



Audit Report

Global Fund Grants to the

Republic of Namibia

GF-OIG-23-16
2 August 2023
Geneva, Switzerland

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, enhances risk management and reports fully and transparently on abuse.

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.

➤ Email:

hotline@theglobalfund.org

➤ Free Telephone Reporting Service:

+1 704 541 6918

Service available in English, French, Spanish, Russian, Chinese and Arabic

➤ Telephone Message - 24-hour secure voicemail:

+41 22 341 5258



Table of Contents

1. Executive Summary	3
2. Background and Context	6
3. Portfolio Risk and Performance Snapshot.....	9
4. Findings.....	10
4.1 Need to enhance the design and compliance of financial and procurement processes to safeguard grant funds	10
4.2 Improvement needed in implementation and oversight mechanisms to ensure achievement of grant objectives.....	12
4.3 Significant progress has been made in the fight against the three diseases, but improvement is needed in community interventions	15
Annex A: Audit Rating Classification and Methodology.....	18
Annex B: Risk Appetite and Risk Ratings.....	19

1. Executive Summary

1.1 Opinion

Namibia is classified as an upper-middle-income country and invests significantly in the fight against HIV, tuberculosis (TB), and malaria. Global Fund grants are strategically positioned and relevant to the country's needs. Since 2004, the Global Fund has disbursed US\$372 million to Namibia. It is one of the few countries in the world that have achieved the 90-90-90 UNAIDS targets, with reported achievement of 92-99-93 in 2023.¹ The country is also among the five countries in Africa currently in the malaria pre-elimination phase and has witnessed a decrease in TB incidence and mortality rates.²

To ensure this progress is sustained, community intervention needs improvement. Limited availability of community health workers (CHWs) is impacting delivery of interventions for the three diseases. To help address this, the Government approved a Social Contracting Policy in March 2023. This policy will enable the Government to contract civil society organizations (CSOs) to provide essential health services in line with government priorities including the hiring of CHWs.³ Despite these challenges, the adequacy and effectiveness of the community-based interventions are rated as **effective** due to the significant progress made and the country's programmatic outcome in the fight against the three diseases.

Despite the progress made, Global Fund-supported programs in the country face challenges including low fund absorption and non-achievement of some of the previous grant objectives. The country is also experiencing delays in achieving the objectives of the current grant, which ends in December 2023. Gaps in the Country Coordinating Mechanism (CCM) and in the Principal Recipient's oversight contributed to grant implementation challenges. Suboptimal reporting structures, inadequate supervision and capacity gaps have impacted the Principal Recipient's effectiveness. The adequacy and effectiveness of the implementation and oversight arrangements of the Global Fund supported programs – to ensure the achievement of grant objectives – are rated **partially effective**.

There is a need to enhance the design and compliance of financial management and procurement processes to safeguard grant funds. Shortcomings in financial management and reporting are impacting the reliability of reported information. Non-compliance with procurement processes is also impacting the transparency and competitiveness of procurements. The adequacy and effectiveness of the financial controls and in-country assurance mechanisms in safeguarding Global Fund resources are rated as **needing significant improvement**.

1.2 Key Achievements and Good Practices

Strong Government commitment in the fight against HIV, TB, and malaria

The Government of Namibia is the main funder for HIV, TB, and malaria. Between 2021 and 2023, the Government contributed 50% of funding needs, followed by other development partners, including the United States Government (41%) and the Global Fund (9%). The Government of Namibia funds more than 90% of HIV medicines, as well as all malaria and first line TB medicines. It funds approximately 90% and 80% of TB and malaria interventions respectively. In March 2023, the Government approved a Social Contracting Policy to contract civil society organizations (CSOs) to provide essential health services in line with government priorities.

Significant progress made in the fight against the three diseases

Namibia is among the best-performing countries in the region in terms of surpassing the UNAIDS 90-90-90⁴ target.

¹ National Strategic Framework for HIV and AIDS Response in Namibia, 2023/24 to 2027/28, Ministry of Health and Social Services, 2023, pp 119

² TB incidence decreased from 1,260 to 457 per 100,000 between 2004 and 2020; TB mortality rate decreased from 79 to 59 per 100,000 between 2008 and 2020 (Source: WHO website – accessed on 25/03/2023)

³ MoHSS Social Contracting for Health Policy, Feb 2023

⁴ The UNAIDS targets: the first 90 or 95 is all people living with HIV will know their HIV status, the second 90 or 95 is all people with diagnosed HIV infection will receive sustained antiretroviral therapy, and the third 90 or 95 is all people receiving antiretroviral therapy will have viral suppression

The country is now moving to the 95-95-95 targets with current status at 92%-98%-93% per UNAIDS 2021 data, and 92%-99%-93% in 2023 as per the country's National Strategic Framework. AIDS-related deaths in the country decreased by about 26% between 2010 and 2020. Namibia is at the malaria pre-elimination phase and aims to eliminate malaria by 2030. In 2021, malaria testing and treatment performance stood at 97% and 100% respectively. TB incidence decreased by 28% between 2015 and 2021, and TB mortality rate also decreased by 17% between 2015 and 2021.⁵

1.3 Key Issues and Risks

Need to enhance the design and compliance of financial management and procurement processes to safeguard grant funds

Gaps in financial management and reporting are impacting the reliability of reported information. Poor configuration and ineffective use of the Principal Recipient's grant accounting system contribute to incomplete financial statements. Consequently, the Office of Auditor General in Namibia provided an "adverse opinion" on the grant's 2021 financial statements. Gaps in information technology general controls were noted in the review of the accounting system, making it prone to data manipulation.

The audit also noted non-compliance with local procurement processes, compromising the transparency and competitiveness of the overall procurement processes. A significant number of local procurements were not in compliance with some of the provisions of the Public Procurement Act. Delays were also noted in the procurement process, with an average of 141 days compared to the 90 days required by the Procurement Act. The Principal Recipient also does not have a pre-qualified suppliers list and does not perform background checks on suppliers.

Improvement needed in the CCM and Principal Recipient's oversight to ensure efficient and effective grant implementation

The CCM Evolution Strategic Initiative was implemented in 2021 with the aim of improving governance, oversight, and maturity levels of the CCM. However, early gains from the evolution project have not been achieved due to implementation delays. The Oversight Committee has not been fully constituted and is not adequately resourced to perform its function. Lack of clarity in roles and responsibilities, infrequent attendance of meetings by CCM members, as well as incomplete data from the Principal Recipient and recurring unresolved issues are impacting the CCM's effectiveness.

The Project Management Unit (PMU), established by the Ministry of Health and Social Services (MoHSS) to oversee implementation of Global Fund grants, needs strengthening. The PMU's reporting structure does not empower them to hold national disease programs accountable. The audit also noted gaps in monitoring of sub-recipients. Contracting and disbursements to sub-recipients were significantly delayed. The PMU does not have KPIs, and performance appraisals are not carried out for PMU staff. The PMU's capacity to effectively perform its functions was hindered by resignations, recruitment delays and vacant positions.

The oversight and supervision challenges of the CCM and Principal Recipient contributed to low fund absorption and the less than adequate achievement of grant objectives. Most of the Grant Cycle (GC) 5 objectives were not achieved, and the country faces delays to achieve the current grant (GC6) objectives. After two years of grant implementation,⁶ 40% and 57% of the grant and C19RM funds respectively, have not been spent. Some of the key grant conditions and Global Fund Technical Review Panel recommendations, which are necessary for effective grant implementation, had not been implemented, with less than 10 months before the grant end date.

While significant progress has been made in the fight against the three diseases, community interventions need improvement to ensure gains are sustained

⁵ [WHO website, accessed 19 June 2023](#)

⁶ As at December 2022

Despite the progress made in the UNAIDS HIV cascade, the implementation of HIV prevention programs for key populations, including adolescent girls and young women (AGYW), female sex workers (FSWs) and men who have sex with men (MSM) continues to be challenging. Forty-one percent of new infections occurred in the 15- to 24-year-old age group and HIV incidence among women is twice that of the male population. There is also a high HIV prevalence rate (15.1%) among women aged 15 to 49. There are limitations in the data used to inform the targets, with challenges noted in linkages/referrals for key populations and intermittent stock-outs of key commodities. Challenges were also noted in the targeting and tailoring of interventions to address the unique needs of the key populations.

Limited availability of community health care service providers continues to impact TB and malaria interventions. In 2022, TB and MDR-TB missing cases were 42% and 59% respectively. Recurrent stock-outs⁷ of reagents also contributed to limited diagnostic capabilities and testing. Delays in insecticide procurement due to delays in the release of funds from the Government, and inadequate contract management for vehicles for the malaria indoor residual spraying campaign (IRS) resulted in almost two out of three months of the insecticide spraying period being missed. The low IRS coverage (compared to the WHO benchmark of 85%) risks reversing the gains made towards malaria elimination.

1.4 Objectives, Ratings and Scope

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

Objective	Rating	Scope
Implementation and oversight arrangements of Global Fund supported programs to ensure achievement of grant objectives, with a particular focus on the Project Management Unit and the Country Coordinating Mechanism.	Partially Effective	Audit period January 2021 to December 2022 Grants and implementers The audit covered the Principal Recipient and sub-recipients of Global Fund supported programs in Namibia.
Community-based interventions to ensure access to quality services by beneficiaries with a focus on: vulnerable and key populations including AGYW, FSW, MSM, MDR-TB and malaria vector control intervention (IRS).	Effective	
Adequacy and effectiveness of financial controls and in-country assurance mechanisms in safeguarding Global Fund resources.	Need Significant Improvement	

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

Our auditors visited five health facilities, three community training workshops, and three mobile clinics in the four largest regions in Namibia. The visited regions account for 30% of the country’s TB burden, 59% of patients on antiretroviral treatment and 39% of the malaria cases in the country.

⁷ As reported by the National Tuberculosis and Leprosy Program (NTLP) and the National Institute of Pathology (NIP)

2. Background and Context

2.1. Overall Context

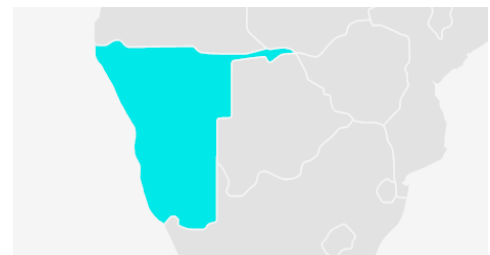
Since 2009, Namibia has been classified as an upper middle-income country by the World Bank. Despite this more than 43% of Namibia’s population lives in multidimensional poverty.

Namibia is located on the southwest coast of Africa and has a geographically large country with population of around 2.5 million. The country’s GDP has declined annually by 0.5% from 2017 to 2019. From 2019 to 2020, it contracted by 8.1%, the worst in the country’s history, and then by 14.7% from 2020 to 2021.

The Government is the leading funder of the HIV, TB, and malaria response and finances around 90% of the antiretroviral medicines and all malaria and first line TB medicines. Although Global Fund investment for Grant Cycle 6 (US\$53 million) is significantly smaller than the national response, the investments are targeted at the right interventions and critical to the HIV, TB and malaria response. The Global Fund is the largest donor for TB and malaria in the country.

More than 80% of Namibia’s population use the public health care system, and about 20% use private health care systems. Health services are delivered through hospitals, health centres, clinics, and outreach points. The public health sector is managed at the national and regional levels.

Country data ⁸	
Population	2.53 million
GDP per capita	US\$4,196 (2021)
Transparency International Corruption Perception Index	59 of 180 (2022)
UNDP Human Development Index	139 of 191 (2021)
Gov’t spending allocated to health expenditure (% of GDP)	8.5% (2019)



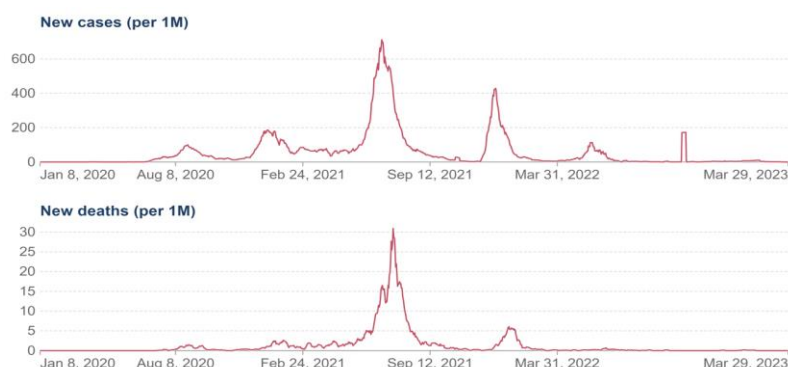
2.2. COVID-19 Situation

Starting on 11 March 2020, the Namibian Government took stringent containment measures to slow the spread of the virus, including school closures, workplace closures, and curfews. Cumulatively, from the start of the pandemic until 29 March 2023, there have been 171,222 confirmed cases with a fatality rate of 2.4%,⁹ which is relatively high compared to the rest of Africa (1.98%) and worldwide (0.9%).

COVID-19 statistics (05 April 2023)

- Cases – 171,222
- Vaccines administered – 986,684
- Deaths – 4,090

Figure 1: Weekly COVID-19 cases and deaths in Namibia¹⁰



⁷ Sources: population, GDP from World Bank, 2021 (<https://data.worldbank.org/country/namibia>); transparency corruption index, 2022 (<https://www.transparency.org/en/countries/namibia>); health expenditure from The Global Economy, 2021 (<https://www.theglobaleconomy.com/Namibia/>); The HDI 2021. (<https://hdr.undp.org/data-center/specific-country-data#/countries/NAM>); all accessed 5 April 2023

⁹ University of Oxford, Our world in data (<https://ourworldindata.org/coronavirus#explore-the-global-situation>), accessed on 5 April 2023

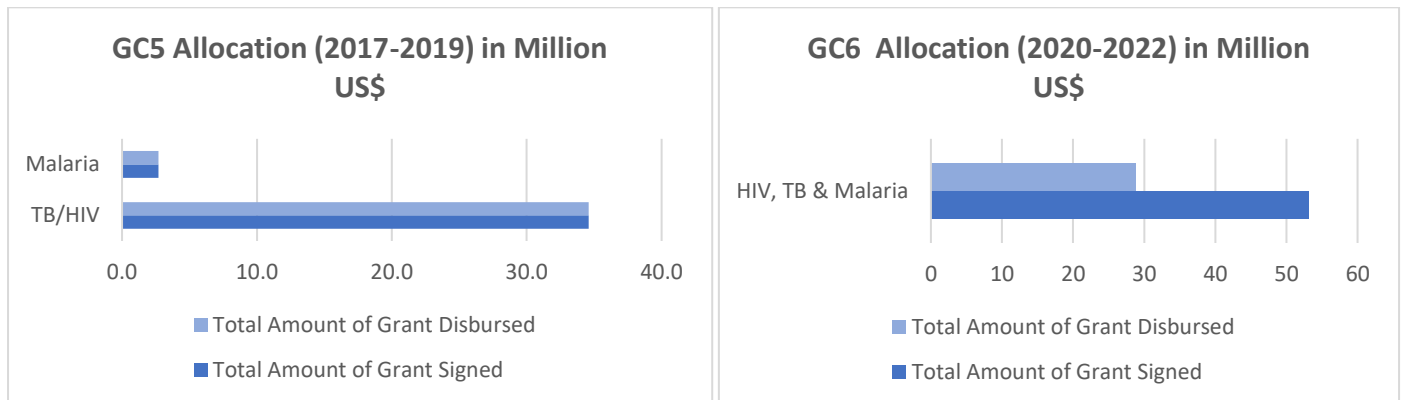
¹⁰ WHO data 2023, (<https://covid19.who.int/region/afro/country/na>) assessed on 5 April 2023

2.3 Global Fund Grants in Namibia

Since 2004, the Global Fund has signed about US\$397 million and disbursed over US\$372 million to Namibia.¹¹ Approximately 54% of the active grant of US\$53.15 million for the 2021-2023 implementation period has been disbursed. Full details on the grants can be found in the [Global Fund Data Explorer](#).

The Ministry of Health and Social Services is the Principal Recipient of the HIV/TB and malaria combined grant. Grants are implemented by sub-recipients, including the National Tuberculosis and Leprosy Programme (NTLP), National Vector-Borne Diseases Control Programme (NVDCP), National HIV Programme, Advanced Community Health Care Services Namibia (CoHeNa), Intrahealth Namibia, Ministry of Education, Arts and Culture, Positive Vibes, Development Aid from People to People (DAPP), One Economy Foundation and Society for Family Health.

Figure 2: Funding allocations, prior and current funding cycles (as of December 2022)¹²



¹¹ [Global Fund Data Explorer \(https://data.theglobalfund.org/location/NAM/overview\)](https://data.theglobalfund.org/location/NAM/overview), accessed 6 April 2023

¹² [Global Fund Data Explorer \(https://data.theglobalfund.org/location/NAM/overview\)](https://data.theglobalfund.org/location/NAM/overview), accessed 6 April 2023

2.4 The Three Diseases

HIV / AIDS	TUBERCULOSIS (TB)	MALARIA
<p>220,000 people are living with HIV in Namibia as of 2021, of whom 92% know their status. Among identified people living with HIV (PLHIV), 91% were on treatment; and 84% had suppressed viral loads (vs. an estimated 98% PLHIV on ART and 91% viral suppression in 2020).</p> <p>Annual new infections decreased by 39% since 2010,¹³ from 11,000 newly infected people to 6,600, giving Namibia the sixth highest HIV rate in the world.</p> <p>AIDS-related deaths reduced by 26% from 3,900 in 2010 to 2,900 in 2021.</p> <p>The epidemic is generalized. Namibia demonstrated a downward prevalence trend from 13.5% in 2010 to 11.8% in 2021, with higher prevalence in key populations¹⁴ (29.9% among sex workers and 7.8% among MSM).</p> <p>41% of the new infections occurred in the 15- to 24-year-old age group, with high HIV prevalence rate (15.1%) among women aged 15 to 49.</p> <p>Source: UNAIDS – Namibia fact sheet (accessed on 16 April 2023) and UNAIDS Data 2022</p>	<p>Namibia is among the 30 high TB and TB/HIV burden countries, with 12,000 estimated cases, of which 58% are notified.</p> <p>TB incidence has reduced by 49% since 2010, from 892 to 457 per 100,000 people in 2021.</p> <p>99% of TB patients have a known-HIV status. Of the 30% positive patients, 99% are enrolled in TB preventive therapy (TPT).</p> <p>TB treatment success rate is at 88% (2020), putting it 2% short of the WHO End TB Strategy target of 90% by 2025.</p> <p>In 2022, MDR/RR-TB was reported with 253 cases.</p> <p>Missing TB and MDR-TB cases were 42% and 59% respectively in 2022.</p> <p>Source: WHO TB Report 2021- Namibia and https://www.stoptb.org/static_pages/NAM_Dashboard.html (accessed on 16 April 2023)</p>	<p>Namibia is the 37th largest contributor to total malaria cases globally.</p> <p>Namibia carries less than 1% of the global malaria burden and less than 1% of the mortality rate.</p> <p>There was a sharp increase in malaria with 21,322 estimated malaria cases in 2021. There were 2,590 cases in 2010.</p> <p>Estimated malaria-related deaths increased from 6 in 2010 to 54 in 2021.</p> <p>Source: World Malaria Report 2022</p>

¹³ UNAIDS Data 2022, page 38

¹⁴ UNAIDS Country factsheets Namibia 2021 (Accessed on 16/04/2023)

3. Portfolio Risk and Performance Snapshot

3.1. Portfolio Performance

Performance and grant ratings are shown below for Grant Cycle 6 (NFM 3) Allocation (2020-2022).¹⁵

Grant No.	Principal Recipient	Grant Component	Grant Start Date	Grant End Date	Signed Amount (US\$)	Dec-22	June-22	Dec-21	June-21
NAM-Z-MOH	Ministry of Health and Social Services of Namibia	Multi-Component	01 January 2021	31 December 2023	53,147,638	C	C	C	B1

3.2. Risk Appetite

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

Audit area	Risk category	Secretariat aggregated assessed risk level (March 2023)	Assessed residual risk based on audit results	Relevant audit issues
Program quality	HIV	Moderate	Moderate	Finding 4.3
	Tuberculosis	Moderate	Moderate	Finding 4.3
	Malaria	Moderate	Moderate	Finding 4.3
In-country governance	In-country governance	Moderate	High	Finding 4.2
In-country Procurement	Procurement	High	High	Finding 4.1
Financial assurance framework and mechanism	Grant-related fraud and fiduciary risks	High	High	Finding 4.1
	Accounting and financial reporting	High	High	Finding 4.1

¹⁵ The "C" rating in 2022 and December 2021 PU/PUDR applied the new rating system, equivalent to B1 rating in the previous rating system

4. Findings

4.1



Need to enhance the design and compliance of financial and procurement processes to safeguard grant funds

Gaps in financial and procurement management have resulted in weak accountability for Global Fund grants. Inadequate design and non-compliance of some of the existing guidelines are impacting both the transparency and competitiveness of procurement processes, as well as the achievement of value for money.

The Global Fund has instituted safeguarding measures in the grant in Namibia to reduce the high fiduciary and financial risk faced in the country. This includes working with the Office of the Auditor General (OAG) of Namibia to audit the grant funds, outsourcing the internal audit function and implementation of Oracle accounting software. Inadequate design and poor compliance with existing financial and procurement controls and guidelines compromise the transparency and competitiveness of the financial and procurement processes.

Control weaknesses in financial accounting system and financial management practices have led to unreliable information reported and poor accountability of grant funds

Global Fund implementers are required to have financial management systems that can support effective program implementation and provide timely and accurate financial information to program management and to the Global Fund to allow for the disbursement of funds.¹⁶ However, the audit noted inadequate grant financial management systems and controls in Namibia.

Inadequate design and configuration of the financial accounting system: The Principal Recipient has been using the Oracle accounting financial system since 2021, with a grant investment of US\$0.9 million. The system is, however, not adequately configured to meet the grant's financial management and reporting needs. The accounting system cannot generate key financial reports.¹⁷ It also lacks basic general application and security controls, including periodic backup, and restoration testing. In addition, there is no control to ensure that the financial month-end is closed in the system to avoid posting transactions into past financial periods, making the system prone to data manipulation.

The Service Provider has access to the system to enter financial transactions and can extract financial reports which should be restricted to only staff users at the Principal Recipient. The Principal Recipient accepted the configuration of the software by signing the user certification and used the accounting system without adequate user testing, contributing to design gaps in the accounting software. The Principal Recipient also does not have a contract or service-level agreement with the technical service provider. Consequently, the scope of implementation, roles and responsibilities, project milestones and performance indicators are not formalized for reference, operationalization, and accountability. This is another reason for the ineffectively configured accounting financial system, as performance could not be effectively monitored.

Poor adherence to sound financial management and reporting practices: While the accounting system could not provide the "true"/actual balance of expenditure, the Principal Recipient did not establish a mechanism to monitor the fund balance of each budget line item. This resulted in the absence of a mechanism to monitor expenditure in a timely manner. Financial month-end close procedures – such as accounts reconciliation, expenditure review, and management account preparation – are not performed at the Principal Recipient and sub-recipient levels.

The OIG noted instances of over/under reporting. For example, there was a variance of US\$1.28 million between the disbursement in the sub-recipient's general ledger and actual funds sent from the Principal Recipient's bank statement, and an omission of US\$0.92 million relating to procurement of insecticides for IRS in the general ledger.

¹⁶ Global Fund Financial Management Handbook for Grant Implementers, Dec 2017, page 12

¹⁷ These reports include income statements, balance sheets, cash flow statements, cash forecasts, and PUDR financial reporting

Non-compliance to the grant agreement was also noted. Namely, the Government has yet to refund value-added tax (VAT) amounting to approximately US\$1 million on grant transactions.

Weak financial management capacity at the Principal Recipient is the main reason for the financial management gaps. Over two-year delays in the appointment of the internal auditors also contributed to these gaps, preventing issues from being identified and resolved earlier.

Consequently, the design and non-compliance of financial management and reporting resulted in discrepancies in the books of account not being identified and resolved in a timely fashion. The Office of the Auditor General of Namibia provided an “adverse opinion”¹⁸ on the 2021 Namibia Global Fund grant financial statement. Weak financial controls over expenditure and budgeting processes have impacted program implementation and led to low absorption of grant funds, as indicated in Finding 1.

Non-compliance to procurement processes affects their transparency and competitiveness

The Principal Recipient’s project management unit (PMU) procures non-health commodities and limited health commodities for the Global Fund program. The audit reviewed 36% of the total procurement of US\$6.8 million during 2021 and 2022.

Almost all the procurements (95%) reviewed by the auditors were not in compliance with one or more of the components of the required procurement processes and procedures. In addition, the procurement guidelines prescribed a 90-day timeline for the procurement process (i.e., from the time a user sends a request to the time a payment is made for goods/services). The PMU, however, took an average of 202 days to complete procurement. The procurement delays impacted program implementation. For example, the delay in commencing the IRS campaign in 2022 contributed to the low IRS coverage.

The audit also noted three cases in which value for money was not considered appropriately in procurements, resulting in an inefficient use of funds amounting to US\$0.7 million. Ineffective planning of the IRS campaign resulted in a planned 65-day campaign being executed in 30 days, resulting in some geographical areas not adequately covered.

The PMU has a procurement plan, but the plan is incomplete with inexistent or incomplete timelines. The PMU does not have prequalified suppliers or a mechanism for conducting background checks of suppliers. This resulted in one of the suppliers being invited to bid for tenders although the supplier was being investigated by the Namibian Authorities.

There is limited assurance over the procurement processes at the PMU level. The Procurement Policy Unit of the Ministry of Finance, the highest procurement authority in the country, could not conduct its oversight due to the PMU’s non-recognition of the status of the procurement unit. The Local Fund Agent could not also perform a comprehensive procurement review because the PMU did not provide it with relevant information to perform its task. The Global Fund Country Team requested the Internal Auditor to perform a procurement review. However, the work performed was not comprehensive due to insufficient information provided to them by the PMU.

Agreed Management Action 1:
The Global Fund Secretariat will work with the Principal Recipient to:
A. assess the financial management and reporting systems and processes to address weaknesses identified in the finding above.
B. operationalize the outcomes of the assessment, as stipulated in part “A”.
OWNER: Head of Grant Management Division
DUE DATE: Part A – 31 March 2024; Part B – 31 December 2024

¹⁸ This indicates that the financial statement of the Global Fund grant does not fairly represent its financial position and performance

The Principal Recipient's reporting structure and capacity are hindering effective delivery of its roles and responsibilities. This has impacted efficient and effective grant implementation. Delayed implementation of the CCM Evolution Strategic Initiative has impacted CCM's governance and oversight.

The Global Fund has awarded more than US\$53 million in grants to Namibia for the current implementation cycle, 2021-2023. The grants to the Republic of Namibia are implemented by the Ministry of Health and Social Services (MoHSS) through a program management unit (PMU) established in 2004. The overall objective of the PMU is to ensure sound, transparent, and effective implementation of the Global Fund programs in Namibia.

The country has an active CCM, supported by five sub-committees in charge of civil society engagement, executive matters, ethics, fund mobilization and oversight. The CCM led the grant application processes for the 2021-2023 funding cycle in Namibia, resulting in the timely signing of the grant agreement in October 2020. The CCM is guided by a revised governance manual and constitution, and the members were elected through a transparent process.

The PMU's reporting lines within MoHSS, limited monitoring capacity, as well as suboptimal oversight and supervision by the CCM, impact grant implementation and lead to low absorption for the current implementation period.

PMU structure and limited capacity to monitor grants are hindering effective implementation

The PMU is a unit within the Directorate of Special Programs (DSP), which oversees the national priority disease programs for HIV, TB, and malaria. The reporting structure limits the PMU's ability to hold the national disease programs – sub-recipients under Global Fund grants – accountable. The Head of the PMU is at the same level as the heads of the national disease programs, and all of them report to the Director of the DSP. Furthermore, the Human Resource Manager and Finance Manager in the PMU do not report to the Head of the PMU but to other department heads within the MoHSS. The reporting structure has contributed to delays in decision-making; all decisions go through different layers of approvals at the MoHSS.

Significant delays, between two to 19 months¹⁹ were also noted in the sub-recipients' contracting processes, resulting in late implementation by these sub-recipients. In one instance, contracted disbursements of funds to the sub-recipients were delayed up to 109 days. The sub-recipients (the National programs for HIV, TB and malaria) do not report regularly to the PMU, and the PMU also did not regularly conduct field visits or monitoring supervisions. Quarterly review meetings were also not held, instead two review meetings were held in the last two years. The PMU also does not have documented guidelines and procedures on sub-recipient monitoring.

The PMU's capacity to oversee grant implementation was hindered by resignations, recruitment delays, and vacant positions. At the time of the audit, 20% of the positions at the PMU were vacant. In addition, the MoHSS does not have key performance indicators to measure the performance of the PMU, and there are no performance appraisals for the PMU staff. The Global Fund operational manual used by the PMU has not been revised since November 2012 (in over 10 years) to reflect the updated Global Fund grant processes.

Sub-optimal CCM oversight has also affected efficient and effective grant implementation

The CCM Oversight Committee is not fully constituted, and not adequately resourced. In 2022, the committee had only four members and recently added two more members, which still falls short of the eight members required by the CCM Governance Manual.²⁰ The committee lacks key skills in finance and procurement as per the Integrated

¹⁹ Although the implementation started in January 2021, one of the sub-recipients was contracted in September 2022

²⁰ According to the CCM Namibia Governance Manual, eight members are required to be in the Oversight Committee

Performance Framework review undertaken by the Global Fund CCM Hub in 2023.²¹ The committee's oversight workplan is still in draft, and recommendations are not tracked. About 90% of the funds allocated to the CCM are spent on salaries, with the remaining 10% spent on oversight and other CCM activities. Limited oversight capacity affected timely resolution of key grant issues. The audit noted recurring issues from the previous audit including integrating the PMU into the MoHSS, as well as delays in contracting and disbursement to sub-recipients in the grant. In August 2022, the Global Fund Secretariat increased the CCM's annual funding envelope by 21% to support oversight and constituency engagement.

Lack of clarity in roles and responsibilities has impacted effective functioning of the CCM. Although the active involvement of government representatives, including the Ministry of Health, is encouraged in the Global Fund CCM guidelines,²² the Principal Recipient, which is the Ministry of Health and Social Services (MOHSS), is an ex-officio CCM member, as full membership was seen as a conflict of interest by the CCM. The non-active participation of the MoHSS in the CCM has impacted adequate information sharing between the MoHSS Project Management Unit and the CCM, impacting effective grant oversight, including timely reprogramming. This has also contributed to the CCM not being positioned to ensure linkages and consistency between Global Fund-financed programs, and other national health and development programs.

The audit also noted role ambiguity in sub-recipient selection. The CCM Namibia governance manual requires the CCM to approve the selection of sub-recipients. This requirement was not complied with by the Principal Recipient and the CCM disagreed with the selection of a sub-recipient.²³ There were also overlaps in the roles of different CCM committees, including the resource mobilization and oversight committees. This was also identified by the Global Fund Secretariat during the in-country CCM orientation in January 2023. The key mitigation action in the Global Fund Secretariat's Country Risk Management Memorandum (CRMM) to address the clarity in roles and responsibilities had not been addressed at the time of the audit, despite the initial deadline for implementation being set for 31 December 2021.

Delays in the implementation of the CCM Evolution Strategic Initiative also contributed to the CCM's oversight and governance challenges. Early gains from CCM Evolution were not sufficiently realized to address CCM's oversight and governance challenges. The CCM Evolution Strategic Initiative began in 2021 in Namibia and is expected to be completed by December 2023. The Evolution project focuses on four key areas (i.e. oversight, engagement, positioning, and operations) to improve the governance and oversight, as well as the maturity levels of the CCM. Although the baseline assessment for the evolution project was completed in March 2021, the primary strategic intervention phase did not start until February 2022 due to lengthy recruitment of required positions for evolution interventions. A self-assessment of the CCM in January 2023 showed no change in the scores (i.e. 25%) of the baseline assessment conducted in March 2021.

The limited CCM and Principal Recipient (PMU) oversight and supervision has led to low grant absorption and less than adequate achievement of grant objectives. Most of the GC5 objectives were not achieved, and the country faces delays to achieve the current grant (GC6) objectives. After two years of grant implementation,²⁴ 40% and 57% of the grant and C19RM funds respectively, are yet to be spent. Some key program activities, including patient pathway analysis²⁵ and the delivery of PSA Oxygen Generators, have been significantly delayed.

In addition, 61% (11/18) of key grant requirements/conditions that are necessary for effective grant implementation were still in progress at the time of the audit, and 38% (7/18) had not started, with less than nine months to the grant end date. Similarly, although the Global Fund Technical Review Panel recommendations were expected to be largely completed by the end of the first year of the grant implementation (i.e. December 2021),

²¹ NAM-CFUND – 2207 Integrated Performance Framework review, December 2022

²² Country Coordination Mechanism Policy, Annex 1 of CCM Policy, page 11

²³ The Global Fund encourages CCMs to work with Principal Recipients to ensure the sub-recipient selection process is open, fair and based on objective criteria related to performance capacities. CCMs are encouraged to ensure that – to the extent possible – nominated Principal Recipients identify prospective sub-recipients, in consultation with the CCM. CCMs must document that members will not take part in decisions where there is an obvious conflict of interest, including decisions related to oversight, and selection or financing Principal Recipients or sub-recipients (Source: Guidelines and Requirements for Country Coordinating Mechanisms - https://bccmbd.org/wp-content/uploads/2018/04/CCM_Requirements-Guidelines.pdf)

²⁴ As of December 2022

²⁵ Patient pathway analysis to better understand the care-seeking behavior of patients

64% (9/14) of the recommendations had been fully implemented at the time of the audit in March 2023, four in progress and one not started.

Agreed Management Action 2:
The Global Fund Secretariat will work with the MoHSS and relevant in-country stakeholders to:
A. conduct a functional review of the PMU to strengthen operational management which supports the effective and timely implementation of grant activities. Building on the Principal Recipient’s recent progress to address procurement processes, this review will also include the PMU procurement arrangement to define roles and responsibilities that support procurement oversight and quality assurance measures.
B. provide evidence of the operationalization as stipulated in part “A”.
OWNER: Head of Grant Management Division
DUE DATE: Part A – 30 June 2024; Part B – 31 March 2025

Agreed Management Action 3:
The Global Fund Secretariat will work with the CCM in Namibia to:
A. facilitate inclusive representation including active involvement of government stakeholders and, via the CCM Evolution, improve the CCM functionality in oversight and clarifying roles and responsibilities for the CCM and sub-committees.
B. provide evidence of the operationalization as stipulated in part “A”.
OWNER: Head of Grant Management Division
DUE DATE: Part A – 30 November 2023; Part B – 30 June 2024

4.3 Significant progress has been made in the fight against the three diseases, but improvement is needed in community interventions

The gains made in the HIV, TB and malaria programmatic outcomes could be hindered by limited availability of community health workers, insufficient planning and execution of malaria indoor residual spraying, and challenges in HIV prevention interventions for adolescent, girls, and young women (AGYW), female sex workers (FSWs) and men who have sex with men (MSM).

Namibia is one of the few countries in the world that have achieved the UNAIDS 90-90-90 targets, with reported achievement of 92-99-93 in 2023.²⁶ AIDS-related deaths decreased by 26% between 2010 and 2021. The country is among five countries in the region with plans to accelerate elimination of malaria. In 2021, malaria testing and treatment performance was 97% and 100% respectively.²⁷ TB incidence decreased from 1,260 to 457 per 100,000 between 2004 and 2020, and the TB mortality rate also decreased from 79 to 59 per 100,000 between 2008 and 2020.²⁸

The Government has demonstrated a strong commitment in the fight against HIV, TB, and malaria. It finances 90% of the HIV antiretroviral medicines and all malaria and first line TB medicines while Global Fund grants are mainly focused on prevention interventions and community activities. The country's programmatic interventions are generally adequate and resulted in strong programmatic outcome. The gains sustained by Namibia are, however, at risk if certain issues are not addressed. These issues include the availability of community health workers, intermittent stock-out of key health commodities, planning and execution of malaria indoor residual spraying (IRS), and HIV prevention interventions for AGYW, FSWs and MSM.

Suboptimal prevention interventions for key and vulnerable populations could erode gains

HIV prevention activities represent 23% of the total current (GC6) grant to Namibia. The audit noted low achievement rates for prevention interventions for key and vulnerable populations: 57% for AGYW, 52% for FSWs and 59% for MSM. The achievement rate for the testing indicator is also low, below 50% in 2021 and first semester of 2022 for two groups, MSM and FSW. In addition to the suboptimal supervision by the Principal Recipient indicated in the previous finding, the following areas have contributed to this low performance.

- **Suboptimal design:** Indicator targets for key population interventions were based on outdated data.²⁹ Targets and interventions for AGYW out of school and those with high-risk profiles are not defined and reported. This limits the program's ability to reach and monitor the critical and vulnerable 40% AGYW defined in the National Strategic Framework.³⁰ Interventions are also not adequately designed to address systemic issues including gender-based violence.³¹
- **Weak referral linkages** between key and vulnerable populations reached/mobilized and provision of HIV services contributed to a high drop-off rate (between 33% to 70%) and lost to follow up. Lack of formal coordination arrangements between sub-recipients to ensure that mobilization and referral activities are coordinated is a contributing factor. Case tracking and data for referrals to Government health facilities for testing and treatment were absent.
- **Intermittent stock-outs** of HIV test kits, PrEP and condoms have been reported,³² mainly due to delays in government procurements.

The challenges in the HIV prevention program could contribute to the high new infection rate (41%) among the 15- to 24-year-old age group (mostly young women and key populations). The HIV prevalence rate among women aged 15-49 is 15.1%. HIV incidence among women is also double compared to male population.

²⁶ National Strategic Framework for HIV and AIDS Response in Namibia, 2023/24 to 2027/28, Ministry of Health and Social Services, 2023, pp 119

²⁷ National Malaria Program Review Report of National Malaria Strategic Plan 2017-2022, Oct 2022 pp. 90

²⁸ WHO website – accessed on 25 March 2023

²⁹ 2011 population census, Namibia Population Projections 2011-2040, and the IBBS conducted in 2012-2014

³⁰ HIV Combination Prevention Guidelines

³¹ UNICEF Namibia Country Office Annual Report 2021 (page 2)

³² According to the UNAIDS Community-Led Monitoring initiative supported by the Global Fund, 21% of clients surveyed reported that they left the health facility without receiving the services they needed because of a stock-out or supply shortage.

Limited availability of community health care service providers and stock-outs are impacting TB interventions

The TB case notification (all forms) has been consistently improving, partly due to the Global Fund supporting 220 TB field promoters/supervisors. The field promoters implementing under the Global Fund sub-recipient contributed to identifying 82% of new cases registered in the three regions they cover. Despite this progress, missing TB (42%) and MDR-TB (59%) cases continue to be high. MDR-TB notification against target was 29% in 2020,³³ and MDR-TB treatment coverage declined between 2021 and 2022.³⁴

Limited availability and coverage of community health care service providers (CHWs) across the country contributed to a reduction in community mobilization. Of the 4,113 health extension workers required by the MoHSS,³⁵ 54% were identified and trained, 1,623 were deployed (10% of whom have since left the role), with only 35% of the required CHW positions filled. The Global Fund's support of 330 CHWs (220 for TB, 110 for malaria) is also not assured beyond April 2023. In March 2023, the Government approved a Social Contracting Policy to facilitate the hiring of CHWs through CSOs. However, the policy has yet to be detailed and operationalized.

Recurrent stock-out of reagents impacted diagnostic/testing capabilities.³⁶ The stock-outs were mainly due to delays in the release of funds from the Government for those commodity procurements. The Global Fund Technical Review Panel observed an "insufficient description of actions to address persistent supply chain problems" in its review in May 2020, and this has yet to be addressed.

While strong progress has been made in malaria testing and treatment, insufficient planning and execution of IRS hinders progress towards eliminating malaria

Namibia is in the malaria pre-elimination phase, having made significant strides in reducing the incidence of the disease. The National Vector-borne Diseases Control Programme (NVDCP) has overseen a rapid decline in malaria incidence in Namibia from 27.9 cases per 100,000 in 2017 to 1.4 per 100,000 in 2019. However, the country registered a five-fold increase in malaria incidence from 1.4 per 100,000 in 2019 to 5.4 per 100,000 in 2020/2021, with imported cases – including from neighbouring countries – contributing up to 50% of newly diagnosed cases.³⁷

Indoor residual spraying (IRS) refers to spraying the interior walls and other surfaces of a house with long-lasting insecticides against mosquitos. Namibia uses IRS in malaria-endemic regions. IRS coverage in the last four years has been below the 85% target set by WHO for an effective IRS campaign to achieve malaria control; at least 80% coverage is considered highly effective.³⁸ The lowest point was recorded in 2021. Although there was an improvement in 2022, it still fell short of the WHO target. Some of the root causes of the low coverage include:

- Recurrent delays in starting the annual IRS campaigns³⁹ in 2020, 2021, and 2022 due to insufficient insecticides and late procurement/delivery of logistical support.
- Gaps in essential data for the IRS campaigns, including missing administrative units, resulting in incomplete IRS data.
- Inadequate cross-border collaboration on key malaria interventions in the E8 regional grant.

Consequences of the low IRS coverage include an increased risk of the development of insecticide resistance. Previous entomological surveys show that insecticide resistance is a growing threat in the country and has forced the transition from DDT to more effective, albeit more expensive (up to 10 times more), alternatives like Sumi Shield. The foci spraying following incidence of malaria cases (aka "Reactive" IRS, "Mop-up" campaigns) are not informed by an insecticide rotation policy and cover a small number of household structures.

³³ End-term review of the Namibia third medium-term strategic plan for TB and Leprosy 2017/2018-2021/2022

³⁴ MDR-TB treatment coverage declined from 40% in Jan-Jun 2021 to 36% to 25% in Jan-Jun 2022 and 31% in Jul-Dec 2022

³⁵ National Strategy for Community Based Health Extension Program in Namibia, Ministry of Health and Social Services, Namibia, March 2014, pp-24-25

³⁶ Namibia Community-Led Monitoring, 2022 and Principal Recipient TB presentation, February 2023

³⁷ NMSP End Term Review Report Draft, 2022

³⁸ U.S. PMI (<https://www.pmi.gov/what-we-do/indoor-residual-spraying-irs/#:~:text=It%20is%20an%20effective%20way,a%20targeted%20area%20are%20sprayed> - accessed on 21 April 2023)

³⁹ Malaria Annual Reports, 2022

Agreed Management Action 4:

The Global Fund Secretariat will work with the Principal Recipient to leverage data to routinely assess the referrals and linkages for HIV testing and counselling (HTS), sexual reproductive health (SRH) and other support services for: Adolescent Girls and Young Women (AGYW), FSW and MSM Key Populations (KP), in order to improve the effectiveness of services.

OWNER: Head of Grant Management Division

DUE DATE: 30 June 2024

Annex A: Audit Rating Classification and Methodology

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.

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

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

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

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

Annex B: Risk Appetite and Risk Ratings

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

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

Assessed residual risks are compared against the Secretariat's assessed risk levels at an aggregate level in the eight key risk areas that fall within the audit's scope. In addition, a narrative explanation is provided every time the OIG and the Secretariat's sub-risk ratings differ. For risk categories where there is no set formal risk appetite or levels, OIG opines on the design and effectiveness of the Secretariat's overall processes for assessing and managing those risks.

Global Fund grants in Namibia: Comparison of OIG and Secretariat risk levels

Overall, the updated Secretariat risk levels assessment is aligned with the OIG audit assessment, except for in-country governance (PMU). The OIG's higher risk level compared to the Global Fund Secretariat is due to the suboptimal structure, weak supervision and gaps in capacity affecting PMU's effectiveness as well as the CCM oversight challenges.