual risk is 'high', whereas the Secretariat aggregated assessed risk is moderate at the time of the audit. The risk of this component has four sub-risks:

- *Inadequate flow of funds arrangements*: the OIG and the Secretariat assessed the risk as high due to the complex implementation arrangement and number of sub-recipients for ActionAid, and potential challenges in paying volunteers for malaria bed net distribution under the World Vision grant.

- *Inadequate internal controls*: the OIG assessed the risk as high due to weak internal controls for high-volume transactions related to travel and in-country procurement. There is inadequate oversight of procurement and contract management at the Ministry of Health and ActionAid, which together represent 86% of in-country disbursements.

  At the Secretariat level, the underlying risk was assessed as medium because a fiscal agent has been installed at the Ministry of Health. The Secretariat assessment at the time did not consider whether the fiscal agent's role was aligned to the risk levels or not.

- *Financial fraud, corruption, and theft*: The OIG assessed this as high due to weak preventive controls and limited follow-up of issues by the Secretariat and the Ministry of Health.

  The Secretariat assessed the risk level as medium because risk mitigation measures were instituted, but recognised the weak follow-up mechanism and lack of anti-fraud policy and lack of training of implementers.

- *Limited value for money:* The OIG assessed this as high due to procurement irregularities and absence of a mechanism to ensure value for money, especially for procurement processes and contract management at the Ministry of Health and ActionAid; the Principal Recipients failed to award contracts to lowest bidders that had passed technical evaluations, without any justification. Reviews conducted by the Ministry of Health's internal auditors concluded that procurement of IT equipment was inflated by about US$100,000.

  At the Secretariat level, the risk was assessed as moderate, as sufficient measures are in place, albeit with a lack of or inadequate procedures, with staff training on the selection process for procuring non-health products.

  Since the audit, the Secretariat has rated the overall fiduciary risk level as high, as of October 2019.

[14] This is the aggregated risk levels for the three Principal Recipients in Malawi

3. The Audit at a Glance

3.1. Objectives

The overall objective of the audit is to provide reasonable assurance to the Global Fund Board on the adequacy and effectiveness of Global Fund Grants to the Republic of Malawi.

Specifically, the OIG assessed the adequacy and effectiveness of:

- measures to enhance the supply chain management systems to deliver and account for quality assured medicines and health products;
- implementation arrangements focusing on data collection and reporting;
- implementation arrangements focusing on Interventions targeting Adolescent Girls and Young Women and community level;
- fiduciary assurance framework and anti-fraud measures.

The audit did not include quality of services, as the HIV and TB programs were being evaluated by Technical Partners including WHO and other in-country stakeholders.

3.2. Scope and Methodology

The audit was done in accordance with the methodology described in Annex B, covering the period January 2017 to June 2019. The audit covered four active grants and four closed grants implemented by three Principal Recipients (Ministry of Health, ActionAid International Malawi and World Vision Malawi) and sub-recipients. The auditors visited 25 selected health facilities covering five districts in three regions, as well as central warehouses and one regional warehouse.

3.3. Progress on Previously Identified Issues

Previous relevant OIG audit works

Audit of Global Grants to Malawi, 2016 (GF-OIG-16-2016)

The last OIG audit of grants in Malawi in 2016 highlighted the following risk areas:

- Global Fund grants were sub-optimally implemented, affecting quality of services. The MOH and partners developed an action plan to strengthen services provided under the program. This has generally improved services, but the identified challenges are yet to be fully addressed due to human resource constraints.

- There was limited availability and traceability of medicines at health facility level. The 2019 audit shows improved availability of medicines across the supply chain. There is high traceability of medicines at central level, but challenges remain at health facilities, as highlighted in finding 4.1.

- There was limited pharmacovigilance and monitoring of the quality of pharmaceutical and health commodities across the supply chain. Pharmacovigilance has improved, with adverse drug reaction training organised for health facilities. However, in-country quality testing of medicines is yet to be systematically addressed (see finding 4.1).

- Program management by implementers was ineffective, and inefficiencies in portfolio management resulted in low absorption of funds disbursed to the country. A Program Management Unit has since been established at the Ministry of Health. The Secretariat assessed the performance of the fiscal agent and instituted measures to improve services provided by the agent. There are weaknesses in financial risk mitigation measures, as shown in finding 4.4.

4. Findings

4.1. Progress made in strengthening supply chain, but more effort is required in improving traceability at lower levels and in-country quality assurance

Global Fund grants in Malawi are significantly commoditized, with about 84% spent on procurement of medicines and other health products. Health product procurement is managed through the Global Fund's Pooled Procurement system and Global Drug Facility. The audit found that medicines and commodities supported by the Global Fund are generally available at service delivery points. However, improvements are required in the traceability of medicines, quality assurance of medicines and management of expiries.

i) Drug Traceability has improved at central levels, but gaps remain at the District Health Office (DHO) and health facility levels.

The country is instituting measures to improve traceability of medicines across the supply chain. The Ministry of Health, with the support of partners, performs spot checks at health facilities for drug theft through the Drug Theft Investigation Unit (DTIU). Since 2016, the DTIU has audited 156 health facilities and 182 different cases have been presented to the court of law. There have been 76 convictions, with 42 cases outstanding as of May 2019. Malawi passed a pharmacy bill in March 2019, which is expected to impose strong penalties for the theft and diversion of drugs, but is yet to be gazetted.

At central level, all sampled commodities procured by the Global Fund in 2017–18 were successfully traced to electronic and manual records at the Central Medical Stores Trust (CMST) and private warehouses. However, there is limited visibility and accountability of medicines at district and health facility levels:

- DHOs do not maintain adequate records of TB medicines received and distributed to health facilities. For instance, the DHO in Blantyre, that supposedly delivered TB medicines to 42 health facilities in the district, has no evidence that the health facilities received the medicines.

- 24 of the 25 (96%) visited health facilities have significant variances between stock issued from the main store, quantities dispensed, and remaining stocks at the dispensing units.
    - Under the malaria program, 32% of medicines and 38% of test kits could not be traced in the dispensing registers and available stock records.
    - 24% and 19% of the sampled anti-retroviral drugs and HIV test kits could not be accounted for.
    - 14% of TB medicines (RHZE) could not be traced at the health facilities level.

While the related amounts from the facilities visited may not be material, they underline systemic weaknesses which could be abused if unaddressed, especially as the DTIU continues to identify donated medicines being sold in the open market.

The main cause of the limited traceability of medicines at the lower levels is the lack of adherence to proper documentation practices. Despite registers and tools existing, these documents are not being adequately completed by DHOs and health facilities. For instance, while the DHO has stock registers, medicines supposed to be issued to facilities are not recorded in them, and there is no signed acknowledgment of receipt of medicines by health facilities.

ii) Improvement required in systematic in-country quality testing of medicines and health commodities.

The Global Fund provides resources for Malawi to engage external, WHO pre-qualified laboratories to perform quality assurance of grant-financed medicines and commodities, but since March 2017 no testing has occurred, partly because of delays in engaging a new service provider. The previous service provider did not test the medicines on time and its contract was rightfully cancelled by the Ministry. After signing a contract with a new service provider in 2018, the Ministry of Health did not adequately plan and coordinate sample submissions for testing because of late disbursement of funds by the Ministry's Program Implementation Unit. Since the audit, the country has tested the quality of the medicines through a WHO pre-qualified laboratory, which confirmed the efficacy of the medicines.

The Global Fund is supporting Malawi to obtain ISO accreditation to perform in-country testing of medicines. The country has completed the construction of a laboratory and procured the necessary equipment, thanks to support from the Global Fund and other partners. The accreditation process, which should have been completed by 2017, was delayed, and is expected to be finalised by 2020, with all actions that should have been completed by July 2019 remaining outstanding.

iii) Improvement required in managing expired medicines and commodities.

The Global Fund and other in-country partners are supporting Malawi to increase storage capacity at central, regional and health facility levels. While annual expiries are not material, they have accumulated over a long period and are competing with usable medicines for storage space, due to weak waste management practices.

Expired medicines are not routinely collected from 72% of the health facilities visited. The CMST and the private company in charge of warehousing and distribution of medicines are not being used to collect expired medicines from health facilities. In 2019, the Global Fund procured two incinerators to support the management of waste in Malawi, but the absence of an updated national policy on waste management and an inability to retrieve expired medicines from health facilities will limit their effectiveness.

The Global Fund has engaged a team of consultants, referred to as the Project Management Team (PMT), to build capacity of the CMST and address challenges in transparency, accountability and optimization of CMST's operations, prior to integration of the supply chain. In July 2019, the PMT developed a work plan to complete CMST capacity building by December 2020. The Ministry of Health is establishing the national steering committee that will set the overall direction of the integration and oversee its implementation as envisaged in the strategy, including an approach on how the supply chain will be integrated from 2020 onwards.

Agreed Management Action 1:

The Global Fund Secretariat, in coordination with partners, will support the Ministry of Health to develop and implement supply chain strengthening actions focusing on:

a. Action plans for accountability of medicines and managing expiries within district health offices and health facilities. The action plans will include specific activities, responsible parties, timelines and milestones.
b. Revise and institute specific actions towards ISO accreditation of the in-country Quality Control laboratory.
c. A roadmap for the health supply chain integration beyond December 2020.

Owner: Head, Sourcing and Supply Chain Department
Due date: 31 December 2020

4.2. Good quality HIV and TB data at facility level, but inaccuracies in malaria data.

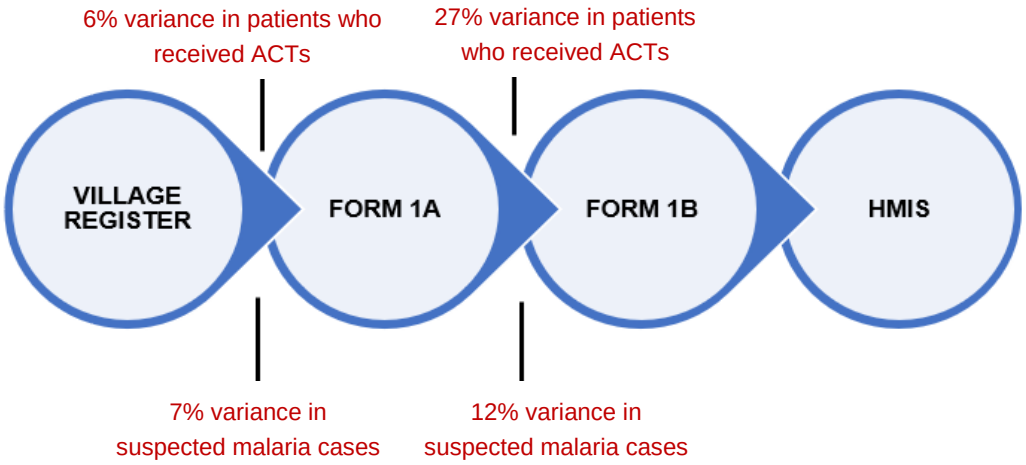
The Global Fund and other partners have invested in strengthening in-country data systems and supervision arrangements. These have generally improved data quality at health facility level, especially for HIV and TB. However, data reported by the malaria program is inaccurate.

The HIV and TB data generated at the health facilities are accurate, but malaria data needs significant improvement. The auditors found no material variance in sampled HIV and TB indicators across the 25 health facilities visited. However, there are variances between the source documents and the results reported to the Global Fund for all three sampled indicators under the malaria program, due to poor record keeping and limited supervision:

- reported confirmed malaria cases were 28% higher than the underlying records
- treated malaria cases reported to the Global Fund were overstated by 29%
- suspected malaria cases tested were overstated by 13%

These discrepancies were noted in 22 of the 25 (88%) health facilities visited. The remaining three facilities either could not provide registers for the reported results due to improper filing, or the registers were burnt because of a fire outbreak at the health facility.

The data recorded at the community level generally align with the underlying registers, but aggregation errors at the health facilities affect the overall quality. For instance, the number of suspected malaria cases and those treated with anti-malaria medication are overstated by 12% and 27% respectively, due to aggregation errors and missing records at the health facilities, as illustrated below. [15]



The absence of accurate data risks affecting the quality of decision-making both at country level (e.g. quantification and forecasting) and at Secretariat level (e.g. performance ratings and disbursements).

The data inaccuracies across the selected indicators are due to:
(i) *Human Resource Capacity:* The country's Health Sector Strategic Plan II 2017-2022 highlights human capacity gaps across all positions in the health sector. The Global Fund grant is funding the cost of 688 health workers and over 200 data clerks, but about half of these workers are still not in-post.

(ii) *Supervision arrangements:* The good data quality under the HIV program at the health facility level is due to regular supportive supervision, funded by a key partner in Malawi. All 727

[15] Form 1As are submitted by village clinics to health facilities. Health facilities submit Form 1Bs to districts for consolidation in the HMIS.

health facilities receive quarterly HIV supportive supervision, which is also leveraged by the TB program. However, due to limited funding, the malaria program undertakes biannual supervision of only 10% of the total facilities in the country, meaning the bulk of facilities are not supervised during the grant period.

(iii) *Multiple data systems with limited interoperability:* The country uses a Health Management Information System for its national reporting purposes. There are multiple paper-based data collection tools such as registers, and electronic systems at the health facility levels. These systems are funded by partners, but there is limited interoperability between the electronic systems, impacting on the existing constrained human resources at the service delivery level. The National Malaria Control Program predominantly uses the national data systems in reporting its results.

(iv) *Limited coordination and accountability for community-level data*. World Vision and ActionAid are responsible for the community components of the malaria and TB programs. While these Principal Recipients supervise activities at community level, programmatic results are reported through health facilities which are supervised by the national programs. There is limited collaboration between the government PRs and non-governmental organizations to identify and address data quality issues in results from the community level.

Agreed Management Action 2:

The Global Fund Secretariat will support the Ministry of Health in their work with partners to:

a. Assess and develop a roadmap to achieve practical interoperability of existing data reporting systems.

b. Revise the existing in-country data validation process to increase the focus on malaria and community level data. This will include:

    i) realigning resources to improve the level of supervision and record keeping under the malaria program;
    ii) defining the supervisory roles and responsibilities of the implementers in respect of community level data.

Owner: Head, Grant Management Division
Due date: 31 December 2020

4.3. Weaknesses in design and implementation of interventions targeting Adolescent Girls and Young Women

The Global Fund started Adolescent Girls and Young Women (AGYW) interventions in Malawi from the 2015- 2017 funding cycle, with the view of reducing their vulnerability to HIV infection. The program targets the most vulnerable AGYW identified by peer educators/facilitators. Some key components of the interventions are either not adequately defined or not effectively implemented by the Principal Recipient – Action Aid. It remains difficult to measure the performance of the activities due to weaknesses in the indicators and poor data quality.

Key components of AGYW program not fully defined. The program was implemented in three districts in 2017, subsequently increasing to five districts since 2018. The pilot program could not be reviewed to identify areas of improvement prior to the scale up, due to delayed commencement of activities. Hence, some critical aspects of the program are yet to be defined in the current funding cycle:

- The comprehensive package of services expected to be provided to beneficiaries has not been fully defined nationally. This could affect the ability to assess the overall performance of the program.

- Recruiting the most vulnerable beneficiaries among the target group of 10–24 year-old girls and young women is crucial for the success of the program. The Principal Recipient identified a set of criteria for recruiting beneficiaries, which is yet to be finalised. Consequently, the implementers recruit different population groups into the program, using varied criteria. The sub-recipients and clubs do not maintain records of the processes they follow in recruiting beneficiaries for the program. The country is liaising with WHO to finalise the recruitment strategy for its AGYW program.

- While the girls' club curriculum designed under the program is expected to be completed in one year, 77% of the beneficiaries have been on the program since it started three years ago, because there are no clear metrics on when existing beneficiaries graduate and new members are recruited. The Principal Recipient is liaising with in-country partners to design an exit strategy for beneficiaries under the AGYW program.

- The program was rolled out without quality standards and a monitoring approach to assess program quality; quality standards were still being developed at the time of the audit. While each girls club formed under the program is expected to have between 20 and 40 participants, about half of the clubs have over 40 participants, which could compromise the quality of services. One in-school club visited in Mangochi has over 120 participants.

Some defined components are not properly implemented due to weak supervision. The Global Fund has put in place measures to improve aspects of the program, but these have not all been adequately implemented. This is due to weak management and supervision by the Principal Recipient. The Global Fund is working with the Principal Recipient to enhance staffing arrangements, for improved management of the interventions.

There is a defined mechanism to ensure beneficiaries are referred and linked to services at health facility level. However, none of the sampled sub-recipients has used the referral processes. During outreach campaigns, there were some cases where identified HIV-positive girls and young women were not referred for initiation into anti-retroviral treatment at health facilities. Similarly, some beneficiaries who did not know their HIV status were not referred for HIV testing.

There is a high level of attrition of peer educators and facilitators in the program. These are mostly volunteers and not paid under the program, hence the risk of attrition is high. About 43% of the peer educators in the sub-recipients visited had left the program. The implementers are working on measures to track retention and replace lost facilitators.

The challenges in implementation are due to weak management and supervision of activities. The Principal Recipient does not have sufficient supervision plans and related tools to oversee activities at sub-recipient level, partly due to multiple sub implementers in the program. The sub-recipients are also not supervising activities implemented by the six sub-sub-recipients (SSRs) and 1,616 clubs involved in the program.

Difficulties in measuring the performance of the AGYW program: The performance indicators and data collection errors make it difficult to determine the achievement of the AGYW program. The grant has three output indicators which have different challenges, rendering the related results unreliable.

The first output indicator measures the number of adolescent girls and boys that sat for a life skills exam. There is limited correlation between the interventions funded by Global Fund and the results being collected under this indicator, which tracks the number of people (including boys) who sat the exam, irrespective of whether they benefit from the AGYW interventions. For instance, as of December 2018, there were 155,136 beneficiaries under the program but the number of boys and girls that sat for the national results (reported performance of the program) was 378,918.

The second indicator measures the number of beneficiaries receiving the defined package of services. The defined package measured is a small proportion of supported activities, which all girls receive. As indicated above, the comprehensive package of services is not defined, and implementers provide different services. Hence, it is difficult to monitor performance on this indicator.

The last indicator measures the number of girls tested for HIV during outreach. However, the data reported included boys reached during those campaigns, making the results inaccurate. The Global Fund has recently developed a Monitoring and Evaluation Framework for AGYW interventions, which is expected to improve indicators and disaggregation of results for AGYW activities in the next funding cycle.

The audit noted significant errors in data at the different levels of the data collection and aggregation process which affect quality of the results reported to the Global Fund as shown below:

Figure: Misreported data between all layers

The inaccuracies are due to misunderstanding of the indicators at the service delivery level, aggregation errors, and inconsistent availability and completion of data capturing tools.

This is a new intervention, and the required guidance were not available when the country started implementation of the activities. The Global Fund and other partners are currently working to streamline the design and implementation of the AGYW program. The Global Fund has increased the level of effort of the AGYW specialist on the portfolio to support the implementer in addressing the challenges. The country has also developed an AGYW strategy to support the design and execution of activities. The Principal Recipient has secured technical assistance from another partner to improve the monitoring and evaluation of AGYW interventions.

Agreed Management Action 3:

In addition to the ongoing measures to strengthen the program, the Global Fund Secretariat will review the design of the program including implementation arrangements and institute measures to

improve the execution and monitoring of the AGYW activities. A detailed supervision plan covering the implementation cascade will be developed by the Principal Recipient.

Owner: Head, Grant Management Division
Due date: 30 September 2020

4.4. In-country financial management controls and Secretariat risk mitigation measures need improvement

Since the 2016 audit, the Secretariat has put in place measures to enhance financial management. World Vision International, which is responsible for 8.6% of the grants, has adequate financial controls and anti-fraud measures. Unlike the high level of cash transactions involved in the previous bed nets distribution mass campaign, World Vision has instituted a mobile payment system, reducing the extent of cash transactions.

The Program Implementation Unit (PIU) at the Ministry of Health is functional, and is continuously enhancing its internal processes. The Global Fund assessed the performance of the Fiscal Agent at the Ministry of Health and instituted measures to improve the agent's services. However, there are weaknesses in controls at the Ministry of Health and Action Aid, and in the Secretariat's risk mitigation measures.

Weak in-country controls over procurement and contract management at the Ministry of Health and ActionAid.

Weak procurement oversight has resulted in consistent irregularities. The OIG found sufficient controls over procurements made by World Vision. However, 24 (amounting to US$4.2 million) out of 30 sampled procurements at the Ministry of Health and ActionAid have irregularities, including:

- Lowest bidders not being selected despite meeting all the technical requirements. In all instances, the procurement committee agreed that the suppliers with lowest financial bids met the technical specifications, but different suppliers were selected without any justification.
- Material sole sourcing contracts without justification. For example, the procurement committee of the Ministry of Health approved for PIU to engage a service provider through sole sourcing for three months, but PIU engaged the service provider for one year without further approval.
- Bids received on time from potential service providers were not reviewed and considered in the selection process, limiting the pool of potential suppliers that could have been considered for the service.

OIG analysis of previous reviews performed by the Local Fund Agent and the Ministry of Health's internal auditors find consistent weaknesses in procurement at the Ministry of Health. The above irregularities identified by this OIG audit require further analysis to determine if there is any wrongdoing, and to determine any potential financial loss. This is being assessed by the OIG investigations team.

Weak contract management practices pose the risk of losing grant funds. The Ministry of Health and ActionAid do not effectively manage contracts signed with service providers. Both make significant advance payments to suppliers without payment guarantees and clear contract deliverables, and there have been long delays in submission of deliverables when defined. For instance, the Ministry of Health made total advance payments of US$1.3 million (more than 40% of the contract sum) to three service providers without performance guarantees. The services have been delayed by more than 6 months and no action has been taken by the Ministry of Health at the time of the audit.

ActionAid advanced 50% (US$250k) of a contract signed in October 2017 to the service provider without a performance guarantee, contrary to its procedures. The contract was expected to be completed within five months, but the activity had not commenced as of August 2019. The Principal Recipient had not taken any action on this at the time of the audit.

Weak processes for payment of travel related cost at the Ministry of Health.

The budget for travel-related costs represents, on average, 40% of in-country disbursements. These costs include per diems for trainings, supervision and program meetings. The Ministry of Health transfers funds to a paying agent, who makes the payments at the event venues.

The Ministry of Health terminated its contract with the previous paying agent due to late reconciliation of payments. A new service provider has been engaged, but the same challenges remain. While the new service provider is expected to submit reconciliations within three days after each activity, a significant amount remains to be liquidated by the service provider. At the time of the audit, about US$2.2m remained with the agent, of which 19% (US$414,000) relates to activities completed but not reconciled by the agent after 30 days. The Ministry of Health transferred US$1.8 million to the agent despite activities not even being scheduled. The Secretariat has retained the Local Fund Agent to perform further review of the Ministry's engagement with the new paying agent.

The above procurement and contract management issues are due to weak financial oversight at the Ministry of Health and ActionAid, and gaps in the effectiveness of the Global Fund's risk mitigation measures.

***Oversight at the Ministry of Health and Action Aid*:** There is limited internal oversight of procurement activities at these two Principal Recipients. They do not have an effective internal mechanism that routinely reviews procurement and financial transactions. When reviews are performed, the recommendations are not effectively followed up and implemented by the Ministry. For instance, contrary to the recommendations from the fiscal agent, the Ministry of Health transferred US$593,000 to the service provider for payment of travel costs for activities that have not been scheduled.

Risk mitigation measures and assurance framework: The Global Fund recognizes that financial risk is high at the Ministry of Health and has installed a fiscal agent as a mitigation measure. However, the country team did not effectively align the roles of the fiscal agent and the Local Fund agent to the risk levels. These two mechanisms do not verify the procurement process before contracts are signed; they review procurement processes after the services have been provided, or the goods have been received. This makes it impossible to promptly identify and address procurement irregularities before the services are received by the Ministry.

The fiscal agent has improved the timeliness of its reviews, but significant improvement is required in its capacity building role. The fiscal agent has not developed a capacity building plan since it was put in place in February 2018, as required by its terms of reference.

Anti-fraud measures on the portfolio need improvement: World Vision and ActionAid have documented policies and processes for managing fraud. World Vision has assessed its activities and instituted preventive measures, with support from its regional internal audit team. Similar assessments are yet to be performed at ActionAid and the Ministry of Health. Induction sessions on anti-fraud measures have been organized for the finance team at the Ministry of Health. The fiscal agent put in place at the Ministry of Health has no fraud specialist in the team, and no targeted fraud prevention or detective activities have been performed during the period under review.

Agreed Management Action 4:

The Global Fund Secretariat will:

a. review and tailor the scope of work for the assurance providers to enhance due-diligence and oversight of procurement and contract management activities at the Ministry of Health and ActionAid.
b. realign the financial risk assessments, mitigating measures and assurance plans for the Ministry of Health and ActionAid to ensure optimal coordination between the internal auditors, fiscal agent, Local Fund Agent and external auditors.

Owner: Chief Finance Officer
Due date: 30 June 2020

Agreed Management Action 5:

The Global Fund Secretariat will accelerate the progress of financial management strengthening activities for the Ministry of Health as part of the CO-LINK initiative under the Resilient and sustainable systems for health, by elaborating a comprehensive action plan to structure the implementation and monitoring of capacity building activities to improve and sustain the Principal Recipient's financial controls under the oversight of the fiscal agent.

Owner: Chief Finance Officer
Due date: 31 December 2020

5. Table of Agreed Actions

Agreed Management Action	Target date	Owner
1. The Global Fund Secretariat, in coordination with partners will support the Ministry of Health to develop and implement supply chain strengthening actions focusing on; a. Action plans for accountability of medicines and managing expiries within district health offices and health facilities. The action plans will include specific activities, responsible parties, timelines and milestones; b. Revise and institute specific actions towards ISO accreditation of the in-country Quality Control laboratory; and c. A roadmap for the health supply chain integration beyond December 2020.	31 December 2020	Head, Supply Operations
2. The Global Fund Secretariat will support the Ministry of Health in their work with partners to: a. Assess and develop a roadmap to achieve practical interoperability of existing data reporting systems. b. Revise the existing in-country data validation process to increase the focus on malaria and community level data. This will include: iii) realigning resources to improve the level of supervision and record keeping under the malaria program; and iv) defining the supervisory roles and responsibilities of the implementers in respect of community level data.	31 December 2020	Head, Grant Management
3. In addition to the ongoing measures to strengthen the program, the Global Fund Secretariat will review the design of the program including implementation arrangements and institute measures to improve the execution and monitoring of the AGYW activities. A detailed supervision plan covering the implementation cascade will be developed by the Principal Recipient	31 September 2020	Head, Grant Management
4. The Global Fund Secretariat will: a. review and tailor the scope of work for the assurance providers to enhance due-diligence and oversight of procurement and contract management activities at the Ministry of Health and ActionAid. b. realign the financial risk assessments, mitigating measures and assurance plans for Ministry of Health and ActionAid to ensure optimal coordination between the internal auditors, fiscal agent, Local Fund Agent and external auditors.	30 June 2020	Chief Finance Officer
5. The Global Fund Secretariat will accelerate the progress of financial management strengthening activities for the Ministry of Health as part of the CO-LINK initiative under the RSSH sub-objective by elaborating a comprehensive action plan to structure the implementation and monitoring of capacity building activities to improve and sustain the Principal Recipient's financial controls under the oversight of the fiscal agent.	31 December 2020	Chief Finance Officer

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 help our auditors to provide high quality professional work, and to operate efficiently and effectively. They 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 across the Global Fund as well as of grant recipients 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 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 may also assess how Global Fund grants/portfolios are performing against target for Secretariat-defined key indicators; specific indicators are chosen for inclusion based on their relevance to the topic of the audit.

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 C: Risk Appetite and Risk Ratings: Content, Methodology and Implications

Risk appetite has been developed at the organizational level using data from a cohort of 25 countries[16] representing the majority of the global burden for the three diseases: 85% for HIV/AIDS; 80% for TB; 76% for malaria. The Global Fund's Risk Appetite Framework, operationalized in 2018, sets recommended risk appetite levels for eight key risks affecting Global Fund grants.

As accurate risk ratings and their drivers are critical to effective risk management and operationalization of risk appetite, a robust methodology was developed with clear definitions, granular risks, root causes as well as an extensive review process as detailed below.

The eight grant-facing risks for which risk appetite has been set represent an aggregation from 20 risks as depicted in the table on the following page. Each of these 20 risks is rated for each grant in a country using a standardized set of root causes and considers a combination of likelihood and severity scores to rate risk - Very High, High, Moderate or Low. Country Teams determine each risk at grant level using the Integrated Risk Management module. The ratings are reviewed by second line functions and senior management from the Grant Management Division.

The ratings at the 20-risk level are aggregated to arrive at the eight risks using simple averages, i.e. each of the component parts are assumed to have similar importance. For example, the risk ratings of *Inadequate program design (1.1)* and *Inadequate program quality and efficiency (1.3)* are averaged to arrive at the rating of Program Quality for a grant. As countries have multiple grants, which are rated independently, individual grant risk ratings are weighted by the grant signed amounts to yield an aggregate Current Risk Level for a country portfolio. As the ratings of grants often vary significantly and to ensure that focus is not lost on high-risk grants, a cut-off methodology on high risks is applied (the riskiest 50% of grants are selected) to arrive at a country risk rating. The aggregated risk levels, along with the mitigation plan and expected trajectory of risk levels, are then approved by the Portfolio Performance Committee[17] during the Country Portfolio Review.

Leveraging Risk Appetite in OIG's work

As the Risk Appetite framework is operationalized and matures, OIG is increasingly incorporating risk appetite considerations in its assurance model. Important considerations in this regard:

- The key audit objectives that are in the scope of OIG audits are generally calibrated at broad grant or program levels (for example, effectiveness of supply chain processes, adequacy of grant financial management, quality of services, reliability of data, overall governance of grant programs, etc.) as opposed to narrower individual risk levels. Thus, there is not a one-to-one match between the overall audit rating of these broad objectives and the individual rating of narrower individual risks. However, in the absence of a one-to-one match, OIG's rating of an overall audit objective does take into consideration the extent to which various individual risks relevant to that objective are being effectively assessed and mitigated.

- The comparison of OIG's assessed residual risks against the Secretariat's assessed risk levels is done at an aggregated level for the relevant grant-facing risks (out of the eight defined ones) that were within the scope of the audit. This comparison is not done at the more granular level of the 20 sub-risks, although a narrative explanation is provided every time the OIG and the Secretariat's ratings differ on any of those sub-risks. This aggregated approach is designed to focus the Board and AFC's attention on critical areas where actual risk levels may differ from perceived or assessed levels, and thus may warrant further discussion or additional mitigation.

[16] Bangladesh, Burkina Faso, Cameroon, Congo (DRC), Côte d'Ivoire, Ethiopia, Ghana, India, Indonesia, Kenya, Malawi, Mali, Mozambique, Myanmar, Nigeria, Pakistan, Rwanda, South Africa, Sudan, Tanzania, Uganda, Ukraine, Viet Nam, Zambia, Zimbabwe.
[17] The role of the Portfolio Performance Committee is to conduct country portfolio reviews.

For risk categories where the organization has not set formal risk appetite or levels, OIG focuses on the Secretariat's overall processes for assessing and managing those risks and opines on their design and effectiveness.

Table of risks

Corporate Risks (8)	Operational Risks (20)
Program Quality	1.1 Inadequate program design and relevance
	1.3 Inadequate program quality and efficiency
M&E	1.2 Inadequate design and governance of M&E Systems
	1.4 Limited data availability and inadequate data quality
	1.5 Limited use of data
Procurement	3.3 Inefficient procurement processes and outcomes
In-Country Supply Chain	3.2 Unreliable forecasting, quantification and supply planning
	3.4 Inadequate warehouse and distribution systems
	3.6 Inadequate information (LMIS) management systems
Grant-Related Fraud & Fiduciary	2.1 Inadequate flow of funds arrangements
	2.2 Inadequate internal controls
	2.3 Fraud, corruption and theft
	2.5 Limited value for money
Accounting and Financial Reporting by Countries	2.4 Inadequate accounting and financial reporting
	2.6 Inadequate auditing arrangements
National Program Governance and Grant Oversight	4.1 Inadequate national program governance
	4.2 Ineffective program management
	4.3 Inadequate program coordination and SR oversight
Quality of Health Products	3.1 Inappropriate selection of health products and equipment
	3.5 Limited quality monitoring and inadequate product use