



The Office of the Inspector General

Country Audit of the Round 5 Global Fund Grants to Zimbabwe

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Acronyms

| | |
|----------|--|
| ACA | Africa Corporate Advisors |
| ACT | Artemisinin-based Combination Therapy |
| AGM | Annual General Meeting |
| AIDS | Acquired Immune Deficiency Syndrome |
| ART | Anti Retroviral Therapy |
| ARV | Antiretroviral |
| BRTI | Biomedical Research and Training Institution |
| CAG | Comptroller and Auditor General |
| CCM | Country Coordinating Mechanism |
| CIA | Chief Internal Auditor |
| CP | Conditions Precedent |
| CQ + SP | Chloroquine and Sulphadoxypyremethamine |
| DP | Development Partners |
| DR | Disbursement Request |
| DR | Disbursement Request |
| EDCC | Epidemiology and Disease Control Coordinator |
| EY | Ernst & Young |
| FAAC | The Finance, Audit, Administration and Human Resources Committee |
| FCA | Foreign Currency Account |
| FELOCS | Foreign Exchange License Oil Companies |
| FELOPADS | Foreign Exchange Licensed Outlets for Petrol and Diesel |
| FERM | Flexible Exchange Rate Mechanism |
| FM | Fund Manager |
| FOLIWARS | Foreign Exchange Licensed Warehouses and Retail Shops |
| GOZ | Government of Zimbabwe |
| HIS | Health Information System |
| HIV | Human Immunodeficiency Virus |
| HMIS | Health Management Information System |
| IA | Internal Audit/Auditor |
| ICT | Information and Communication Technology |
| IEC | Information, Education and Communication |
| IT | Information Technology |
| LCA | Local Currency Account |
| LFA | Local Fund Agent |
| M&E | Monitoring and Evaluation |
| MCAZ | Medicines Control Authority of Zimbabwe |
| MDR | Multi-Drug Resistant |
| MOA | Memorandum of Agreement |
| MOF | Ministry of Finance |
| MOHCW | Ministry of Health and Child Welfare |
| MOU | Memorandum of Understanding |
| MV | Motor Vehicles |
| NAC | National AIDS Council |
| NATF | National AIDS Trust Fund |
| NatPharm | National Pharmaceutical Company of Zimbabwe |

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| NGO | Non-Governmental Organization |
| NMCP | National Malaria Control Programme |
| NRL | National Reference Library |
| NSP | National Strategic Plan |
| NSSA | National Social Security Authority |
| NTP/NTBP | National TB Program |
| OIG | Office of the Inspector General |
| OMIR | Old Mutual Implied Rate |
| PAYE | Pay As You Earn |
| PC | Procurement Consortium |
| PHAZ | Private Hospitals Associations of Zimbabwe |
| PMR | Parallel Market Rate |
| PR | Principal Recipient |
| PS | Permanent Secretary |
| PSI | Population Services International |
| PSM | Procurement and Supply Chain Management |
| QA | Quality Assurance |
| RAPT | Rehabilitation and Prevention of TB |
| RBZ | Reserve Bank of Zimbabwe |
| RDT | Rapid Diagnostic Test Kits |
| RTGS | Real Time Gross Settlement |
| SAfAIDS | Southern Africa HIV and AIDS Information Dissemination Service |
| SMT | Senior Management Team |
| SR | Sub Recipient |
| SSR | Sub Sub Recipient |
| SWAp | Sector Wide Approach |
| TB | Tuberculosis |
| TOR | Terms of Reference |
| TOT | Trainer of Trainers |
| TRP | Technical Review Panel |
| UN | United Nations |
| UNCEF | United Nations Children's Fund |
| UNDP | United Nations Development Program |
| US\$ | United States Dollars |
| USAID | United States Agency for International Development |
| VCT | Voluntary Counseling and Testing |
| WHO | World Health Organization |
| WR | WHO Country Representative |
| XDR | Extensive -Drug Resistant |
| Z\$ | Zimbabwe dollars |
| ZACH | Zimbabwe Association of Church Related Hospitals |
| ZAN | Zimbabwe Aids Network |
| ZIMRA | Zimbabwe Revenue Authority |
| ZINQAP | Zimbabwe National Quality Assurance Programme |

Executive Summary

Introduction and overview

1. The Office of Inspector General (OIG), as part of its 2008 work plan, carried out the audit of Global Fund Round 5 grants to Zimbabwe. The purpose of the audit was to assess the adequacy of the internal control and programmatic systems in managing the Global Fund grants in Zimbabwe. The audit objectives were to:

- (a) assess the efficiency and effectiveness in the management and operations of grants;
- (b) measure the soundness of systems, policies and procedures in safeguarding Global Fund resources;
- (c) assess the effectiveness of established mechanisms/controls to safeguard the Global Fund resources in the current environment in Zimbabwe;
- (d) assess any risks that Global Fund grants are exposed to and the adequacy of measures taken to mitigate them; and
- (e) determine lessons the Global Fund can learn in the management of grant programs in a similar environment.

2. The Global Fund has a portfolio of five ongoing grants in Zimbabwe with an approved maximum value of US\$87,942,816 under Rounds 1 and 5. The Global Fund has disbursed US\$39,864,128 between 2004 and 2007. Zimbabwe's Round 8 proposal for funding amounting to US\$ 496,367,294 was approved at the November 2008 Global Fund Board meeting.

3. The audit covered only Round 5 grants whose details are shown in the table below:

| Principal Recipient (PRs) | Disease | Grant number | Approved US\$ | Disbursed US\$ |
|--|----------------|---------------------|----------------------|-----------------------|
| Ministry of Health and Child Welfare | Malaria | ZIM-506-G06-M | 20,121,670 | 6,798,371 |
| National Aids Council | HIV/AIDS | ZIM-506-G03-H | 32,742,685 | 7,444,080 |
| Zimbabwe Association of Church Related Hospitals | HIV/AIDS | ZIM-506-G04-H | 3,188,474 | 1,292,404 |
| | Tuberculosis | ZIM-506-G05-T | 9,230,076 | 3,410,626 |
| | | | | 65,282,905 |
| | | | | 18,945,481 |

Table 1: Summary of grants (Source: the Global Fund website)

4. Zimbabwe's Country Coordinating Mechanism (CCM) is chaired by the Minister of Health and Child Welfare. The Vice Chair is the World Health Organisation (WHO) Resident Representative. A Fund Manager (FM) comprising a consortium of GRM International and Kingdom Financial Holdings Limited was appointed to facilitate the treasury management function for the Local Currency Component for all the grants. Procurement of health and non health products for all the PRs was undertaken by a consortium (PC) comprising Crown Agents and the National Pharmaceutical Company of Zimbabwe (NatPharm). This was with the exception of Artemisinin-based Combination Therapy (ACTs) and Rapid Diagnostic Test Kits (RDTs) which was undertaken by WHO. PricewaterhouseCoopers (PwC) is the Local Fund Agent (LFA).

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Scope and methodology

5. The audit scope covered the operations of the three PRs and their interactions with the Global Fund Secretariat, CCM, LFA, FM, Sub Recipients (SRs) and PC. The audit covered:

- (a) *Compliance* of the grant structures, systems and processes with the grant agreement; laid down policies, procedures and guidelines and country laws;
- (b) *Internal control* where the adequacy of the structure and systems were assessed in safeguarding grant assets against possible misuse and abuse;
- (c) *Financial review* to ensure that funds were utilized in accordance with the grant agreements; and
- (d) *Grant management* i.e. obtaining assurance that the systems, processes and controls in place are efficient and effective in supporting the achievement of grant objectives.

Summary of findings

6. This section briefly highlights the findings and conclusions arising from the audit and the detailed findings are contained in the rest of the report. It is, however, essential that this report is read in its entirety in order to comprehend fully the approach to, and findings of OIG's work.

7. The recommendations have been prioritized. However, the implementation of all recommendations is essential in mitigating identified risks and strengthening the internal control environment in which the programs operate. The prioritization has been done to assist management in deciding on the order in which recommendations should be implemented. The categorization of recommendations is as follows:

- (a) *High priority*: Material concern, fundamental control weakness or non compliance, which if not effectively managed, presents material risk and will be highly detrimental to the organization's interests, significantly erodes internal control, or jeopardizes achievement of aims and objectives. It requires immediate attention by senior management;
- (b) *Significant priority*: There is a control weakness or noncompliance within the system, which presents a significant risk and management attention is required to remedy the situation within a reasonable period. If this is not managed, it could adversely affect the organization's interests, weaken internal control, or undermine achievement of aims and objectives; and
- (c) *Requires attention*: There is a minor control weakness or noncompliance within systems and proportional remedial action is required within an appropriate timescale. Here the adoption of best practice would improve or enhance systems, procedures and risk management for the organisation's benefit.

Review of Zimbabwe's grant operating environment

8. The economy of Zimbabwe has been and continues to face challenges relating to hyperinflation, an overvalued Zimbabwe dollar (Z\$), reduced foreign currency inflows, poor agricultural performance, local and foreign currency unavailability, frequent monetary policy changes, human resource losses etc. These

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and other conditions prevalent in the country have affected the implementation of Global Fund programs in the country. The Global Fund as a funding mechanism has principles that govern its operations but the conditions in the country have operated in a manner that frustrated the application of some of the basic Global Fund principles e.g. performance based funding, additionality, fixed term funding, fixed budgets etc.

9. The Pooled Foreign Exchange Allotment System was introduced in October 2007 whereby all foreign currency accounts (FCAs) of all corporate, Non Governmental and International Organizations were centralized at the Reserve Bank of Zimbabwe (RBZ) with each commercial bank maintaining mirror accounts for the transactions. Funds would be availed account holders as and when required. In line with this policy, all Global Fund foreign currency holdings with the exception of those held at Stanbic Bank amounting to US\$ 13.5 million were surrendered to the RBZ. Funds were only accessible in the first three months and thereafter there were long delays in some cases and in other cases failure to honor requests. As a result, PRs, SRs and SSRs were unable to readily access funds for program implementation. Commitments made by the RBZ to refund this money were not actioned until 6 November 2008 when RBZ reported that it had refunded the balance of funds held.

10. The RBZ has instituted a policy which prohibits organizations from undertaking transactions in foreign currency without express authorization. Foreign currency had to be converted to finance Global Fund activities that had to be in local currency. In 2006 the Global Fund recognized that there were increasing foreign exchange losses arising out of the overvalued Z\$ and at the time high inflation. Several options were considered for making disbursements to Zimbabwe to cover local currency program activities and these culminated in a Flexible Exchange Rate Mechanism (FERM) being considered.

11. The FERM was an arrangement under which a rate was agreed with the RBZ for the translation of foreign to local currency based on the UN rate at 1 August 2006 as a baseline. This rate would be adjusted monthly using the month on month inflation rate published by the Central Statistical Office. Any shortfalls that arose in program performance, due to the FERM, would be refunded by the Government of Zimbabwe to ensure that program objectives and targets were met. A requirement for Government to support the FERM was included in all Round 5 grant agreements.

12. FERM's strength lay in its catering for the combined risks of exchange rate losses and inflation. However, it had the following key limitations and as a result of these it was never operationalised:

- (a) The official published figures for inflation were significantly lower than the actual inflation rate. Since the FERM was adjusted based on the official inflation figures, the resultant foreign exchange rate would not be reasonable;
- (b) Although the FERM was included in the grant agreement, RBZ did not confirm that it would support it.
- (c) The RBZ was hesitant to implement FERM because its application would be seen to support the claim that the official rate was incorrect. It was also likely to open doors to negotiations for a similar rate by other organizations.

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13. The decision not to operationalise FERM resulted in the Global Fund signing a Memorandum of Agreement (MOA) with the RBZ on 3 April 2008 in which the RBZ guaranteed the availability of local currency to PRs, SRs and SSRs. Under this MOA, PRs submitted requests for local currency funded activities to the RBZ through the FM. The RBZ would release local currency to the implementers within 48 hours. This would include a buffer to cater for inflation. Once implementation was completed and acquittals of the expenditure reviewed and approved, the FM would transfer an amount equivalent to what was in the approved Global Fund budget to RBZ. The difference between the actual implementation cost and the budgeted amount was to be funded by the RBZ.

14. The strengths of this arrangement lay in (i) RBZ was the sole source of the local currency making the commitment to supply the scarce Z\$; and (ii) The arrangement transferred the foreign exchange loss to the RBZ. However, this arrangement faced the following challenges in its implementation.

- (a) Delay in the Fund Manager contracting for and operationalising this arrangement. By the time this arrangement was implemented, it had been overtaken by events i.e. inflation was estimated at 1,000% at the time this arrangement was conceptualized and when it was implemented, inflation sat at over 2 million percent.
- (b) The commitment by the RBZ to honor requests within 48 hours was not honored resulting in loss of value of the funds requested and their inability to cover the purposes for which they were intended.
- (c) Given the effect of hyperinflation and the relatively long turn-around time between submitting DRs and receiving Z\$ from the RBZ, the funds required to implement the local currency activities increased significantly to levels that were not sustainable by RBZ.
- (d) Only one of the three PRs accessed funding under this arrangement. The requests from the other two PRs were not presented to RBZ because their funds had been ‘lodged’ with the RBZ and they were unable to transfer foreign currency equivalent to the FM per this arrangement.
- (e) Consultations were held with stakeholders at country level but most stakeholders nevertheless felt that this mechanism was imposed on them and this resulted in luke warm support for the arrangement.

15. The delay and/or failure by implementers to access local currency affected the extent of implementation of Global Fund activities denominated in local currency. One of the solutions to this problem was to dollarize as far as was possible resulting in all PRs reducing the local currency denominated budgets as far as was practical. In its 6 November 2008 announcement, the RBZ gave all Global Fund programs clearance to implement activities in US\$. More generally, Zimbabwe is now a dollarized economy. The only risk that remains is inflation in dollar terms which was estimated at about 200% at the time of the audit. This means that the budgeted funds in US\$ will still be inadequate to implement all planned program activities.

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National AIDS Council

16. Despite the challenges of the country context and the inaccessibility of foreign and local currency, NAC achieved success in the implementation of program activities which included:

- (a) Assessing and signing agreements with its six SRs. Training workshops for its SRs were also organized by NAC;
- (b) Establishing a Global Fund co-ordination unit which was integrated within NAC's organizational structure;
- (c) Implementing an effective fleet management system;
- (d) Accessing local currency for program activities under the RBZ MOA. This was because management was responsive to prompting by the Global Fund Secretariat to make the necessary transfer of funds and disbursement requests; and
- (e) NAC through an expanded Human Resources Plan for health service providers was able with the approval of the Global Fund Secretariat to include an additional 200 medical professionals to the Global Fund payroll.

17. Over 70% of the activities in NAC's work plan are at SR level. However, only 7% of the total planned SR budget had been disbursed at the time of the audit and SRs were only able to access 2% of this amount. Therefore, NAC is unlikely to meet its Phase 1 targets unless acceleration plans are put in place.

18. The continued existence of NAC is threatened by the reducing value of the contribution from the National Aids Trust Fund which comes out of the 3% AIDS levy charged to all taxable income. As the tax base of the Country reduces and the collected levy is further reduced by the effects of inflation, it is not possible to pay for the program expenses and overheads which were budgeted for from NAC's resources. This may place a strain on funds given to NAC by the Global Fund and other donors.

19. NAC retained US\$ 172,094 as 6% administration fees. However, no justification for the percentage charged was provided. The rate applied was the UNDP administration rate which was arrived at after considering the overhead costs incurred by UNDP for managing Global Fund resources. NAC's decision to charge 6% without undertaking an analysis of its overhead costs was therefore unsupported. Funds worth US\$ 49,550 of the administration costs were used for purchasing fuel that was not used for Global Fund related activities. This contravenes the Global Fund agreement that states that all funds should be used for implementing Global Fund program related activities.

20. At the time of the audit, NAC had not undertaken an audit of the Global Fund programs which is in breach of the conditions in the grant agreement.

21. There are hardly any linkages between HIV and TB responses. With the scaling up of the HIV response, there needs to be linkages built between the HIV and TB responses to ensure that there is no duplication of scarce resources and that the programs run by the different PRs are complimentary of one another.

Zimbabwe Association of Church Related Hospitals

22. Despite the challenges of the country context and the inaccessibility of foreign and local currency, ZACH achieved success in the implementation of program activities which included appointing and assessing SRs to help with implementation of programs; developing tools and manuals for the implementation of Global Fund Programs; and completion of over 80% of procurements for both HIV and TB programs. However, ZACH's achievement of results has been mainly constrained by the strained MOHCW/ZACH relationship that arose from MOHCW as a regulator of the TB program having to report to ZACH which they saw as the regulated party. ZACH's capacity to manage the grants as a PR was constrained by the lack of middle management and key focal people to direct and manage the Global Fund programs.

23. With the exception of procurement and recruitment of staff, no Global Fund program activities had taken place at the time of the audit. This was because the SRs responsible for implementing HIV and TB programs had not received any funding i.e. 41% under HIV activities and 66% under TB activities. The implementation of the TB program started in August 2008 i.e. almost one year and a half into the grant period. Therefore, ZACH is unlikely to meet its Phase 1 targets unless acceleration plans are put in place.

24. At the time of the audit, ZACH had not undertaken an audit of the Global Fund programs which contravenes the conditions in the grant agreement. The financial environment within which Global Fund programs are implemented was weakened by the lack of comprehensive financial policies and procedures, lack of effective management oversight etc. The OIG audit questioned the legitimacy of costs under TB and HIV programs amounting to US\$ 192,593. The controls over the management of fuel coupons were also weak as demonstrated by allocation of fuel to activities not related to Global Fund programs.

25. ZACH retained US\$ 121,096 as 6% administration fees. However, no justification for the percentage charged was provided. The rate applied was the UNDP administration rate which has been arrived at after considering the overhead costs incurred by UNDP for managing Global Fund resources. ZACH's decision to charge 6% without undertaking an analysis of its overhead costs was therefore unsupported. ZACH also computed the 6% administration fee based on the quarterly budget as opposed to using amount of funds received and managed in the two quarters. OIG also noted that in addition to charging the 6% administration fee, ZACH charged Global Fund for administration related costs like rent, fuel etc. Part of the administration fees i.e. US\$ 84,240 were used to pay additional allowances to ZACH's senior executives which is contrary to the requirement that all Global Fund resources are used for program related work and these funds now need to be recovered.

26. There were also weaknesses noted in the data collection, processing and reporting of results which included data collection forms providing for the collection of key programmatic data; and the absence of clear indicators and targets for tracking of results etc.

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Ministry of Health and Child Welfare

27. Whilst the MOHCW experienced several challenges, management registered some achievements which included the recruitment of all required staff per the detailed implementation plan. MOHCW identified and signed agreements with four SRs. ACTs and RDTs for year 1 of Phase 1 were procured through World Health Organization. 72% of the drugs had been distributed to the districts by NatPharm. Microscopes, laptops, desktop computers and printers have been procured through the PC. Training of Trainers was carried out at Provincial level for 487 Trainers with support from development partners like UNICEF and WHO. The annual malaria conference as scheduled in the work plan was successfully organized in early September 2008 and a draft malaria strategy plan for the period 2008 to 2012 was presented by the NMCP for discussion and feedback from stakeholders.

28. Most of the activities in the detailed implementation plan under Round 5 had not been carried out by the NMCP at the time of the audit. This was due to:

- (a) Inaccessibility by NMCP and its SRs to local currency and foreign currency.
- (b) Delays in preparing and finalizing the procurement and supply management plan which was a condition precedent to disbursement of funds for procurement by the Global Fund;
- (c) Delays by senior management of MOHCW to resolve the leadership problem within the NMCP; and
- (d) The use of two inconsistent treatment policies for Malaria compounded with inadequate training on the new policies.

29. At the time of the audit, MOHCW had not undertaken an audit of the Global Fund programs which contravenes the conditions in the grant agreement. The financial environment within which Global Fund programs are implemented was weakened by the lack of comprehensive financial policies and procedures, bureaucratic financial procedures, lack of effective management oversight etc. The controls over the management of fuel coupons were also weak as demonstrated by allocation of fuel to activities not related to Global Fund programs. Controls over program fixed assets were also weak.

30. There were also weaknesses noted in the data collection, processing and reporting of results which included data collection forms which did not collect key programmatic data; clear indicators and targets were not set for tracking of results etc. Data on the consumption level of ACTs at health centers and district hospitals was not available meaning that the exact quantity of drugs at rural health centres and district level is therefore not known. It should also be noted that data verification visits indicate low levels of ACT usage which increases the likelihood of financial loss due to drug expiry. Unless plans to accelerate implementation are put in place, it is unlikely that targets set will be met in the remaining period.

Strengthening process that support program implementation

Monitoring and evaluation

31. The OIG reviewed the Monitoring and Evaluation (M&E) systems, for HIV, TB and Malaria with a view to providing assurance on the adequacy of the systems. At

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the time of the audit, none of the PRs had completed the disease specific M&E plans as required in the grant agreement. It was also noted that most grant interventions have budgeted for the purchase of computers for data collection and analysis and the recruitment of M&E officers. Parallel systems for the collection and analysis of data are being established alongside the already existent Health Management Information Systems (HMIS). The creation of parallel systems can only further weaken the HMIS.

32. An assessment of the reporting timeframe and the accuracy of the results revealed that the reporting to the Global Fund was always after the agreed upon date. A review of the results reported against supporting documentation revealed that there were data inaccuracies in the results reported. This arose from various factors ranging from inconsistent reporting periods, vague indicators, lack of staff, lack of stationery for recording purposes, poor or lack of proper data collection tools, poor quality assurance procedures, lack of training for staff etc.

33. There was no evidence of effective monitoring of results by PRs which was attributed to a lack of funds. The LFA undertook an onsite data verification exercise and observed many issues relating to the M&E environment namely lack of data quality checks and assurance mechanisms, ineffective data collection forms, lack of data collection mechanisms, lack of training of staff etc.

Procurement and supply management

34. Procurement is at the heart of the Round 5 Global Fund programs in Zimbabwe. Given the weak procurement capacity at PR level, the CCM appointed a third party agent i.e. the PC to undertake procurement on behalf of the PRs. The development of the PSM Plans which commenced around June 2007 had not been completed at the time of the audit. As a result there were various versions of the procurement plans in use.

35. Memoranda of Understanding were signed between the PRs and PC. A review of the signed MOU showed:

- (a) The roles and responsibilities of the PRs and the PC were not clearly defined.
- (b) There is no requirement for the PC to report periodically to the PR.
- (c) The methods of procurement to be followed providing varying thresholds were not specified in the agreement.
- (d) There was no requirement in the agreement for NatPharm to provide storage and distribution services. The services to be provided are simply implied by the rate paid. The terms and conditions of storage and distribution particularly relating to the extent of delivery are not specified.
- (e) The MOU, which covers the two year period ending 30 April 2009, did not include a provision for performance review to determine compliance and value.
- (f) The team and logistical facilities required for the Procurement Consortium to effectively execute the contract are not specified and agreed upon in the agreement. The PC was required to provide "suitable personnel".

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36. OIG noted that the PC maintains PR funds in off-shore accounts with Crown Agents Bank. The accounts are however non-interest bearing. According to the reconciliations provided by the PC and the bank statements sighted during the audit, the PR bank accounts have been holding balances throughout the year, which do not attract interest. The PRs are financially disadvantaged under this banking arrangement.

Logistics management

37. NatPharm's biggest traditional customer is the Government of Zimbabwe. This business has however reduced significantly as the resources available to GoZ to procure and distribute drugs to government supported health centers has reduced. This situation has put in doubt the continued existence and operation of NatPharm as a going concern. At the time of the review it was noted that the roof of the warehouses was dilapidated and leaking and that NatPharm was not able to maintain its distribution fleet thus limiting its distribution capacity. As result, the Company does not distribute ACT drugs when requisitions are placed by treatment centers but rather they are expected to collect the drugs from NatPharm.

38. ACT drugs are not included in NatPharm's computerized warehouse management system and OIG did not see evidence of any other logistics management system for the ACT drugs. As a consequence of this, the OIG noted disparities in the Coartem book records and actual count quantities in the drugs. There were also variances noted between the quantities recorded on the bin card and the Navision management system for some ARV drugs and test kits. On several occasions there were stock outs of ARV drugs. Stock outs of ARV drugs indicate poor procurement planning which may lead to clients on critical life support drugs not having access to these drugs.

Oversight

Country Coordination Mechanism

39. The CCM was established in 2002 and is composed of 20 members and 2 alternate members from the Bilateral/Multilateral NGOs. The CCM composition complies with the Global Fund guidelines. However, the OIG did not see evidence that the non government members had been selected by their own constituencies following a documented transparent process as is required in the Global Fund guidelines. The CCM has a documented Conflict of Interest policy that requires CCM members, alternates, members of any committee, task force, technical writing team or any other delegated body of the CCM to disclose the existence of any conflict of interest. At the time of the audit, the CCM secretariat had not received any conflict of interest statements despite there being conflicts of interest noted. A CCM retreat was held in early November 2008 to address amongst other things the issue of conflict of interest.

40. The CCM has consistently fulfilled its role of coordinating and submitting one national proposal resulting in three successful grant Rounds. The CCM works through sub committees which were created for each of the three diseases. As a result, the CCM considers the technical matters for each of the three diseases but

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not key functional areas such as finance, procurement etc. At the recent CCM retreat, a taskforce was requested to reconstitute the sub committees and their terms of references along functional lines as opposed to disease.

41. A review of the schedule of attendance for the 9 meetings held during the period from August 2007 to July 2008 revealed that 10 members out of 22 members attended less than 5 meetings (44%) and 1 member attended none of the meetings. A review of the attendance lists for meetings from January 2008 to October 2008 also revealed that the average attendance for these meetings was 11, which means that the CCM normally operates at half-strength. The effectiveness of the CCM meetings was also affected by a lack of consistency of people attending with meetings often starting late and running for long periods of time i.e. over three hours. A review of the CCM minutes also indicated that the discussions focused on operational issues at the expense of policy issues. Some of the issues discussed should have been delegated to the relevant sub-committees.

42. There is a CCM Secretariat that is 'housed' in the MOHCW. It was noted that there is a lack of understanding by stakeholders of the CCM Secretariat mandate. The CCM Secretariat coordinator said that he understood the CCM Secretariat to be an implementing arm of the CCM and saw the Secretariat as being comparable to the CCM. The CCM has not clearly defined, documented and communicated the roles and responsibilities of the CCM Secretariat to CCM members, PRs and SRs. The Secretariat coordinator informed the OIG that the CCM Management sub-committee had been asked to design the required structures and policies for the CCM Secretariat.

Local Fund Agent

43. PricewaterhouseCoopers were appointed LFA in 2006 taking over from Crown Agents who served as LFA during Round 1 and part of Round 5. The LFA have played a key role in the process of identifying and communicating the grant strategic and operational challenges in an extremely dynamic environment. The strength of the LFA also lies with the Team Leader's well demonstrated ability to manage the political intricacies that arise from doing business in Zimbabwe.

44. The nature of the environment in which the grants were being implemented and challenges faced by the PRs required experienced and senior members of the LFA team to ensure sufficient coverage of risk. However, the LFA team was not adequately mobilized with two of the four team members having inadequate experience in assurance/public sector/development work. Whilst the LFA made some effort in identifying local team members with financial management background, other critical skills i.e. M&E and PSM were not country based. The nature of work as defined by the dynamic environment in Zimbabwe called for a continuity of dedicated resources in all critical areas of grant performance. Training of local counterparts (in M&E etc) should be undertaken to ensure that any issues that remain unresolved after the experts leave can be followed up by the team in country.

45. It is commendable that the LFA retained the services of a consultancy firm, Africa Corporate Advisors, in June 2006 to study and report on the impact of the

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foreign currency situation in Zimbabwe on the programs. However, in a country like Zimbabwe that is facing continuous economic change and facing numerous challenges that affect program implementation, there is a need to continuously analyze the policies at play and provide relevant guidance to effective decision making. The reports of the economic expert should not be stand alone reports but be analyzed by the LFA and incorporated in the recommendations that are periodically made to the Global Fund, CCM, PRs and SRs. OIG also noted that ACA contacted various stakeholders during its collection of data and did not share its findings with the stakeholders. It is courteous to share findings with the people that were involved in the process in order to retain good will.

46. The ToRs for this LFA were not changed and remained the same although the work orders showed an increase in budget to address the LFA's role in addressing the challenges faced in country. The definition of the role of the LFA operating within a country context such as that in Zimbabwe can be challenging but this LFA's ToRs cannot be the same as those of other countries. There were also key functions that the LFA should have reviewed that were not covered by the LFA i.e. the PC and FM. The LFA ToRs should be reviewed by the Secretariat to ensure that it is able to undertake sufficient work to provide the requisite assurance over Global Fund resources.

47. Overall most of the work done by the LFA i.e. assessments, verification of implementation lacked sufficient depth to unearth the fundamental underlying problems experienced by the PRs which were identified in this OIG audit.

Role of development partners

48. The commitment to support Global Fund programs in Zimbabwe is reflected by the representation of development partners on the CCM. This commitment is further demonstrated by the WHO Resident Representative for Zimbabwe being the Vice Chair of the CCM. The CCM has demonstrated some commendable effort in leveraging the relationships with DPs. The development of Round 8 Proposals was supported by the DPs. The CCM Secretariat has also received substantial financial support from the DPs. The DPs supported the training of Trainers for ACT and RDTs for about 487 officials. Development partners have also funded other initiatives in the health sector that have strengthened the environment in which Global Fund operates in Zimbabwe e.g. support to NatPharm, MOHCW etc.

49. According to the minutes of the CCM meetings, the participation of the DPs at the CCM has deteriorated since March 2008 with most DPs sending other staff to attend the meetings. There is no evidence seen of a deliberate effort demonstrated by the CCM and the Global Fund Secretariat to address or resolve the concerns of the DPs.

50. While the Global Fund expects DPs to continue to support its programs as partners that are on the ground, there is limited engagement between the Secretariat with the partners. Communication between the Secretariat and the DPs has not been optimal especially on the challenges of implementing programs in Zimbabwe. There is a general view among in country DPs that the Secretariat does not share sufficient information with them.

51. However, the goodwill remains with the DPs to work with Global Fund to make its programs work. Discussions with the DPs indicated a general appreciation of the need to provide technical assistance to some of the PRs as well as to provide support to the key operational areas that are affecting the effective implementation of the Global Fund programs. In the absence of in country representatives, it is critical for the Global Fund to strengthen its relationships with in country DPs. Partnerships with the Development Partners are critical for a country like Zimbabwe to ensure that the limited resources in the health sector are effectively used to address the challenges in the country.

The Global Fund Secretariat

52. The Zimbabwe country team has ‘walked an uncharted path’ by working in a highly volatile and challenging country context for which there were no applicable policies and procedures to follow. The unfolding of events in Zimbabwe has gone against the grain of what a typical Global Fund grant would face and this called for the team to come up with innovative ways to address the challenges as they arose. This may have contributed to the lack of and/or delays in decision making by the Global Fund on issues relating to the country.

Recent Developments

Release of Funds by the Reserve Bank of Zimbabwe

53. The RBZ in a letter to the Executive Director of the Global Fund dated 6 November 2008 communicated a transfer of US\$ 7,564,202.31 of PR funds previously held. In this same pronouncement, the RBZ gave all Global Fund programs clearance to implement activities in US\$. From the records of the PRs reviewed by the OIG as at 6 November 2008, US\$ 8,017,047 was owed to the Global Fund programs out of which US\$ 1,070,822 was interest. Comparing PR financial records with the amount reportedly transferred by the RBZ leaves an unreconciled balance of US\$ 452,845 apparently due to the Global Fund. The OIG sought and has received copies of the letters given to the PRs by their bankers confirming credits to their accounts of transfers from RBZ. In addition the LFA has confirmed that the PRs and SRs have free access to the funds transferred from RBZ. Out of the reported transfer of US\$ 7,564,202.31 confirmation of credit was received for US\$ 7,492,999.91 leaving a balance of US\$ 71,204.40, which had not been received from RBZ as reported. In addition, the LFA has confirmed that the PRs and SRs have free access to the funds transferred from RBZ.

54. In his statement to the Board at the November 2008 Board meeting, the Executive Director invoked the additional Safeguard List (ASG) on Zimbabwe. The ASG is part of the Global Fund’s risk-management strategy, which is invoked when the existing systems cannot ensure accountable use of Global Fund financing and suggest that Global Fund monies could be placed in jeopardy without the use of additional measures. The will be applied as follows:

- (a) For the approved Round 8 proposals, the Global Fund Secretariat will directly nominate the PRs, in consultation with the CCM and other development

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- partners in Zimbabwe. The Global Fund Secretariat will also review the existing PRs for Round 5 Grants which may result in changes of PR.
- (b) The PR assessments conducted by the LFA for the Round 8 proposals will include a special emphasis on the transparency and accountability of the flow of funds to Sub-Recipients.
 - (c) For the Round 8 Grants, the LFA shall conduct assessments of nominated Sub-Recipients at the same time as the PR assessments. The assessments will be reviewed by the Global Fund Secretariat, in consultation with the LFA and PRs, with a view to ensuring that the allocation of program responsibilities and funding to Sub-Recipients is appropriately matched to their capacity to carry out such activities, taking into account any specific risks identified. This may also result in further grant funding being conditioned on tighter flow of funds arrangements.
 - (d) For all current and future grants, PRs will be required to report on a quarterly basis. Disbursements will also be made on a quarterly basis following the performance based funding model, and no funding for a buffer period will be provided. Depending on the circumstances the Secretariat may decide as a temporary measure to limit disbursements to a monthly basis.
 - (e) All Global Fund monies for health products and the majority of the non-health products under all the grants will be disbursed to an offshore account of the Procurement Agent.
 - (f) For the portion of the grant budgets that is required for local currency payments, the Fund Manager Mechanism will be utilized until the expiry of the existing contract on 31 March 2009. The Global Fund Secretariat will continue to review the effectiveness of the Fund Manager Mechanism.
 - (g) The LFA will be conducting on-site data verifications on a six monthly basis to monitor data quality.
 - (h) The LFA has been given additional responsibilities under the existing contract to carry out special services to provide detailed oversight on the financial flows and management of Global Fund monies in Zimbabwe.

55. The Global Fund Secretariat has committed to consider the recommendations in the OIG's report, and the action plan of the PRs to determine whether the additional safeguard measures are adequate or whether they need to be re-visited.

56. In OIG's view, the listing of Zimbabwe as an ASG country ensures better management of the risk represented in the country e.g. stronger monitoring and through the greater involvement of the executive team in its management.

57. The Global Fund Secretariat have also made a decision to review existing "institutional arrangements" in respect of the current and future grants in Zimbabwe. This will include a review of whether the Principal Recipient for each grant needs to be changed.

Response to audit report and way forward

58. After the audit, the OIG held workshops with various parties within Zimbabwe and at the Global Fund Secretariat. These included Country Programs, CCM, PRs, SRs, and the Development Partners. After the preparation of a draft report, it was circulated among all stakeholders to solicit feedback on the specific findings, and to

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call for action plans in response to the recommendations offered. The OIG notes that the CCM and PRs in many cases have not provided specific time bound action plans. The OIG recommends that the CCM seeks the support of development partners to provide technical assistance to help with implementation of the recommendations made in this report.

Review of Zimbabwe's grant operating environment

Background

The conditions prevalent in Zimbabwe e.g. hyper inflation, the overvalued Zimbabwe dollar, reduced foreign currency inflows, decline in the economy, human resource losses etc have affected the implementation of Global Fund programs. This has arisen from the prevalent conditions in the country operating in a manner that frustrates the applicability of some of the basic Global Fund principles like performance based funding, additionality, fixed term funding, fixed budgets etc. The Global Fund should work with the country stakeholders to develop strategies that strengthen PRs' ability to survive in the current environment e.g. better cash flow management, cost control techniques, accelerated plans, no cost extension etc.

59. In auditing the Round 5 Global Fund grants to Zimbabwe, it is important to first understand the country context within which program implementation is undertaken. The paragraphs below provide a summary of the conditions that have been prevalent in Zimbabwe. This is by no means exhaustive and is only indicative of the challenging environment within which Global Fund programs are being implemented.

60. The economy of Zimbabwe has been and continues to face challenges relating to hyperinflation, supply bottlenecks, human resource losses, poor agricultural performance, local and foreign currency unavailability, etc. Inflation ranged between 14,800 percent in October 2007 to 11.25 million percent in June 2008. The inflation figure reported in the month of August 2008 stood at 7.7 billion percent. Inflation now also exists in US dollars with levels estimated to be over 200 percent at the time of the audit.

61. The regulatory framework of the foreign exchange in Zimbabwe as pronounced in monetary policy statements has been dynamic, as the regulatory authorities tried to put in place policies to fight hyper inflation and align the various exchange rates operating in the country. However, these policies have not always created the desired impact with inflation continuing to spiral and the gap between the official and other rates widening further.

62. Zimbabwe has continued to receive limited donor inflow of funds. Restrictions to donor funding has gradually decreased linked to delays in resolving the political impasse. As the economy continues to decline, Government contributions to the health sector have also been reduced thus affecting institutions that are operating in this sector including those that are implementing Global Fund activities. Various stakeholders in Zimbabwe have suggested that the approval of Round 8 grants makes the Global Fund the largest donor to the Health sector.

63. There has been a scarcity of local and foreign currency in Zimbabwe culminating in Government restrictions over who and what transactions can taken place in local and/ or foreign currency. At the time of the audit, organizations wishing to transact in US\$ were required to get a permit from the Reserve Bank of Zimbabwe (RBZ). This means that all organizations without this permit had to transact all their business in local currency. However the challenge has been that local currency was

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not readily available. Besides this, when available, local currency loses value very fast because of the hyper inflationary environment. Until, recently i.e. 6 November 2008 when Global Fund PRs and SRs received clearance to undertake transactions in US\$, some of the Global Fund activities had to be undertaken in local currency.

64. The Zimbabwe dollar (Z\$) is said to be overvalued creating various mechanisms for pricing and multiple exchange rates like the interbank rate (formal), the UN rate, global currencies rate, the settlement of transactions using fuel coupons rate, the Old Mutual implied rate, the parallel market cash rate, the negotiated commercial bank rates and the cheque market rate. While there are various rates available, the Global Fund implementers have found it difficult to find the optimum exchange rate at which to trade its foreign currency since it has to comply with Government polices and minimize the risks of exchange loss and fraud.

65. Various other policies by the RBZ have also made it difficult to access funding. Some of these policies are listed below:

- (a) The 'lodging' of Foreign Currency Accounts (FCAs) with the RBZ in October 2007 when foreign currency accounts (FCAs) were centralized at the RBZ with each commercial bank maintaining mirror accounts for transaction tracking purposes. Funds were supposed to have been availed to owners as and when required. In practice, funds were not readily available when required for implementation of grant activities. This policy also resulted in the cessation of disbursements to Zimbabwe further affecting the availability of funds for program implementation. There was hardly any program implementation of activities at the time of the audit.
- (b) The RBZ put a cap on the maximum cash amounts that an individual or corporate organization can draw from their accounts per day. This situation limits the ability of a program implementing agency to access funds credited to their account. In addition, implementing agencies' ability to acquire cash for program activities that require cash payments were impeded.
- (c) The banning of Real Time Gross Settlement (interbank transfers) means that all payments had to be by cheques which take a long time to clear and this reduces value due to inflation as well as effective grant implementation time.

66. Zimbabwe also faces several challenges in its human resource capacity. The most fundamental challenge is brain drain as the downturn in the economy intensifies. Brain drain is reflected at all levels i.e. at central, provincial and health centre level and inevitably affects service delivery in the health sector. To illustrate this, the Permanent Secretary of the Ministry of Health and Child Welfare noted at the time of the audit that only 40% of the positions at central level were filled. Replacement of lost staff remains a challenge and even when a replacement is found, they never have the same level of experience of their predecessor.

67. Other human resource challenges in the health sector are:

- (a) The high levels of inflation in terms of local currency have made the earnings of staff paid in Z\$ virtually worthless. Even when staff salaries are paid into their bank accounts, they are not able to access their money due to the restrictions on withdrawals of local currency. This has led to high staff

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turnover for organizations that cannot pay salaries in hard currency. Discussions were in their initial stages at the time of the audit to find a solution to this problem.

- (b) Some Government staff have had to go without their salaries for long periods of time. At the time of the audit, the staff in the MOCHW had not been paid for three months.
- (c) Government restrictions on how much local currency one can withdraw on a daily basis has resulted in staff having to spend time each day lining up for money thus reducing the effective time spent on undertaking grant activities.

68. These and other conditions prevalent in the country have affected the implementation of Global Fund programs in the country. The Global fund as a funding mechanism has principles that govern its operations. The conditions in the country have operated in a manner that frustrates the application of some of the basic Global Fund principles as summarized below:

- (a) Global Fund grants are fixed budget grants implying that the amounts approved under any grant cannot be changed. The hyper inflationary environment in Zimbabwe inevitably means that grant implementation will not be as efficient, effective and economical as was envisaged at the proposal time when the budget was fixed. The funding available will therefore not be adequate to meet envisaged program objectives.
- (b) The hyper inflationary environment also means that the two year budgets, work plans and targets that are typically set and agreed upon for Global Fund programs will not be met. Cash that lies idle even for a day loses value. The authority now given to dollarize activities and hopefully 'escape' the hyper inflation in Z\$ is no longer adequate since there is also high inflation in dollar terms. This therefore calls for rigorous, continuous and flexible planning, good cash flow management, efficient and flexible decision making etc.
- (c) The concept of 'additionality' i.e. resources raised being supplemental to existing resource streams, is fundamental to the Global Fund. However as the funding to the health sector continues to decrease i.e. both from Government and development partners, there is a likelihood that Global Fund resources will cease to be additional and Global Fund resources will be used to substitute other resources.
- (d) The lack of access to both local and foreign currency has meant that there has hardly been any local program implementation. Because of slow implementation, Zimbabwe could well find it challenging to produce evidence of adequate results to report and if they cannot do so, this would work counter to the Global Fund principle of performance based funding. The Phase 2 renewal of Round 5 grants which is due in about six months will inevitably be affected by a low level of results.
- (e) Global Fund grants are also time bound. Unless a no cost extension is sought, the time available may not be adequate to complete planned activities. The country's ability to exhaustively and/ or effectively implement

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program activities will depend on the effective implementation of acceleration plans.

Recommendation 1 (High)

Considering the effect of the prevailing environment on program implementation, the following should be considered:

- A ‘no cost extension’ should be requested by the CCM. As it is likely that it would cover a period of more than one year in order to be effective, such a request may have to be approved by the Board of the Global Fund.
- Global Fund Secretariat should work closely with the PRs to ensure better cash flow management. Funds should be utilized immediately on receipt and not left to lie idle.
- The PRs should be encouraged to implement cost control measures. Any cost savings can be used to offset the effect of inflation on the programs.
- Accelerated work plans should be developed for all PRs, SRs and SSRs. The work plans should include measures to enhance accountability to ensure that the acceleration does not happen at the expense of accountability and quality of work.
- In order keep up with the frequent price changes due to inflation, there should be more frequent reviews of budgets, work plans and targets.
- The decision making at all levels i.e. Global Fund, LFA, PRs, SRs should be hastened to ensure that decisions made remain relevant. Decisions should also be flexible thus allowing the implementers options to adjust to the changing environment.

Accessibility to funding – foreign currency challenge

The ever changing foreign exchange regulatory framework in Zimbabwe has resulted in funds not being accessible to PRs, SRs and SSRs for program implementation. To avoid the risk of funds being retained by the Government, the Global Fund should find alternative mechanisms to make funds available for implementing grant program activities in Zimbabwe. A mechanism should be established that ensures that lessons learnt from the past are incorporated.

69. The ever changing foreign exchange regulatory framework in Zimbabwe has resulted in funds not being accessible to PRs, SRs and SSRs for program implementation. In the paragraphs below, OIG highlights the impact of some of the monetary policies on the implementation of Global Fund activities:

70. The Pooled Foreign Exchange Allotment System – October 2007: Under this policy, the foreign currency accounts (FCAs) of all corporate, Non Governmental and International Organisations were centralized at the Reserve Bank of Zimbabwe with each commercial bank maintaining mirror accounts for transaction tracking purposes. Funds would be made available to account holders as and when required. By way of this policy, all Global Fund foreign currency holdings with the exception of those held at Stanbic Bank were surrendered to the RBZ as follows:

| Principal Recipient | Banker | Amount US\$ |
|-----------------------------|--------------|-------------|
| National AIDS Council (NAC) | Kingdom Bank | 6,282,041 |

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| | | |
|---|---------------|-------------------|
| Ministry of Health and Child Welfare (MOHCW) | Kingdom Bank | 3,058,167 |
| Zimbabwe Association of Church-Related Hospitals (ZACH) | Barclays Bank | 4,015,298 |
| Total | | 13,355,506 |

Table 2: Funds lodged with the Reserve Bank (Source: PR accounts)

71. Initially, all PRs continued to access foreign exchange held by the RBZ by making claims as and when payments were required to their bankers who in turn would seek approval from the RBZ to process payments lodged. However, from early 2008, there were increased delays in releasing funds. By the end of the first quarter of 2008, cheques were not being honored at all. However this was with the exception of NAC which banks with Kingdom Bank that was fairly successful in accessing its funds subsequent to that. However, the MOHCW which also banks with Kingdom Bank was not as successful as NAC.

72. Commercial banks no longer required to lodge FCAs with RBZ – April 2008: In April 2008, another directive stated that commercial banks were no longer required to ‘lodge’ money received with RBZ. This implied that any money that was transferred into an FCA account would be retained by the Commercial Bank and would be fully accessible as and when needed. However, OIG noted that there were funds amounting to US\$ 475,585 paid to PSI subsequent to this date that were withheld by RBZ and which PSI could not access.

73. Liquidating FCA deposits with the RBZ – May 2008: With effect from 1 May 2008, all organizations with credit in their FCAs at the RBZ were asked to select one of the following alternatives:

- (a) liquidate the foreign exchange balances at the official rate;
- (b) liquidate the balances held by selling them to organizations that needed them at the time; or
- (c) leave their funds with the RBZ and these would be released to the account holders when the money became available at the RBZ, with no guarantee as to when this would happen.

74. Considering that the third option would minimize loss in value for foreign exchange funds held by the RBZ, the PRs took this alternative. However, this option legitimized the RBZ’s delays in processing requests to release funds. PRs continued to present cheques for payment to no avail. The most severely impacted accounts were held with Barclays Bank.

75. ‘Ring-fencing’ of funds – September 2008: The Global Fund met with the RBZ in September 2008 over the failure by its implementers especially those banking with Barclays Bank to access funds. A “ring-fencing” mechanism was established by RBZ requiring Barclays Bank to retain the statutory 25% of the foreign exchange received from exporters that bank with them, and to pay the amounts to ZACH until all amounts owing were recovered. For the one month that this arrangement was in operation, US\$ 783,507 was collected and provided to ZACH for Global Fund activities. Although this agreement was brokered by the Global Fund, when ZACH received the money, some of it was used to meet pressing commitments of other donors whose funds were also still lodged with RBZ.

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76. Foreign Exchange Licensed Shops – September 2008:

On 10 September 2008, the RBZ released an Exchange Control Press Statement in which they outlined the launch of Foreign Exchange Licensed Warehouses and Retail Shops (FOLIWARDS), Foreign Exchange License Oil Companies (FELOCS); and Foreign Exchange Licensed Outlets for Petrol and Diesel (FELOPADS). The new law now legalizes certain service providers to charge for their products and/or services in foreign currency. On this basis, it was now possible to conduct most program activities in foreign currency. However, program implementation was still held up at this point because it was not possible to access funds held by the RBZ.

77. Refund of balances held by the RBZ - 6 November 2008: The RBZ in a letter to the Executive Director of the Global Fund dated 6 November 2008 said that they had refunded the balance of funds. The amount reported to have been refunded was US\$ 7,564,202.31. In this same pronouncement, the RBZ gave all Global Fund programs clearance to implement activities in US\$.

78. From the records of the PRs reviewed by the OIG as at 6 November 2008, US\$ 8,017,047 was owed to the Global Fund programs out of which US\$ 1,070,822 was interest. Comparing PR financial records with the amount reportedly transferred by the RBZ leaves an un-reconciled balance of US\$ 452,845 apparently due to the Global Fund.

79. The OIG sought and has received copies of the letters given to the PRs by their bankers confirming credits to their accounts of transfers from RBZ. In addition the LFA has confirmed that the PRs and SRs have free access to the funds transferred from RBZ. Out of the reported transfer of US\$ 7,564,202.31 confirmation of credit was received for US\$ 7,492,999.91 leaving a balance of US\$ 71,204.40, which had not been received from RBZ as reported. Details are contained in the table below.

| | NAC | ZACH | MOHCW | TOTAL |
|--|------------------|------------------|------------------|--------------------|
| Funds lodged at RBZ – 1/10/2007 | 6,282,041 | 4,015,298 | 3,058,167 | 13,355,506 |
| Processed by commercial banks post lodgment | (3,942,021) | (941,513) | (742,240) | (5,625,774) |
| Recovered through 'ring-fencing' | | (783,507) | | (783,507) |
| Total held less interest | 2,340,020 | 2,290,278 | 2,315,927 | 6,946,225 |
| Funds cleared from PR accounts but not accessed by SRs | 411,969 | | 63,416 | 475,385 |
| Requests yet to be honored by RBZ | 867,916 | 667,070 | 274,807 | 1,809,793 |
| Balances in PR books | 1,060,135 | 1,623,208 | 1,977,704 | 4,661,047 |
| Total held less interest | 2,340,020 | 2,290,278 | 2,315,927 | 6,946,225 |
| Interest earned before lodgment | 63,692 | 8,760 | 512 | 72,964 |
| Interest earned after lodgment | 340,749 | 318,833 | 338,276 | 997,858 |
| Total funds held by RBZ as per PR records | 2,744,461 | 2,617,871 | 2,654,715 | 8,017,047 |
| Reported transfer from RBZ | | | | (7,564,202) |
| Un reconciled amount | | | | 452,845 |
| Amount refunded per PR bank confirmations | 1,390,907 | 2,120,924 | 2,674,049 | 6,185,880 |

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| | | | | |
|-----------------------------------|---------|--|--|-------------|
| Transfers to SRs: | PSI | | | 513,789 |
| | SAFAIDS | | | 24'883 |
| | GRM | | | 768,447 |
| Total confirmed transfer | | | | 7,493,000 |
| Reported transfer from RBZ | | | | (7,564,202) |
| Not yet received | | | | 71,204 |

Table 3: Funds held by RBZ (Source: PR records)

There is still a need to reconcile the amounts due to Global Fund programs from RBZ with amounts due as per the PR and SR cashbooks, including interest receivable. The LFA should follow up the confirmation of amounts transferred by the RBZ to specific PR and SR bank accounts to ensure the accurate computation and transfer of amounts due to Global Fund Programs i.e to establish the whereabouts of the missing US\$ 71,204.

Accessibility to funding – local currency challenge

In 2006 the Global Fund recognized that there were increasing foreign exchange losses arising out of the overvalued Z\$. This arose from the implementation of some Global Fund activities in local currency due to a restriction by the RBZ that only organizations with permits could transact in foreign currency. Although innovative, the mechanisms that were developed to address the foreign exchange loss risk and shortage of local currency did not become fully operational. The 6 November 2008 announcement allowing Global Fund programs to implement all activities in foreign currency addressed the foreign exchange loss risk. However the challenge of inflation in dollar terms still remains as well as the need to develop policies and procedures to guide the dollarization of budgets.

80. In 2006 the Global Fund recognized that there were increasing foreign exchange losses arising out of the overvalued Z\$. From assessments undertaken by the Global Fund, a solution was needed to protect the resources in Zimbabwe from the two risks of exchange rate losses and inflation that resulted in the failure of the country to meet set objectives and targets. The Global Fund through the LFA retained the services of a consultancy firm, Africa Corporate Advisors, in June 2006 to study and report on the impact of the foreign currency situation in Zimbabwe on the programs. This report was subsequently updated in November 2007, September 2008, and October 2008.

81. Several options were considered for making disbursements to Zimbabwe to cover local currency program activities and these culminated in the following two options:

- (a) Adoption of a Flexible Exchange Rate Mechanism
- (b) The RBZ guaranteeing the availability of local currency to PRs on the back of foreign currency made available to the RBZ from defined periodic remittances.

The Flexible Exchange Rate Mechanism (FERM)

82. The Flexible Exchange Rate Mechanism was an arrangement under which a rate was agreed with the RBZ for the translation of foreign to local currency based on

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the UN rate at 1 August 2006 as a baseline. This rate would be adjusted monthly using the month on month inflation rate published by the Central Statistical Office. Any shortfalls that arose in program performance, due to the FERM, would be refunded by the Government of Zimbabwe to ensure that program objectives and targets were met. A Fund Manager (FM) would be contracted to facilitate the FERM. A requirement was included in the Round 5 grant agreements for the Zimbabwe Government to support the FERM by signing a Memorandum of Agreement (MoA) with the PRs under which the FERM would be implemented. This mechanism would ensure that Global Fund activities in local currency received a favorable exchange rate from the Reserve Bank of Zimbabwe (RBZ).

83. At the time, the FERM mechanism appeared to be an ideal solution as it took into consideration the combined risks of exchange rate losses and inflation. However, it had the following limitations, and as a result it was never operationalised:

- (d) The official published figures for inflation were significantly lower than the actual inflation rate. Since the FERM was adjusted based on the official inflation figures, the resultant rate would not be reasonable;
- (e) Although the FERM was included in the grant agreement, there was no confirmation from the RBZ that would in practice support it. The RBZ was hesitant to implement FERM because its application would be seen to support the claim that the official rate was incorrect. It was also likely to have opened doors to negotiations for a similar rate by other organizations.
- (f) The FERM proposal also assumed that GoZ could afford to co-finance the funding gaps; and
- (g) Even if a favorable exchange rate would be granted to Global Fund by the RBZ, it did not anticipate the challenge of the shortage of local currency for program implementation.

Memorandum of Agreement (MOA) with the RBZ

84. Under this arrangement, the Global Fund signed a Memorandum of Agreement (MOA) with the RBZ on 3 April 2008 in which the RBZ guaranteed the availability of local currency to PRs, SRs and SSRs. A FM comprising a consortium of Kingdom Bank and GRM International was appointed as an independent intermediary on 18 December 2007 to facilitate this arrangement. Under the MOA, PRs submitted requests for local currency funded activities to the RBZ through the FM. The RBZ would release local currency to the implementers within 48 hours plus a buffer to cater for inflation. Once implementation was completed and acquittals of the expenditure reviewed and approved, the FM would transfer the amount included in the approved Global Fund budget to RBZ. Any difference between the actual implementation cost and the budgeted amount was to be funded by the RBZ.

85. The strengths of this arrangement were:

- (a) The commitment to supply the scarce Z\$ which was made by RBZ as the sole source of the local currency;
- (b) The arrangement transferred the foreign exchange loss to the RBZ. The extent of exchange loss is illustrated in the table below i.e. estimated loss on the first disbursement request.

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| | Date | Z\$ | US\$ |
|------------------------------------|--------|-----------------------|----------------|
| Amount applied for: First request | 16/5/8 | 89,357,123,179,007 | 328,742* |
| Amount applied for: Second request | 17/7/8 | 1,307,612,665,209,410 | 4,834* |
| Total requested for | | | 333,576 |
| Amount in Global Fund budget | | | 136,701 |
| Exchange loss funded by RBZ | | | 196,875 |

* Translated at the prevailing Old Mutual Implied Rate (OMIR) at the time

Table 4: Calculation of exchange loss on first disbursement (Source: FM records)

86. However, this arrangement faced some challenges which resulted in substantial delays or failure by implementers to access local currency. An example of an activity that was affected by the lack of local currency was the training workshops to sensitize health service providers in the Global Fund supported districts about the new Malaria treatment policy. The challenges faced with the implementation of this arrangement are listed below:

- (a) The contracting for and operationalisation of this arrangement took over a year. Although the foreign exchange problem was identified in August 2006, an effective solution was only implemented after 4 April 2008 when the MOA with RBZ was signed. This implied that no local currency designated activities could be undertaken during this time. At the time of conceptualizing this arrangement, the fundamental problem was the exchange losses and complicated by hyper inflation (Inflation stood at about 1000%) but when this arrangement was implemented the problem was made worse by hyperinflation (inflation stood at over 2 million percent) which rendered the arrangement ineffective. The arrangement had been overtaken by events at the time of its implementation.
- (b) The first disbursement request was honored after 14 days and the second requests after 30 days which is contrary to the 48 hours stipulated in the MOA. Delays in releasing funds by the RBZ meant that by the time that funds were released, the funds were no longer adequate to cover the planned activities resulting in the protracted process of having to request additional funding. The buffer, usually 100 percent of the request, was inadequate since inflation was at much higher levels than that. The effect of delays in payment are illustrated in the table below:

| | Date | Amount applied for in Z\$ (in millions) | US\$ equivalent at the OMIR at application | US\$ equivalent on date of receipt | Amount received as a % of amount applied | Delay in number of days |
|--------------------|--------|---|--|------------------------------------|--|-------------------------|
| Initial request | 16/5/8 | 89,357,123 | 328,742 | 116,479 | 35% | 14 days |
| Additional request | 17/7/8 | 1,307,612,665 | 4,834 | 2,637 | 55% | 6 days |
| Total | | | 333,576 | 119,116 | 36% | |

Table 5: Effect of delay in release of funds (Source: FM records)

- (c) RBZ only honored the first two disbursement requests received. At the time of the audit, the third request had not been honored and had been outstanding for over two months. In OIG's meeting with RBZ, they mentioned that the

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arrangement was not ideal in the face of scarce local currency since RBZ provided funds upfront and only got the work plan equivalent months later. RBZ's disincentive to provide local currency is illustrated by the second request where it made better economic sense for RBZ to provide the amount requested to a willing buyer on the 17 July 2008 and get the US\$ 1,121,402 upfront instead of giving it to the Global Fund where they would eventually only get US\$ 138,200 and even then three months later:

| Date | Description | Amount |
|----------|---|-----------------------------|
| 17/07/08 | Request by PRs | Z\$ 303,313,595,000,000,000 |
| 17/07/08 | Request equivalent at OMIR | US\$ 1,121,402 |
| | Amount in the Global Fund work plan that will be provided to RBZ three months later | US\$ 138,200 |

Table 6: Disincentive for RBZ to release funds (Source: FM records)

- (d) The reasonableness of the requests that were submitted to RBZ through the FM was questionable and this may also have affected RBZ's compliance with the MOA. Requests by PRs were inflated to cater for hyper inflation and to cater for the anticipated delay in the release of funds. PRs were also under the impression that there is no limit on the Z\$ amounts that could be requested because in terms of the MOA, RBZ would pay whatever Z\$ amount as long as the FM certified that the requests were reasonable. To illustrate this, the request made on 17 July 2008 was for Z\$ 303,313,595,000,000,000 (equivalent to US\$ 1,121,402) for activities that were budgeted for as US\$ 138,200. Assessing the reasonableness of all requests was a role allocated to the FM but it was never undertaken.
- (e) Out of the three PRs, only NAC was able to access local currency funding through this arrangement. Although ZACH and MOHCW submitted several requests to the FM, these were never presented to the RBZ. This was due to an instruction from the Global Fund that stated that because the foreign currency for the two PRs had not been transferred to the FM's FCA, they could not benefit from this arrangement. This created frustration for the two PRs affected by the arrangement.
- (f) Although there was consultation with CCM members when this arrangement was conceived, and a workshop with PRs and SRs was held on 12 February 2008, various stakeholders in country felt that the FM mechanism was imposed on them by the Global Fund. This view was reinforced by the signing of the contract between the Global Fund and FM with the FM being accountable only to the Global Fund. All PRs subsequently signed sub-agreements with the FM. This was also compounded by the lack of a comprehensive understanding of what the role of the FM involved and the FM's failure to attend CCM meetings despite several requests sent to them. This created a lack of buy in and loss of will by most stakeholders to support the arrangement.
- (g) The rationale of signing an agreement with the RBZ remains questionable given that at the time it was withholding funds for implementation.

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87. The FM who was central to the facilitation of this arrangement was appointed on 18 December 2007 for a six month period to 31 July 2008. This contract has since been extended to 31 December 2008 with the following objectives:

- (a) assisting the Global Fund in managing transactions between the PRs and the RBZ;
- (b) providing coordination of frequent and timely payment of foreign currency needs for the changes and their potential impact on PRs; and
- (c) providing regular updates of the monetary policy changes and their potential impact on grant implementation.

88. The effectiveness of the FM in this arrangement was affected by the issues raised in the paragraphs above. However there were also other issues noted that related to the appointment and operations of the FM that may have affected their effectiveness. There were several conflicts of interest noted such as (i) Kingdom Bank is a member of the Consortium acting as the liaison focal point under this contract with RBZ, yet is also regulated by RBZ. (ii) GRM International is a SR to NAC. (iii) The FM Team Leader, Mr. Jabulani Nyenwa is part of GRM, a technical advisor to the CCM and is part of the Technical Review Panel (TRP) of the Global Fund.

89. These conflicts of interest although cleared by the Global Fund prior to contracting with the Consortium may have affected the FM's ability to undertake their work objectively and effectively e.g.:

- (a) At the commencement of the FM arrangement, NAC transferred US\$ 714,726 to the Fund Manager FCA. However, Kingdom Bank never effected the transfer but only made a book entry between NAC and the FM accounts. NAC was not notified that no actual cash movement had happened as was the case with other transfers. There was also no evidence that the FM vigorously followed up Kingdom Bank as their bankers to recover the money held by the RBZ.
- (b) In cases of non performance, there was no evidence seen where the FM adopted a firm approach and/or demanded performance from the RBZ in meeting the terms stipulated in the MOA. This is likely to be due to its already existing business relationships as a bank with RBZ.
- (c) In its economic analyses and advice provided, there was no evidence that the FM provided an objective critique of the RBZ policies as required by one of its objectives. This may have been because these were the policies that Kingdom Bank was obliged to follow as a financial institution and it would have been inappropriate to critique its regulator. An example is the policy that required all FCAs to be lodged with the RBZ. Although, it was not in the mandate of the FM to follow up such money, it was within their mandate to analyze and advise the Global Fund on how this matter could be handled.
- (d) OIG did not see evidence of the FM providing advice to the Global Fund about the ineffectiveness of the arrangement. Alerting the Global Fund to this may have jeopardized their role in this arrangement.

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90. There were numerous responsibilities allocated to the FM for which the OIG did not see evidence of implementation. The FM informed OIG that there had been changes made to the terms in the original contract but documentary evidence to this effect was not available. The FM did not comply with several of the clauses set out in the contract as detailed below:

- (a) Forecasts of inflation trend, projected exchange rate movements including the UN rate, PMR, and range of exchange rates that may be available to financial intermediaries were not provided;
- (b) An ongoing understanding of the local market situation for essential goods and services delineated as inputs for all Global Fund grants to assist in determination of actual and projected budget requests was not provided to PRs;
- (c) Disbursement requests and acquittals were reviewed by the LFA and not by the FM as stipulated in the operations manual;
- (d) A financial management system for the capture, analysis and reporting of financial information in an accurate and timely fashion for Global Fund resources was not established;
- (e) Monthly bank reconciliations, and periodic financial and technical reports were not submitted by each PR in a timely manner; and analyses to support disbursement decisions were not performed;
- (f) PRs were not assisted in establishing a system for monitoring program delivery/ implementation and reporting;
- (g) There was no evidence of monitoring of donor dialogue with RBZ and/or commercial banks on potential liberalization of the exchange rate for donor / humanitarian funds;
- (h) There was no evidence of the Global Fund and LFA being kept abreast of anticipated shortfalls in achieving Global Fund Program targets; and
- (i) Cash flow forecasts for monthly/or bi-monthly disbursements by the RBZ were not prepared.

91. Despite the failure to meet all its responsibilities as elaborated in the paragraph above, the FM still received the total agreed upon fees. The fees paid were US\$ 10,000 per month for an estimated 20 transactions per month. Over the 12 month period however, only 2 disbursements requests were honored with the RBZ. This cannot be attributed to failure on the part of the FM since they were part of an arrangement that did not work.

92. From 6 November the Global Fund programs were allowed to implement all programs in US\$. More generally, Zimbabwe is now a dollarized economy. This means that if all PR, SR and SSR budgets and program activities can now be totally dollarized, then the challenges relating to local currency are resolved and there would be no need to have a mechanism that supplies local currency.

Recommendation 2 (High)

To avoid the risk of funds being retained by the Government, the Global Fund should find alternative mechanisms to make funds available for implementing grant program activities in Zimbabwe. A mechanism should be established that ensures that lessons learnt from the past are incorporated i.e. that

- *The funds held in country at any one time are minimized;*
- *Development of such a mechanism should be timely and flexible to allow for adaptation to any changes to the environment in which the Global Fund*

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programs are implemented. The mechanism should be reviewed regularly to ensure that it serves the intended purposes and remains relevant even as the environment changes.

- *To the extent possible, the mechanism should not include the RBZ and/or any institutions under the influence of the RBZ. In cases where institutions under the influence of RBZ are used, the amounts transacted should be kept to a bare minimum.*
- *The development of a mechanism should involve in country stakeholders to ensure buy in. In line with the principle of country led processes, country stakeholders should take responsibility for the mechanism.*

Recommendation 3 (High)

The effect of dollarization on all Global Fund activities should be assessed and policies and procedures developed to guide implementers about how to handle this transition. An example is how such payments can be effected and what per diem rates to pay in dollars at workshops. The PRs should also review their financial policies and procedures to address the risks related to hard currency transactions.

National AIDS Council

Background

93. National AIDS Council (NAC) is an organization established through an Act of Parliament in 1999 to coordinate and facilitate the national multi-sectoral response to HIV and AIDS. It is also mandated to administer the National AIDS Trust Fund (NATF) collected through the AIDS Levy i.e. the 3% collected from every worker's taxable income (PAYE) and corporate tax. Under the Round 5 grants, NAC is a PR for the HIV Program. In addition, NAC is a member of the CCM.

94. NAC signed the grant agreement as PR under Round 5 in December 2006 and received the initial disbursement on 30 July 2007. Phase I of the Global Fund grant commenced on 1 August 2007 and ends on 31 July 2009.

| Narration | US\$ | Percentage |
|---|------------|------------|
| Total budget for Phase 1 | 32,742,685 | 100 |
| Funds received to date | 7,444,080 | 23 |
| Funds spent to date as a percentage of budget | 6,383,945 | 19 |
| Funds spent to date as a percentage of receipts | 6,383,945 | 85 |
| Balance at bank [without interest] at 21 Oct 2008 | 1,464,576 | |
| Interest received to date | 404,441 | |

Table 7: Fund flow status (Source NAC records)

Achievements and challenges

NAC has achieved success in the implementation of program activities despite the challenges of the country context and the inaccessibility of foreign and local currency.

95. Despite the challenges of the country context and the inaccessibility of foreign and local currency, NAC has achieved success in the implementation of program activities. NAC's activities are implemented through SRs. NAC has since the signing of the agreement identified and undertaken assessments of its SRs. NAC signed agreements with the SRs listed below. Two training workshops were organized by NAC at which monitoring and evaluation, financial reporting and expectations from the Global Fund grant were discussed. NAC's SRs are:

- (a) Zimbabwe Aids Network (ZAN),
- (b) Zimbabwe National Quality Assurance Programme (ZINQAP)
- (c) Southern Africa HIV and AIDS Information Dissemination Service (SAfAIDS)
- (d) GRM International
- (e) Population Services International (PSI)
- (f) Ministry of Health and Child Welfare (MOHCW)

96. NAC has established a Global Fund co-ordination unit, which has been integrated within its organizational structure. The staff within the Global Fund unit report to their technical heads as per the NAC organizational structure whereas their activities are coordinated by a Global Fund coordinator who reports to the Operations Director. Staff recruited for Global Fund activities include a Finance

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Officer, M&E Officer, Internal Auditor, Program officer, Program assistant and Procurement and logistics officer. NAC through an expanded Human Resources Plan for health service providers was able with the approval of the Global Fund Secretariat to include an additional 200 medical professionals to the Global Fund payroll. These officers are located at district and treatment center level in the 17 Global Fund implementation districts.

97. NAC management has put in place a fleet management system comprising of trip approval forms and motor vehicle log books. At the end of each month, a provincial transport committee reviews motor vehicle and fuel usage after which a report is submitted to headquarters. Decisions to disburse fuel to drivers at headquarters, provincial, and district level are based on these analyzed vehicle reports.

98. Under the MOA mechanism of accessing local currency for program activities, NAC was able to apply and receive two disbursements of Zimbabwe dollars from the RBZ through the FM. This was because management was responsive to prompting by Global Fund Secretariat to make the necessary transfer of funds and disbursement requests.

- 99.** However, NAC's achievement of results have been generally curtailed by:
- (a) Inaccessibility by NAC and its SRs and SSRs to foreign and local currency as detailed in the prior section; and
 - (b) Delays in preparing and finalizing the procurement and supply management plan which was a condition precedent to disbursement of funds for procurement by the Global Fund.

Strengthening grant management

Institutional aspects

The continued existence of NAC is threatened by the reducing value of the contribution from the National Aids Trust Fund which comes out of the 3% AIDS levy charged to all taxable income. NAC should address the going concern challenge that will remain for as long as the economy of Zimbabwe remains strained and revenue from the National AIDS Trust Funds continues to dwindle.

100. NAC's sustainability is threatened by the reducing value of the contributions to the National Aids Trust Fund which comes out of the 3% AIDS levy charged to all taxable income. As the tax base of Zimbabwe reduces and the collected levy is further reduced by the effects of inflation, it is not possible to pay for the program expenses and overheads which were budgeted for from NAC's resources. This may place a strain on the Global Fund and other donor resources provided to NAC. The transfers from Government for the month of September were Z\$ 1 billion, which would translate to less than US\$ 1, at the Old Mutual Implied Rate, at time of the audit.

101. NAC has an established governance structure with a Board of Council in place. NAC's Board has committees responsible for various functions in the

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organization. The Finance, Audit, Administration and Human Resources Committee (FAAC) is a sub committee of the Board that oversees NAC's Finance, Audit, Administration and Human Resources functions. NAC has a new Board of Council that is discussing the establishment of an independent audit committee. A review of the minutes of the FAAC's meetings revealed that audit matters are not considered in sufficient detail in key areas such as:

- (a) There has not been an audit of Round 5 grants and OIG did not see evidence of the FAAC requesting management to ensure that the audit is conducted;
- (b) The FAAC does not meet with the external auditors to discuss reports and the report of internal control weaknesses; and
- (c) Contrary to corporate governance best practice, the annual audit plan was not discussed and approved by the FAAC.

102. NAC has an Internal Audit Department with a charter and for which an annual plan is prepared. The department is headed by an Internal Audit Director and has 5 staff, one of whom has been allocated exclusively to Global Fund programs. Staff within the department have not been able to go for continuous professional development courses due to shortage of funds. The OIG's review of the effectiveness of the Internal Audit department identified the following:

- (a) The department has only one staff member responsible to providing assurance for Global Fund activities at NAC, provincial, district and SR operations. According to the audit plan in place, support would be sought from the other internal auditors at NAC. However, there is no surplus capacity within NAC's internal audit department to take on additional Global Fund related work.
- (b) The audit approach is not risk based and no risk matrix has been produced for NAC and Global Fund programs. With the number of entities implementing Global Fund activities and the various activities undertaken by each entity, it is important to follow a risk based approach to ensure that high risk entities and activities are given highest priority in the face of the limited human resource capacity.
- (c) Management has not implemented the recommendations of the internal auditors. At the time of the OIG review in October 2008, the audit reports forwarded to management in July 2008 had not been responded to. A review of internal auditor reports for 2008 revealed the following recurring weaknesses indicate a weak internal control environment:
 - There was no evidence that goods had been received before invoices were paid;
 - There were no supporting documents for some payments;
 - Photocopied supporting documents were attached to the payment instructions giving rise to the risk of double payments;
 - Numbers were not quoted on some payment vouchers.

Recommendation 4 (High)

NAC should develop a sustainability plan with strategies to address the risk of going concern. The sustainability plan should tackle how NAC can leverage additional funding. It should be discussed with stakeholders such as donors, MOHCW, and Ministry of Finance with the view of getting buy-in and funding.

Recommendation 5 (Requires attention)

NAC should allocate more staff to the review of Global Fund activities. Considering the large dispersion and scale of Global Fund activities, the internal audit department should develop a comprehensive audit plan that should include a risk matrix, planned audit approach and timelines for the execution of the audits. Audit findings should be circulated to responsible parties within the set timelines, after which the reports should be presented to the audit committee. The committee should follow up management action on recommendations made.

Compliance aspects

There were some instances noted of NAC's non compliance with the Global Fund grant agreement and applicable country laws. NAC should comply with the grant conditions and applicable country laws. This will ensure that the conditions put in place to safeguard the Global Fund assets are operational and therefore reduce the risks that Global Fund money is exposed to.

103. The grant agreement between NAC and the Global Fund requires NAC to comply with the grant agreement and the laws and regulations of Zimbabwe. The OIG noted the following areas of non compliance:

- (a) Statutory deductions were not effected in compliance with the laws of Zimbabwe which raises the risk of penalties. The Council has not been withholding Pay As You Earn (PAYE) on salaries that are being paid to Global Fund programme personnel, which gives rise to potential liability as well as reputational risk to the Global Fund. The estimated liability was US\$ 311,000. Global Fund programme personnel are also not registered for National Social Security Authority (NSSA) pension scheme and no deductions for monthly contributions are shown on the payroll.
- (b) NAC's accounts have not been subjected to an audit which is contrary to the conditions of the grant agreement. At the time of the audit, the Comptroller and Auditor General (CAG) had not been contacted to arrange for the audit.
- (c) Article 11 (c) of the grant agreement requires NAC to account for and use all revenues earned from program activities for program purposes. The OIG however noted that on 5 March 2008, fuel worth US\$ 49,550 was procured using Global Fund funds from the 6% administration fee. This fuel was not used for Global Fund related activities and now needs to be refunded.

Recommendation 6 (High)

- (a) *NAC management should re-examine the Program Grant Agreements and ensure that they comply with the articles and covenants therein.*

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- (b) *The Global Fund should institute measures where compliance of the PR with grant conditions and applicable country laws is checked. This will ensure that the conditions put in place to safeguard the Global Fund assets are operational and therefore reduce the risks that Global Fund money is exposed to.*

Financial management

NAC has an established financial management system with an accounting package installed to record financial transactions and financial management policies and procedures to guide financial processes. However, as NAC scales up activities under Phase II, it will be critical to ensure a robust financial management system. This system should be able to process and report on Global Fund activities under the custody of NAC for the grant agreement.

104. NAC has an established financial management system. The Pastel accounting package has been installed to record financial transactions. Financial management policies and procedures are contained in NAC's finance policies and procedures manual. NAC complies to a large extent with the policies and procedures that are stipulated in this manual. However this manual has not been updated to keep it up to date with the ever changing environment in which NAC operates e.g. the effects of hyper inflation, foreign exchange policies on the financial statements etc. A review of the controls surrounding the financial management system identified the following:

- (a) Some of the basic mandatory financial records were not readily available for this audit e.g. Global Fund financial reports, bank reconciliation statements and bank statements;
- (b) The Global Fund related financial transactions were maintained in MS Excel. This software does not provide adequate controls over transaction entry and reporting.
- (c) Global Fund transactions were posted in the Pastel accounting package up to the end of December 2007. This system was ineffective in tracking budgets and funds for the PR, SRs and SSRs.
- (d) There is no formal system for backing up financial transactional data to ensure continuity in the event of data corruption or other eventuality.

Recommendation 7 (Significant)

Management should record Global Fund related financial transactions in Pastel with US dollars as the primary transaction currency. The Pastel package should then be configured and customized to allow for tracking budgets at PR, SR and SSR level; producing standard reporting formats for the Global Fund Secretariat; and tracking advances to SRs, the procurement agent and other implementers. An efficient, frequently tested off-site backup system should also be implemented.

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Recommendation 8 (Requires attention)

In order to ensure a financial management system that efficiently provides accurate and reliable information for management decision making, management should regularly review the financial policies and procedures. Some of the changes that should have triggered changes to the finance manual are the dollarization of the Global Fund budgets; the licensing of warehouses, and fuel stations to receive US dollars; hyper inflation and its effect on budgets; deletion of zeros from the Zimbabwe currency; and new operating mechanisms such as the FM.

105. NAC retained US\$ 172,094 as 6% administration fees. This amount had been included in the approved budgets but the LFA later noticed this error and alerted all PRs requesting that they justify the fees charged so far. The issues related to the 6% administration fee are listed below:

- (a) There was no justification for the percentage charged i.e. 6%. NAC adopted the UNDP administration rate which has been arrived at after the considering the overhead costs incurred by UNDP for managing Global Fund resources.
- (b) As noted above, funds worth US\$ 49,550 of the administration costs were used for purchasing fuel that was not used for Global Fund related activities.
- (c) The LFA asked NAC to justify the 6% charged through a budget and work plan. The OIG's review of the schedule provided to support administration costs of US\$ 756,746 under Phase I revealed that there was no adequate justification for some of the expenses since they were covered under a separate budget line.

106. The expenditures relating to the 6% administration fees is irregular according to the Grant agreement requirement to spend all grant funds on Global Fund programs, and account for them accordingly.

Recommendation 9 (High)

The PR should refund all Global Fund funds spent on non-Global Fund activities. Where administration and other overheads are shared with other programs, a proportionate contribution may be paid from Global Fund funds to meet these costs.

107. A review of the expenditure incurred revealed the following:

- (a) There was Z\$ expenditure that did not have third party supporting documentation as detailed in the table below:

| Date | Details | Amount Z\$ '000s | Unsupported Z\$ '000s |
|------------|---|---------------------|--------------------------|
| 02/09/2008 | Capacity building workshop – Caribbea Bay | 14,983 | 5,755 |
| 30/05/2008 | Capacity building training – Bellbridge | 13,420,000,000 | 1,964,300,000 |
| 30/05/2008 | Capacity building training | 5,519,360,000 | 2,800,000 |

Table 8: Unsupported costs (Source: NAC records)

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- (b) A ledger is maintained for disbursement of fuel coupons to sub recipients. The SRs however do not account for fuel requisitioned for long periods. At the time of audit, no SR had accounted for the fuel coupons initially advanced.

Recommendation 10 (Significant)

NAC should develop procedures for management of disbursements to SRs and SSRs. These procedures should also include stringent procedures for control of advances for program activities such as workshops.

Strengthening program management

Over 70% of the activities undertaken by NAC are at SR level. However, only 7% of the total planned SR budget had been disbursed at the time of the audit and SRs were only able to access 2% of this amount. NAC is unlikely to meet its Phase 1 targets unless plans to accelerate implementation of grants are put in place. This is because SR have been unable to access funding for implementation. Indicators and targets as well as data collection and reporting processes should be reviewed to ensure that credible data is collected for reporting to the Global Fund.

108. Poor access to funds by the PRs, SRs and SSRs has affected the extent of implementation of grant programs. In the absence of accelerated work plans, NAC is unlikely to achieve set targets for Phase I. Even with accelerated work plans, it is important to ensure that quality of services is not compromised by the drive to implement activities expeditiously. Key activities that have not been undertaken include the following:

- (a) No advocacy and work place policy programmes have been carried out by SAFAIDS as planned;
- (b) Only 7% of the behavioral change and VCT activities under PSI have been carried out;
- (c) Community care support activities planned to be carried out under ZAN have not commenced; and
- (d) ZINQAP was only able to access funds disbursed in September 2008 and does not have reportable results. GRM has commenced M&E activities and is expected to report results at the end of quarter six.

109. HIV/AIDS has developed a National Strategic Plan for HIV/AIDS (2006-10) with clear targets and guidance on how other sectors contribute to the achievement of results. The monitoring framework for the HIV/AIDS NSP (2006-10) has also been developed. A costed M&E plan is currently being developed through USAID Technical Assistance to cover the remaining two years of the HIV/AIDS NSP. The OIG will not comment on this plan since it is incomplete. However, it is advisable that this plan takes into consideration the activities of the AIDS Control Program under the MOHCW.

110. However, there is a fundamental problem that the HIV/AIDS NSP M&E policy framework is structured across areas that differ from the geographic districts reported under local government. NAC has re-distributed the reporting by having 120 districts yet only 61 districts exist. Currently, NAC is considering changing from its classification to use the actual local government districts which will ease M&E management.

Recommendation 11 (High)

To enhance program performance, NAC should develop an accelerated work plan for Phase I. The LFA should review this plan for reasonableness to ensure that the accelerated measures instituted are not undertaken at the detriment of the quality of work undertaken. For easier monitoring, benchmarking of results and to remove any possible confusion that may ensue, NAC should classify its reporting areas according to the local government districts.

111. A review of the ART and VCT revealed that the overall ART and VCT M&E framework is adequately documented with clear operational manuals having been developed. However, the following were also noted:

- (a) The ART strategic plan has expired. Currently, the MOHCW does not have an overall AIDS control plan for the sector;
- (b) Sub-program ART and VCT plans have been in draft form for the past 3 years and have not been used to plan or assess HIV/AIDS program performance in the health sector;
- (c) Technical expertise exists in ART but national program staff are relatively new and need to be familiarised with planning activities that started before October 2007; and
- (d) A number of assessments aimed at improving the MOHCW M&E system have resulted in the development of clear programmatic indicators, data collection tools and guidelines for ART and VCT by different partners. These however remain isolated in different sub units and are not well communicated to the relevant program management staff.

Recommendation 12 (Significant)

The ART and VCT plans at all levels should be updated. Staff should be oriented in the implementation of the plans. NAC should ensure that the different programmatic indicators, data collection tools and guidelines for ART and VCT are harmonised.

112. A review of the indicators and targets agreed for the Round 5 HIV grant identified the following:

- (a) *Impact indicator: Percentage of children and adults still alive at 12 months after initiation of ART:* This indicator can only be obtained when the data collection system has improved to properly track and analyse cohorts. The programme has monthly forms for cohort analysis but they cannot be used because of inadequate skill among providers and facility M&E officers. It will not be possible to get reliable information for year 1 and 2 impact from the Ministry of Health data base.
- (b) *Impact indicator: Percentage of men and women aged 15 – 24 years who are HIV infected:* This indicator is expected to be obtained from the Zimbabwe District Health Survey (ZimDHS). It is therefore unlikely that it will be obtained annually.
- (c) *Impact indicator: Percentage of infants born to HIV infected mothers who are HIV infected:* This indicator is very loosely tied to the Global Fund Round 5 and it will be difficult to attribute the achievements to interventions directly supported.

Recommendation 13 (High)

The current indicators under Round 5 should be reviewed for possible adjustment in the acceleration plan to address the findings identified above.

113. A framework exists to integrate the data at district, provincial and national levels. The overall national response under NAC has paid staff at all these levels to combine facility and community level data and transmit it upwards to NAC. Facility based HIV counselling and testing data is adequately collected. A review of the data collection and reporting processes revealed some weaknesses which affect the results reported to the Global Fund in line with its performance based principle. The following weaknesses were noted:

- (a) There is a very big burden of HIV/AIDS data collection tools especially in light of the thin staffing levels and new facility staff requiring training. This is compromising quality;
- (b) The M&E officers at district level have not been trained;
- (c) Although enough of the required data collection forms have been delivered through partner support, to last at least six months they lie in a pile at the MOHCW purportedly due to lack of transport. Moreover, community level data collection forms are not uniform and lack clear guidelines.
- (d) All HIV service delivery data is first aggregated at district level. Some SSRs e.g. Red Cross do not have district level administrative structures and end up providing provincial level data;
- (e) Reporting through NAC structures is relatively strong but HIV/AIDS programmatic reporting is still very weak. Reporting rates of information have been reported to be as low as 55% for the MoH. The current report completion rate to MOHCW is 50% and worsening;
- (f) There is no data analysis at DAC (District AIDS Committee) and PAC (Provincial AIDS Committee) hence reports tend to be aggregated tables. DAC reports are sent to PAC but copied to NAC. This tends to weaken validation expected to be done at PAC. It was also noted that many PAC staff do not have adequate M&E skills to validate DAC reports.
- (g) There is no systematic facility data validation by the higher levels.

Recommendation 14 (Significant)

The current data collection and reporting processes should be reviewed to streamline the collection reporting and review roles. NAC should work with the MOHCW in order to strengthen the data collection and reporting. Training of staff assigned review authority should be carried out to ensure the reliability of reported data.

114. Over 70% of the activities and budget of NAC is for SR and SSR based activities. NAC has disbursed to SRs and SSRs US\$ 433,353 out of the total planned expenditure of US\$ 6,383,945, which is approximately 7% of program

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expenditure. Out of the SR disbursements, US\$ 304,175 for PSI was not accessible in their FCA, leaving the accessible amount at 2% for program implementation. Of the funds disbursed to SRs, only GRM and ZINQAP have accessed the funds disbursed. This has led to no or poor results from the SRs which affects the overall results reported by NAC as a PR.

115. During the contracting of sub recipients, assessments were carried out by NAC's internal audit department with the support of the LFA. The assessments were carried out for institutional and financial capacity and not procurement and monitoring and evaluation. During the review of SRs, some areas of potential capacity building were identified in the assessment tools. However, these weaknesses, some of which were critical to program implementation, were not documented for rectification in the agreements between NAC and the SRs. Some of the aspects noted include:

- (a) Weak or absent ICT infrastructure at MOHCW, affecting the SRs ability to report performance against targets;
- (b) Staffing gaps at MOHCW and ZAN;
- (c) Absence of internal audit units at ZINQAP, SAfAIDS, and PSI; and
- (d) Weak M&E units at ZAN, ZINQAP, and MOHCW.

116. The grant agreements with SRs are based on the grant agreement signed with the Global Fund. This renders many of the clauses at best inappropriate and at worst deficient in properly articulating how grants to SRs will be managed.

Recommendation 15 (Requires attention)

The assessments prepared for SRs should be reviewed, with the objective of identifying gaps that would affect achievement of program targets. These gaps should then be included in the grant agreements with SRs as conditions which are to be fulfilled at the various stages of program progress.

Procurement and logistics management

Procurement lies at the heart of the implementation of NAC's activities. The control environment surrounding procurement and logistics management function should be strengthened to ensure that risks identified are mitigated and Global Fund assets safeguarded.

117. An agreement was signed between NAC and the NatPharm and Crown Agents Consortium. The agreement was for the provision of Procurement and Supply chain Management Services for the purchase of goods and services in support of the Global Fund Grant for the Prevention of HIV, Malaria and Tuberculosis.

118. The OIG reviewed the agreement and observed some weaknesses that need to be remedied:

- (a) There is no provision for the Consortium to verify and inspect the goods on arrival in the country to ensure that the goods delivered match the items ordered;
- (b) The agreement does not clearly provide for distribution of goods beyond the 'final destination' in the supply contract; and

- (c) The agreement stated that the Consortium should ensure value for money for the Principal Recipient in all its procurements. From OIG's review of the procurement process, all procurements were undertaken using selective bidding, where bids are sought from a selected number of suppliers without consideration of the value of the procurement.
- (d) Funds provided to the PC were held in a non interest bearing account.

Recommendation 16 (Significant)

The contract between NAC and NatPharm - Crown Agents Consortium should be reviewed to specify the responsibilities for distribution; when PC fees fall due for payment; the treatment of balances remaining on-account after procurement funds are advanced; and the holding of money in an interest bearing account.

119. The HIV/AIDS Logistics system is relatively well developed. A fully funded logistics unit, well supported by USAID, is currently housed in NatPharm. During delivery, drug status reports are made and circulated via email to the various officers. It is not clear who receives these e-mails. Poor reporting of ARV stocks due to weak linkages between MOHCW directorates of pharmacy was evident. Stock outs can only be seen on supervision visits rather from routine reports. These stock outs occasionally occur at facilities.

Recommendation 17 (High)

The logistics unit should be integrated into the processes at NatPharm to ensure that forecasting, procurement, distribution and stock balances at sites are integrated processes. The sustainability of the HIV/AIDS logistics unit should also be addressed in the event that the USAID funding becomes unavailable.

120. NAC does not request a reconciliation of funds remitted to Crown Agents after the end of the procurement. At the date of the audit orders worth US\$ 2,942,703 had been completed for NAC. However there was no evidence that the amounts had been fully reconciled with Crown Agents.

Recommendation 18 (High)

The PC should account for funds advanced at the completion of each procurement transaction. Where balances are held at the time of commencement of the next procurement transaction, the proforma invoice submitted by the PC should indicate a deduction of the balances held on account.

Concluding observations

121. NAC still needs to address the going concern challenge that will remain for as long as the economy of Zimbabwe remains strained and revenue from the National AIDS Trust Funds continues to dwindle. NAC will need to be more open to all development partners involved in its operations in developing a sustainability plan. This plan should be shared with the Global Fund and included in the final budget for future funding so that the Global Fund program is not affected by the uncertain financial standing of the institution.

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122. NAC faces human resources challenges as some staff earn high salaries under the Global Fund program while other staff receive payments in Zimbabwe dollars have very low value. There is a move to harmonize the salaries in the health sector which means that rates will be agreed across the board for all medical staff. This may impact NAC's ability to retain staff should the rates proposed under the salary harmonization result in a cut of salaries for NAC staff. NAC should therefore remain fully engaged in the harmonization debate to ensure that the interests of its staff already receiving top ups are considered.

123. As NAC scales up activities under Phase II, it will be critical to ensure a robust financial management system. This system should be able to process and report on Global Fund activities under the custody of NAC for the grant agreement. Further, the scale up of activities will include expenditure in US dollars which will require financial policies and procedures being put in place to ensure that risks related to hard currency transactions are mitigated.

124. NAC should see themselves as a partner with ZAN as they prepare for Round 8, and therefore take part in building the capacity of ZAN in the areas of:

- (a) Monitoring and evaluation;
- (b) Financial management and administration of accountabilities; and
- (c) Program management.

125. With the scaling up of the HIV response, there needs to be linkages built between the HIV and TB responses to ensure that there is no duplication of scarce resources and that the programs run by the different PRs compliment one another. In order to report on the targets under the Global Fund program, it will be important for NAC to form strategic alliances with the TB unit, and be able to report on targets for TB – HIV collaboration.

Zimbabwe Association of Church Related Hospitals

Background

126. Zimbabwe Association of Church-related Hospitals (ZACH) is an ecumenical, non-profit making organization registered under the Private Voluntary Organisations Act, and was established to coordinate the efforts of churches and church missions in matters of health care. It has a membership of 160 hospitals and clinics. ZACH member facilities represent 68% of health care services in terms of bed capacity and 35% of health care delivery. This includes 13 designated hospitals in districts where there is no government designated hospitals. Under the Round 5 grants, ZACH is a PR for the HIV Program and TB Program. ZACH is also an SR to the Malaria Program. In addition to this, ZACH is a member of the CCM.

127. The HIV Program grant agreement was signed on 18 December 2006. Phase 1 started on 1 June 2007 and is to end on 31 May 2009.

| Narration | US\$ | Percentage |
|--|-------------|-------------------|
| Total budget for Phase 1 | 3,188,474 | 100% |
| Funds received to date | 1,292,404 | 41% |
| Funds spent to date as a percentage of budget | 1,210,023 | 38% |
| Funds spent to date as a percentage of receipts | 1,210,023 | 94% |
| Balance at bank [without interest] at 6 Nov 2008 | 82,381 | |
| Interest received to date | 30,509 | |

Table 9: Fund flow status (Source ZACH records)

128. The TB Program grant agreement was signed on 18 December 2006. Phase 1 started on 1 September 2007 and will end on 31 August 2009.

| Narration | US\$ | Percentage |
|--|-------------|-------------------|
| Total budget for Phase 1 | 9,230,076 | 100 |
| Funds received to date | 3,410,626 | 37% |
| Funds spent to date as a percentage of budget | 2,491,202 | 27% |
| Funds spent to date as a percentage of receipts | 2,491,202 | 73% |
| Balance at bank [without interest] at 6 Nov 2008 | 919,424 | |
| Interest received to date | 323,906 | |

Table 10: Fund flow status (Source ZACH records)

Achievements and challenges

ZACH has achieved success in the implementation of program activities despite the challenges of the country context and the inaccessibility of foreign and local currency.

129. Despite the challenges of the country context and the inaccessibility of foreign and local currency, ZACH has achieved some success in the implementation of program activities. ZACH's activities are implemented through SRs. Grant Agreements have been signed with all SRs. ZACH has since the signing of the

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agreement identified and undertaken assessments of its SRs. SR agreements have been signed with the following SRs:

- (a) Ministry of Health and Child Welfare (MOHCW) for both TB and HIV Programs;
- (b) Rehabilitation and Prevention of Tuberculosis (RAPT) for TB Program;
- (c) Biomedical Research and Training Institute (BRTI) for TB Program;
- (d) Zimbabwe National Quality Assurance Programme (ZINQAP) for TB Program;
- (e) Elizabeth Glaser Paediatric AIDS Foundation (EGPAF) for HIV Program;
- (f) University of Zimbabwe – College of Health Sciences (UZ – CHS); and
- (g) National Institute of Health Research (NIHR)

130. ZACH commissioned Ernst & Young (EY) to undertake SR assessments and recommendations were made to SRs to strengthen their program management capacity and to ZACH to strengthen its capability to manage and supervise the SRs. ZACH also retained EY to develop a set of tools and manuals for implementation of Global Fund programs at PR and SR level. Two workshops were held to introduce the tools and manuals to the SRs.

131. ZACH prepared a draft PSM plan with the assistance of the PC. Most of the procurements under both the HIV and TB programs have been undertaken i.e. 86% of the HIV Program procurements and over 80% of the TB procurements.

132. However, ZACH's achievement of results has been heavily constrained by:

- (a) Inaccessibility by ZACH and its SRs and SSRs to foreign and local currency as detailed in the prior section;
- (b) Delays in preparing and finalizing the procurement and supply management plan which was a condition precedent to disbursement of funds for procurement by the Global Fund; and
- (c) Challenge of having MOHCW which is the regulator of the TB program report to what should be a regulated party (ZACH). This has led to continuing instances of the SR over-riding the PR role.

Strengthening grant management

Institutional aspects

133. ZACH has an established governance structure with the Association of Heads of Christian Denominations (HOCD) providing oversight to ZACH. The ZACH Council and the Management Board are sub committees of the HOCD that are governed by the ZACH constitution. This constitution was adopted at ZACH's AGM on 28 April 1997. The OIG was provided with a revised draft of the Constitution that was not dated nor did it contain any evidence of review and approval by the ZACH Council. A review of the constitution also revealed the following weaknesses.

- (a) The constitution sets out the general functions of the ZACH Management Board. However, the rights and responsibilities of members are not defined in the constitution.
- (b) The Constitution does not include the Terms of Reference or the extent of the authority of the office bearers of the Management Board.

- (c) The Constitution does not make reference to the Board of Trustees which governs the pension fund of ZACH's member institutions. This raises the legality of the Board of Trustees as there is no basis for the Board in the constitution.

Recommendation 19 (Requires attention)

The Constitution of ZACH should be reviewed and modified to include clear Terms of Reference and authorities of the Board and various boards that govern the organization. In addition, the Board should ensure that approval any amendments to the Constitution are clearly documented.

134. ZACH's Management Board is responsible for the administration, control and direction of the Association and is subject to the ZACH Council. This board should hold meetings at least twice a year; but usually has a third meeting during the Annual General Meeting (AGM). The members of the Management Board are selected from the Council that is mainly comprised of ZACH's hospital administrators. This brings together people from a similar background and therefore limits the 'flavor' of skills that the Board requires to operate effectively. The minutes of these meetings are not comprehensive in as far as they lack information about the resolutions arising from the meeting. An example is schedules for the approval of salary increases, travel and subsistence allowances and approval for pegging of salaries to the US\$ that were not part of the minutes.

135. ZACH's Management Board is responsible for the administration, control and direction of the Association and is subject to the ZACH Council. This board should hold meetings at least twice a year; but usually has a third meeting during the Annual General Meeting (AGM). The members of the Management Board are selected from the Council that is mainly comprised of ZACH's hospital administrators. This brings together people from a similar background and therefore limits the 'flavor' of skills that the Board requires to operate effectively. The minutes of these meetings are not comprehensive in as far as they lack information about the resolutions arising from the meeting. An example is schedules for the approval of salary increases, travel and subsistence allowances and approval for pegging of salaries to the US\$ that were not part of the minutes.

136. A review of the Management Board meeting minutes also showed that the time allocated to discussion of Global Fund program related matters was not adequate given that Global Fund funds constitute over 70% of the total annual ZACH budget and despite the challenges ZACH has faced in its role as PR. This is the same with the Executive Committee Meetings that are not held regularly and even when held Global Fund matters do not feature prominently on their agenda. Most of the time is devoted to technical program related discussions with limited time allocated to finance and administration matters e.g. budgets, audit reports etc. The Management Board does not have any working committees for key areas such as finance, audit and technical aspects and this affects scrutiny of matters such as efficient use of resources, internal assurance, accountability etc.

Recommendation 20 (Requires attention)

The ZACH council should endeavor to diversify the skills base of the Management Board. Emphasis should be placed on having representation of members with financial skills who will enhance and provide a balance to the deliberations of the Board. The Management Board should consider constituting functional sub committees to closely monitor ZACH's functional areas.

Recommendation 21 (Requires attention)

The Management Board should undergo orientation on Global Fund related business, to better understand the significance of ZACH's position as a PR and its relationship with SRs and also gain an appreciation of the impact of non-achievement of program targets to ZACH and the country as a whole.

137. The OIG was provided with ZACH's organization structure and noted that this evolved as the organization grew. At no point, was a conscious effort made to ensure that the resultant organization structure was appropriate to ZACH's different mandates as they evolved. Key organizational aspects such as span of control, authority and reporting lines are not clearly defined. There is also a disconnect between ZACH's Executive and lower level staff since most middle management positions at the time of the audit were not filled. These key positions included the positions of:

- (a) Medical/Program Officer who should have been responsible for the technical delivery of Global Fund programs. Failure to have an appropriate person in this position affected implementation of activities especially in the case of TB;
- (b) Deputy Director, Finance and Administration, which position was not been filled after the director of Finance took one year off as study leave. This position too has also affected the financial aspects of implementation, and
- (c) The Internal audit function which is essential as ZACH in its PR role has to provide oversight to its SRs.

138. The OIG also noted that the Deputy Director, Programmes & Training heads the procurement division, human resources department, programmes and is acting as the program Global Fund officer and head of the Finance department. This 'overload' of responsibility affects the level of effort devoted to the management of Global Fund matters in the relevant functions and also represents inadequate segregation of duties. In small organizations like ZACH where segregation of duties is impossible, good internal control is dependent on management's effective supervision but there was little evidence of this seen.

139. A review of the human resource system revealed that job descriptions were not up to date. Job descriptions therefore do not provide a full description of the tasks performed by staff. An example is the Global Fund M&E officer who does not carry out any work related to the function he was recruited to undertake.

Recommendation 22 (Significant)

Management should review the organization structure to assess its adequacy in delivering the ZACH mandate. Job descriptions should be reviewed to ensure they

are reflective of the roles, responsibilities and authorities that each staff undertakes. Every effort should be made to fill all key positions.

Recommendation 23 (Significant)

In its role as PR, it is important for ZACH to have an internal audit function to provide assurance regarding the achievement of objectives of ZACH and the controls over SR function in the following categories:

- *Effectiveness and efficiency of operations.*
- *Reliability of financial reporting.*
- *Compliance with laws and regulations.*

140. The existing policy and procedures manual was prepared in 2001. It combined both the Finance and Administration and the operations and human resources aspects. It is currently being updated into two different manuals i.e. a Finance and Administration manual and an Operations manual which covers General Administration and Human Resource procedures and they had not been approved at the time of this audit. The OIG also noted that recommendations made by EY were not incorporated into the manuals and there were key areas that were lacking in the Operations section like the salary structure, organization structure, performance appraisal etc.

- 141.** A review of the updated Financial Policies manual revealed that there are no:
- (a) accounting policies that adequately describe the basis of accounting e.g. expenditure recognition, capitalization, revenue recognition etc;
 - (b) guidelines over the maintenance of a fixed assets register and the details to be included;
 - (c) guidelines for petty cash management, exchange rates mechanism and inflation accounting;
 - (d) description of the accounts department set-up; no departmental organization chart, no indication of the reporting lines and no indication of authorization limits;
 - (e) guidelines for vehicle management;
 - (f) chart of accounts;
 - (g) guidance on the preparation of bank reconciliations; no indications of deadlines and frequency of preparation;
 - (h) guidance on periodic reporting; the format, frequency of reports and deadlines;
 - (i) reasonable amounts set for transactions such as capitalization limits, limits for competitive bidding and the amounts for bank transfer in the updated Financial Procedures Manual. These are denominated in Zimbabwe Dollars which is not reasonable in the current hyper-inflationary situation;
 - (j) description of the roles of the Finance departmental staff with the exception of the Deputy Director Finance & Administration and even then it is restricted to the provision of accurate accounting information and financial advice to the Executive Director

Recommendation 24 (Significant)

ZACH's manuals should be updated to cover all the aspects listed above and to incorporate EY's recommendations. These will provide a framework within which programs can be run. By providing guidance on the minimum standards staff can employ in implementing the Global Fund programs, eliminating uncertainties and guarding against the risk of weak structures and systems, these manuals will also enhance the management of ZACH programs.

Compliance aspects

There were some instances noted of ZACH's non compliance with the Global Fund grant agreement and applicable country laws. ZACH should comply with the grant conditions and applicable country laws. This will ensure that the conditions put in place to safeguard the Global Fund assets are operational and therefore reduce the risks that Global Fund money is exposed to.

142. The grant agreements contain conditions that should be in place to safeguard the Global Fund grants. A review of ZACH's compliance with the conditions specified in the grant agreements as well as with the laws of the country revealed some conditions that were not complied with. These weakened the internal controls that were meant to safeguard Global Fund resources. The areas of non compliance with the grant agreement noted were:

- (a) Audits have not been undertaken of the TB and HIV Round 5 grants. ZACH has not ensured that SRs have annual audits carried out. The external auditors (Ernst & Young) have audited ZACH as an organization for the past seven years. There were no documented Terms of Reference for the audit and it was noted that the auditors also provided Technical Assistance to ZACH e.g. review of manuals, capacity building, SR assessments for the Global Fund programs etc which may compromise their objectivity since they are expected to assess some of the work over which they have provided technical assistance.
- (b) ZACH did not report to Global Fund on the quarterly progress within 45 days of the end of each quarter. The quarterly reports and disbursement requests were submitted up to 150 days after the end of the quarter.
- (c) ZACH did not use its best efforts to ensure optimal reliability, efficiency and security with regard to the supply chain for all products purchased with grant funds. The agreement with NatPharm and Crown Agents Consortium does not cater for the distribution of items purchased to the final destination such as health facilities. The health products purchased under the TB program were handed over to the TB Unit and no further follow-up was done to track the items, specifically the pharmaceutical items. All inventory management is done by NatPharm.
- (d) ZACH did not ensure that all goods and services financed with grant funds are used solely for Program purposes. Specific examples of this failure are the purchase and use of fuel coupons for activities other than Global Fund

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activities, and the utilization of Global Fund staff to perform tasks for programs other than Global Fund.

143. Conditions precedent to disbursement are put in place as part of the grant agreements to address the specific risks identified at ZACH during the initial assessment that needed to be addressed in order to safeguard Global Fund resources. Many of these conditions were not fulfilled as detailed in the following paragraphs but disbursements were still effected by the Global Fund. There was no evidence seen that additional safeguards were put in place to address the risks identified before disbursements were effected. The conditions precedent stipulated in the TB and HIV grant agreements that were not complied with were:

- (a) Evidence of appointment of full-time Program staff; Monitoring and Evaluation Officer, Medical Officer and Accountant/Finance Officer;
- (b) Submission of an M&E Systems Self-Assessment Tool-Checklist to assess Program/Projects with an action plan;
- (c) Submission of a contract between ZACH and an Accounting Firm to provide internal audit services to the Program;
- (d) Submission of a revised plan for monitoring and evaluation of Program activities harmonized with the National HIV/AIDS Monitoring and Evaluation Plan.

144. ZACH did not immediately provide written notice to the Global Fund of the Monetary Policy statement issued by the Reserve Bank of Zimbabwe in accordance with Article 6(b) of the TB Program Grant Agreement and the HIV Program Grant Agreement. The Policy statement was issued on 02 October 2007 and required all Corporate and Non Governmental Organisations (NGOs) Foreign Currency Account balances as at 1 October 2007 to be lodged with the Reserve Bank. ZACH only notified Global Fund in June 2008, after the Reserve Bank had failed to honor requests for foreign currency.

Recommendation 25 (High)

ZACH management should re-examine the Program Grant Agreements and ensure that they comply with the articles and covenants therein. The Global Fund should institute measures where compliance of the PR with grant conditions and applicable country laws is checked. This will ensure that the conditions put in place to safeguard the Global Fund assets are operational and therefore reduce the risks that Global Fund money is exposed to.

Financial management

The financial environment within which Global Fund programs are implemented was weakened by the lack of comprehensive financial policies and procedures, lack of effective management oversight, ineffective controls over fuel coupons, etc. The weak control environment exposes the Global Fund resources managed by ZACH to risk.

145. Ernst & Young was retained to provide technical advice to ZACH on the systems to manage the funds from the Global Fund. Three manuals were developed including a Financial Management Systems manual. As already mentioned, ZACH did not fully implement the systems suggested by Ernst and Young and did not

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incorporate any of the suggestions in the updated ZACH Financial Procedures manual.

146. The updated Financial Manual does not provide adequate guidelines for the vehicle management including the administration of fuel coupons. Fuel coupons constitute a secondary form of payment in Zimbabwe. The OIG noted that fuel coupons were not adequately accounted for and no review of the fuel consumption was undertaken periodically. Fuel coupons worth US\$ 2,925 were purchased using HIV program funds. The usage of the coupons could not be traced to Global Fund activities. 60% of the fuel vouchers were used at a time when there was hardly any implementation taking place due to the non accessibility of funds. An analysis of the coupons used to-date revealed the following internal control weaknesses:

| Description | Quantity | % of total issued |
|---|----------|-------------------|
| Coupons that were not dated | 34 | 50.00% |
| Coupons with no vehicle registration number allocated | 19 | 27.94% |
| Coupons not signed for | 41 | 60.29% |
| Coupons with date/vehicle/signed for | 24 | 35.29% |

Table 11: Analysis of fuel coupons used to date (Source: ZACH records)

147. Out of these coupons, OIG observed a total of 42 vouchers that could not be directly attributed to the HIV and TB Programs. This included a total of 9 vouchers (US \$ 263.25) given to staff who were not affiliated to Global Fund Programs:

| Description | Quantity | Value US \$ |
|--|-----------|-----------------|
| Coupons with no details and not signed for | 9 | 263.25 |
| Coupons used to fuel non-program vehicles | 22 | 643.50 |
| It was not clear what activity fuel was issued for | 11 | 321.75 |
| Total | 42 | 1,228.50 |

Table 12: Analysis of coupons given to staff (Source: ZACH records)

148. There was no documented system for periodic budget monitoring. Comparisons between the budget and the actual expenses were done for reporting purposes which in the case of Global Fund is on a quarterly basis as opposed to more regular monitoring over expenditure.

149. The Timebag accounting software used by ZACH was programmed to periodically back up data. The back-ups are saved and kept on the same server that the software is run from. When the server crashed in April 2008, no back-up had been maintained outside the server and until the server was repaired there was no access to the accounting information. No back-ups were made for all other information in the organization and computer failures have led to total loss of information, including letters and emails.

150. The OIG noted that ZACH deducted US\$ 121,096 as administration fees. This amount had been included in the approved budgets but the LFA later noticed this error and alerted all PRs requesting that they justify the fees charged so far. The issues noted related to this payment are listed below:

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- (a) There was no justification for the percentage charged i.e. 6%. ZACH adopted the UNDP administration rate which has been arrived at by applying the overhead rates charged by UNDP for managing Global Fund resources.
- (b) In addition to charging the 6% administration fee, ZACH still charged Global Fund for administration related costs like rent, fuel etc.
- (c) ZACH computed the 6% administration fee based on the quarterly budget as opposed to computing the fee on the amount of funds received and managed in the two quarters.
- (d) ZACH does not have documented procedures for the allocation of overhead/administration costs to projects and so was not able to effectively respond to the LFA's request to justify the 6% charged. The OIG's review of the schedule provided to support administration costs of US\$ 43,551.76 per quarter revealed that there was no basis for the expense types as well as for the percentages and amounts included on the schedule since the Global Fund supported most of these expenses in other budget lines.
- (e) Part of the administration fees were used to pay additional allowances to ZACH's Senior Executives i.e. US\$ 84,240 which is contrary to the requirement that all Global Fund resources are used for program related work. These amounts were classified as "travel and subsistence" for which no statutory deductions were effected which is contrary to the laws of Zimbabwe. These amounts now need to be recovered.

151. ZACH charged an amount of US\$ 65,000 for rent to the HIV program for the first year. This was based on rent of US\$ 5,000 per month. The OIG's review of the rental charge revealed the following:

- (a) There is no lease agreement against which this charge was effected;
- (b) ZACH owns the building and the staff responsible for undertaking the Global Fund activities occupy the equivalent of two offices which amount to less than 10% of the building. Since the building is owned by ZACH, it remains questionable why ZACH charges the Global Fund for rent;
- (c) On enquiry, the OIG was advised that the average monthly property rental for similar offices in this area where ZACH is located is US\$ 1,000 per month. This suggests that the rental costs charged were inflated.

Bank charges amounting to US\$ 5,268.75 were deducted from the TB program account in the months of April 2008 (US\$ 2,951.75) and May 2008 (US\$ 2,317.00). These charges appeared unreasonable when compared to average month bank charges over the Round 5 period and when compared to the level of activity of the accounts since ZACH was not accessing money throughout this period. At the time of the audit there was no evidence that ZACH had queried or followed up these charges with its bank.

Recommendation 26 (Significant)

ZACH should reimburse US\$ 84,240 paid to Senior Executives from the Administrative fees.

Recommendation 27 (Significant)

ZACH should strengthen its financial systems and processes to better safeguard program funds and enhance accountability. The re-design would include a fuel and vehicle management system and the overhead allocation process. ZACH should improve its IT procedures, including implementation of periodic back-ups of all information and maintenance of back-ups at a different location.

Recommendation 28 (Requires attention)

The budgeting process should be re-designed to cover periodic budget expenditure analyses and explanations of large and unusual variances. Program budgets should be regularly revisited throughout the Program life and amended to ensure that the amounts included are reasonable.

Recommendation 29 (Requires attention)

ZACH should establish and implement rigorous review and follow-up processes both for bank-related expenses and other costs to ensure Global Fund funds are safeguarded.

Strengthening program management

With the exception of procurement and recruitment of staff, no activities had taken place at the time of the audit. The implementation of the TB program started more or less in August 2008, almost one year and a half into the grant period. There were also weaknesses noted in the data collection, processing and reporting of results which included data collection forms which did not collect key programmatic data; clear indicators and targets were not set for tracking of results etc. Unless plans to accelerate implementation are put in place, it is unlikely that set targets will be met in the remaining period.

152. At the time of the audit, the TB program had started effective implementation two months earlier. With the exception of procurements undertaken, there were no activities undertaken and no results to report for the TB program. In consequence, the targets set had not been achieved for the following TB related activities:

- (a) Diagnostic centers rehabilitated;
- (b) Laboratory personnel trained;
- (c) Advocacy material distributed; and
- (d) Number of new smear cases identified.

153. A review of the progress of activities under the HIV Program revealed that:

- (a) Training content for the ARV treatment and monitoring manuals had been developed, but no training had been undertaken. ZACH had also not yet undertaken training done for community care and support. No sensitization workshops had been held at the time of this audit;

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- (b) Renovation plans were in place however no health facilities had been renovated; and
- (c) Cotrimoxazole has been purchased but there were no results on the number of HIV/TB patients receiving the cotrimoxazole prophylaxis.

154. ZACH's programmatic performance can be attributed to the inaccessibility to funding. However, the OIG's review sought to understand whether there were any other factors that affected ZACH's effectiveness as a PR and its achievement of results and noted the following:

- (a) ZACH was an SR under Round 1 and was elevated to PR under Round 5. It was assumed that because ZACH was a good SR, they would automatically be a good PR. As a result, ZACH was not supported in transitioning from the SR to the PR role and how this translates into managing the grant and defining roles for its stakeholders.
- (b) The decision to have ZACH as the TB PR with MOHCW as an SR was not well thought through since traditionally Ministries are the technical strongholds and custodians for TB programs. This therefore created the challenge of having MOHCW as the TB regulator having to report to what to them was the regulated party, ZACH. This has led to continuing instances of the SR overriding the PR role. There was also no technical expertise at ZACH to oversee these technical programs. ZACH's program officer who was supposed to undertake this role had not been recruited at the time of this audit.
- (c) The TB Unit of the MOHCW has been a 'neglected' program in the past with almost no donor funding in the past. With Global Fund resources, the Unit is effectively just 'setting up shop'.
- (d) The TB Unit was further hurt by the departure of most of the existing staff. As a result the TB Unit is mainly staffed by the Global Fund Program staff. Delays in the recruitment of staff until August 2008 resulted in the TB program only effectively starting then.
- (e) ZACH's pro-activeness in managing issues that arose during program implementation was sometimes inadequate. CARE communicated its inability to be SR in July 2008 and did not sign the Sub-grant agreement. CARE was responsible for implementing US \$ 2,724,577 (30%) of the TB budget and was therefore a key stakeholder in the success of TB program. The Ministry of Agriculture was identified to undertake some of the CARE's tasks. However a letter requesting the Ministry of Agriculture to participate as an SR was only written and sent on 2 October 2008 and no response had been received at the time of the audit.

155. The Monitoring and Evaluation Officer for the HIV Program was recruited in January 2008. In July 2008, Ernst & Young developed a manual for the M & E system. However, OIG observed that no M & E report had been prepared to-date. The M & E officer performed tasks for other programs despite having been recruited for the HIV Program.

Recommendation 30 (Significant)

ZACH management should utilize the Global Fund M&E Officer for the purposes for which he was recruited. M & E reports should be prepared as required.

156. The OIG noted that there was no National Tuberculosis Control Programme Strategy at the time of the audit. Although operational guidelines (October 2007) had been developed and were adequate to guide implementing units, a clear National M&E Plan had not been developed to guide monitoring activities. The health sector strategy expired and currently, the sector was in the process of designing a new strategy with input from the national TB Program Management Unit. There was a comprehensive list and operational manual of definitions for each indicator developed and disseminated to facilities but no baseline national TB indicators. Expertise exists within the national TB program management unit to adequately guide the development of the new strategy.

Recommendation 31 (Significant)

MOHCW should urgently develop M&E plans for the TB Program. Strengthening of the TB national and program related M&E should as far as practical, be within the national HMIS.

157. A review of the system to collect and report information revealed that:

- (a) There was no program data base in place to capture information. Computers have been procured to facilitate this process. However this is creating a parallel system to the HMIS instead of strengthening the system that is already in place.
- (b) The review of the quality of paper-based data submitted by lower levels to districts and provincial level was almost nonexistent.
- (c) There were no quality controls in place when data from paper-based forms are entered into a computer at national level.
- (d) Programmatic reporting systems were weak, with incomplete forms, delays in submission at every level and no analysis undertaken.
- (e) There was no systematic national reporting on Multi- Drug Resistant / Extensive Drug Resistant (MDR/XDR) TB.
- (f) There was no functional feedback system.
- (g) Data analysis and consequent use especially at all levels was lacking

Recommendation 32 (Significant)

The TB Program should utilize to the extent possible the existing HIS data already collected by sectors. The TB Unit should also design a system for data validation and review of quality of paper-based data. The HMIS forms and system may be modified to incorporate information that is currently required by the TB Unit but not adequately captured by the HMIS.

158. A review of the data collection and reporting processes revealed some weaknesses which affected the results reported to the Global Fund in line with its performance based principle as detailed below:

- (a) A number of data collection forms have been developed and disseminated to facilities. However, these are inadequate in capturing MDR-XDR TB.

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- Programmatic linkages with SR in charge of capturing MDR-XDR TB need to be established;
- (b) Forms have just been introduced to facilities and staff have not been trained in their use. Staff need training before these forms can be effectively used;
 - (c) Data entry was manual and delinked from the new computerized facility based data entry program being developed by GRM under the HIV program;
 - (d) Though both TB and HIV are housed under the same unit, synergies for collaborative data aggregation and transmission are not harnessed despite the thin staffing levels. The new data entry form for HIV/AIDS M&E facility officer has untapped potential to cover TB data needs;
 - (e) Facility data capture was based in the environmental health department. The linkages between the clinic out and in patient records were not apparent. Consequently, data reported was inaccurate; and
 - (f) There was poor storage of reporting forms for review/ auditing purposes.

Recommendation 33 (Significant)

The data collection forms should be modified to capture the information above and staff should be trained in the use of these forms. The data collection system should be strengthened and ways of obtaining linkages with the HIV collection processes explored.

159. A review of the indicators and targets agreed for the Round 5 TB grant. There was a delay in starting the implementation of activities. Therefore many of the targets were unlikely to be met. The OIG review revealed the following:

- (a) The proposal to the Global Fund lacks clear indicators for the different activities. Indicators are based on WHO international standard guidelines. These were however being developed.
- (b) The work plan has not been clearly annualized and it was not clear how the activities would gradually link up to achieve the objectives;
- (c) *Outcome Indicator - Detection rate:* This was a critical indicator for measuring the National programme performance. The program baseline of 42% was an estimate. The National Programme M&E Officer feels it was too high. There was no current estimate of annual TB cases in the country to act as a denominator for this indicator. However, routine data forms capturing number of cases detected have been improved and circulated. There was a need to estimate the expected number of cases.
- (d) *Outcome Indicator – Treatment success rate:* This was another critical indicator for measuring the National programme performance. The baseline was also felt to be too high. The revised program data collection and reporting forms were adequate to capture this indicator if effectively applied. The current exercise of developing a national program data base will offer a good estimate of treatment success rates.
- (e) *Impact Indicator - Number of TB deaths reported to the NTBP per 100,000 population:* This was also a critical performance indicator for NTBP which was also unsupported. Current data forms would not be able to capture this information.

- (f) *Output indicator - Number of TB diagnostic centers rehabilitated:* This indicator can be captured. Only 6 centers need rehabilitation to ensure that all hospitals and health centers offer laboratory diagnosis.
- (g) *Output indicator - Number of laboratory personnel trained in smear microscopy and rapid HIV testing:* This is a commendable indicator for promoting TB/HIV collaboration. 378 staff are targeted for training but it might not be possible to raise this number. Expertise has been harnessed from the National Reference Laboratory (NRL).
- (h) *Output indicator - Number and percentage of TB diagnostic centers receiving QA quarterly supervisory visits:* This indicator is compound; in that it combines two targets of number and percentage; which may greatly differ and have different interpretations. Annual targets do not tie with the quarterly targets. The targets also do not have the percentage component. It is also not clear why all the 190 facilities are not targeted and why the key implementer is NTP/MOHCW rather than NRL.
- (i) *Output indicator - Number and percentage of TB diagnostic centers reporting no stock outs:* It will be difficult to capture this indicator from the current logistics reporting system of the NTBP. There were no anti- TB drugs available at the NatPharm (24 October 2008). Several stocking problems have been experienced at NatPharm. Current efforts by partners to ensure continuous anti- TB drugs availability have not yet been institutionalized. Stock outs for cotrimoxazole were frequent.
- (j) *Output indicator - Number of new smear positive cases detected:* Though this indicator is not tied to Global Fund Round 5, the targets set seem too low to cause an impact. This indicator is also vital for quantifying anti- TB drugs. The program recognizes this under estimate. Anti-TB drug stocks estimated to last more than 1 year could not last even one quarter. Forms to capture this information were adequate to provide monthly and district figures.
- (k) *Output indicator: Number and percentage of TB diagnostic centers provided with smear diagnostic reagents.* This information can be readily obtained from the current data forms. The targets for this indicator are far below the number of diagnostic centers supported by the Global Fund Round 5. They do not tally with other indicators. It was not clear how the other diagnostic centers will operate their laboratories.
- (l) *Output indicator: Number of community volunteers trained in use of Fixed Dose Combination according to National Guidelines:* RAPT (SR) is competent enough to provide this information as planned. The annual targets however do not tally with the cumulative quarterly targets especially in year two. It would also help program planning and evaluation if the geographical coverage of activities under this indicator is obtained.
- (m) *Output indicator: Percentage of districts using computers for data analysis:* This indicator refers to TB program data. Computers have been purchased

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but a lot of training is needed to capacitate analysis. Computer programming and optimal analysis levels need to be determined. Currently, there was no clear plan to computerize programme data. There is also a danger of creating many parallel systems. The national HMIS and HIV/AIDS programs are relatively advanced and thus offer a good opportunity for achieving the targets for this indicator efficiently and effectively. However, data quality within the HMIS will need to be improved.

- (n) *Output indicator: Number and percentage of smear positive successfully treated:* This programmatically important indicator can be captured using the available data forms and not directly tied to Global Fund Round 5. However, it seems ambitious and the delayed implementation of Global Fund funded activities was unlikely to meet the impact targeted in year 2.
- (o) *Output indicators: Number of motorcycles delivered to each district coordinator, Number of vehicles delivered to NTP, Number of bicycles delivered to rural health centers:* These indicators were likely to be met by ZACH (SR)
- (p) *Output indicators - Number of TB patients tested for HIV:* This is an essential indicator for the program. Existing data forms can routinely capture data for this indicator. It is tied to the Global Fund Round 5. The target assumes that there are an estimated 55,000 new TB patients per year. Achievement of targets will rely on availability of routine counseling and testing services at TB diagnostic centers. Guidelines for TB/HIV collaborative activities will be needed to prevent double counting between the HIV and TB programs and repeats.
- (q) *Output indicators: Number of HIV/TB patients receiving cotrimoxazole prophylaxis:* This indicator falls under the HIV proposal. Current requirements for cotrimoxazole prophylaxis are way above the targeted number and there was no data form to get this information. Widespread stock outs already exist.

Recommendation 34 (High)

The indicators and targets in the Global Fund performance frameworks for TB should be reviewed and updated. It is unlikely that the set targets will be met in the remaining implementation period. Compound targets should be revisited and the more favorable targets selected. The increased disease burden resulting from co-infection with HIV and TB (reported at 70%) highlights the need for better integration of health service planning and monitoring for the two diseases.

Sub-recipient management

SRs responsible for implementing HIV and TB under ZACH cover 41% of ZACH's HIV activities and 66% of ZACH's TB activities. However, at the time of the audit, none of these SRs had received any funds for implementation of activities.

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160. SRs responsible for implementing HIV and TB under ZACH cover 41% of ZACH's HIV activities but have received no funds. 66% of ZACH's TB activities are implemented through SRs but they too had received no funds at the time of the audit. US\$ 1,896,071 was still un-disbursed under the HIV Program. Out of this US\$ 1,313,970, was for the sub-recipients. Out of the US\$ 1,896,071 un-disbursed, an amount of US\$ 582,101 was for implementation of activities by ZACH.

161. The sub-recipient grant agreements were signed in April 2008 which was well beyond the date indicated as the terminal date of 1 April 2007 and was also over a year after signing of the grant agreement. The grant agreement was based on the grant agreement signed with the Global Fund and did not properly articulate how grants to SRs will be managed. The findings from the assessments undertaken were not included in the SR grant agreements as pre-conditions to disbursement. The agreements signed with the SRs were also found to be lacking in:

- (a) Stipulating policies and procedures that are mandatory in the management of the Global Fund grants;
- (b) Work plans and budgets of the SR not attached;
- (c) The targets that each SR is to meet were also not specified;
- (d) Description of the activities to be undertaken by the SR was not provided.
- (e) The modality for disbursing money to SRs was not included in the contracts.
- (f) The amount that an SR will be allowed to access was not covered
- (g) The duration of the contract was not given.
- (h) There was no clause for arbitration.

162. ZACH in compliance to the grant agreement contracted EY to assess its SRs. The assessments were undertaken against the Global Fund assessment templates. Most of the SRs were classified as high risk calling for the PR to closely monitor them. A review of the SR assessments performed by Ernst & Young on the request of ZACH revealed that the recommendations across all SRs were generic showing a lack of depth in the assessments undertaken. The SRs complained that they were not provided with the reports for implementation of recommendations. There was no effort by the PR to implement or follow up the implementation of the recommendations.

Recommendation 35 (Requires attention)

ZACH should prepare addenda to the SR; to include all the omitted aspects indicated above. ZACH should disburse funds to SRs so program implementation can start. ZACH should adopt the procedures suggested by EY for the effective management of Global Fund programs.

163. There was no evidence seen of the establishment of systems, policies and procedures to manage the grants that will be implemented through the SRs. No disbursement had been effected to any of the SRs since the grant started operation. There were no grant management policies and procedures developed to manage SRs. There were no policies in place that cover:

- (a) Roles and responsibilities of PRs and the respective SRs;
- (b) Receipt and maintenance of the Global Fund money;
- (c) How disbursements will be effected;
- (d) Acquittal of monies advanced;
- (e) Acceptable book keeping accounting for Global Fund purposes;

- (f) Type of records to maintain;
- (g) Audit arrangements;
- (h) Reporting requirements;
- (i) How programs will be supervised and monitored; and
- (j) Procurement policies.

164. The OIG noted that ZACH was challenged in managing its relationship with the MOHCW. MOHCW as the regulator for TB was not comfortable reporting to a Non Governmental Organization. This was reflected in:

- (a) The recruitment process for TB staff stalling after MOHCW insisted they should have been consulted in the recruitment process. Once staff were recruited, the Ministry insisted that the staff should be based at the TB Unit. This delayed the whole recruitment process with staff only coming on board in August 2008 some 18 months after the program started.
- (b) In another instance where the MOHCW insisted that a photocopier procured for BRTI be placed at the Ministry. ZACH informed BRTI that the photocopier had been sent to the Ministry.
- (c) Motorcycles were procured for the TB program and at the time of the audit had been stored at ZACH for over three months due to disagreements between the two parties about who was responsible for registration of the motorcycles.

Recommendation 36 (Requires attention)

ZACH should establish and implement comprehensive and complete grant management procedures that cover all areas of grant management for the SRs.

Recommendation 37 (High)

The impracticality of a regulator (MOHCW) reporting as an SR to a regulated party ZACH (PR) should be revisited at the level of CCM. The results of this review should be used to improve the TB Program set-up under Phase 2 and Round 8.

Recommendation 38 (Significant)

In addition to the organizational review mentioned above ZACH should also establish detailed and systematic follow-up procedures for dealing with the matters relating to SRs.

Procurement and logistics management

165. ZACH does not have a suitably qualified person acting as the dedicated procurement officer. The administrative assistant works as the procurement officer and OIG's review of her qualifications indicated that she neither has appropriate procurement experience nor adequate qualifications.

166. An agreement was signed between ZACH and the NatPharm and Crown Agents Consortium on 7 May 2007. The agreement was for the provision of Procurement and Supply chain Management Services for the purchase of goods and services in support of the Global Fund Grant for the Prevention of HIV, Malaria and Tuberculosis.

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167. The OIG reviewed the agreement and observed some weaknesses that would need to be remedied:

- (a) There was no provision for the Consortium to verify and inspect the goods on arrival in the country to ensure that the goods delivered matched the items ordered;
- (b) The agreement did not clearly provide for distribution of goods beyond the 'final destination' in the supply contract; and
- (c) The agreement stated that the Consortium should ensure value for money for the Principal Recipient in all its procurements. OIG's review of the procurement process indicated some cases where it was questionable whether value-for-money had been obtained for ZACH by the Consortium. Specific examples included purchase of sample bicycles, and the selection of bidders other than those offering the lowest cost for double-cabin vehicles.

Recommendation 39 (Significant)

ZACH should recruit a fully qualified person to handle procurement and in particular for Global Fund programs.

Recommendation 40 (Significant)

ZACH should review the contract with the Procurement Consortium and prepare an addendum to strengthen the weak areas of the contract. In addition, ZACH should enforce the specific covenants of the agreement with the Procurement Consortium to ensure the compliance by the Consortium.

168. The OIG reviewed a sample of procurements to assess if value for money was obtained. The following paragraphs note the exceptions observed with some of the procurements reviewed. A review of the evaluation report of the procurement of the 4X4 double cabin six-seater vehicles and 4X4 hardtop vehicles revealed the following:

- (a) Requests for quotation were issued on 27 June 2007 and bids were to be submitted by 11 July 2007. An email was sent from ZACH to the Consortium on 22 June 2007 indicating a preference for Toyota vehicles. This already provided a bias as to the type of vehicle that was to be procured.
- (b) An evaluation was prepared on 17 July 2007 and for the 4X4 6 seater double cabs; Toyota Gibraltar was selected as the supplier of choice at a total price of US\$ 314,795.88 for 12 vehicles. Kjaer Group supplying Nissan Hardbody had quoted US\$ 218,087.04 for the 12 vehicles. Nissan Hardbody was eliminated because it had limited legroom, low ground clearance, lower tank capacity than Toyota. It was also noted that Nissan vehicles are not suitable for rough terrain. However, the reasons provided for the disqualification of Nissan were not factors drawn to attention in the technical specifications of the RFP.
- (c) The evaluation prepared on the same date for the 4X4 hardtop vehicles. Toyota Gibraltar was selected as the vehicle of choice at a total price of US\$

291,330.10 for 10 vehicles. Bukkehave Europe offered to supply 10 Mitsubishi L200 Pickups at a total of US\$ 201,649.60. The Mitsubishi was eliminated because of limited legroom and payload, low ground clearance, and tank capacity of 75 litres compared to the 2 X 90 litres for Toyota. In addition, it was noted that Mitsubishi vehicles are not suitable for Zimbabwe terrain and spares for Mitsubishi are scarce locally. However, the reasons provided for the disqualification of Mitsubishi were not factors drawn to attention in the technical specifications of the RFP.

- (d) It was noted in the evaluation report that Crown Agents had successfully negotiated Toyota Gibraltar from US\$ 669,555 to US\$ 606,125.98. However the invoice amount later increased by US\$ 37,547.5 to US\$ 643,673.48 based on a new invoice from Gibraltar dated 24 July 2007.

169. The OIG review revealed the supply of two sample bicycles from Avon where value for money was not obtained for ZACH. Two bicycles costing a total of US\$ 72.00 were ordered from Avon cycles but the air freight for the two bicycles was US\$ 950 i.e. over 10 times the cost of both bicycles. The cost of reassembling them was an additional US\$ 30.00.

170. ZACH had not asked for a reconciliation of funds remitted to Crown Agents after the end of the procurement. At the date of the audit, orders worth US\$ 594,991.01 had been completed for the TB Program. However there was no evidence that the amounts had been fully reconciled with Crown Agents.

Recommendation 41 (Significant)

The PC should ensure that procurement best practice is practiced in the procurement of all products in order to ensure that value for money is obtained for all procurements.

Concluding observations

171. The MOHCW has been identified as a PR under Round 8. During the transition between Phase 1 to Phase 2, the MOHCW TB unit should be considered as PR. This will enhance the transition and handover process between Round 5 and Round 8.

172. For this to be achieved, however, there has to be capacity building for the TB Unit in the area of Financial Management, Procurement and Supply Management; SR Management and Administration. In addition, the TB Unit is understaffed; most of the staff left the Ministry positions for the Global Fund positions under the TB Program. This too would have to be rectified to enhance the sustainability and continuity of the Programs.

Ministry of Health and Child Welfare

Background

173. The Ministry of Health and Child Welfare (MOHCW) is the PR for the Malaria Grant No. Zim-506-G06-M. It operates within the functions mandated to the Minister of Health and Child Welfare [Hand Book on the Functions of the Minister of Health and Child Welfare; March 1993] as well as the provisions of the Public Health Act (Chapter 15:09).

174. According to the old Ministry structure, which was used at the time of negotiating the grant, the Ministry is headed by the Minister of Health and Child Welfare (The Minister). The Secretary for Health (Permanent Secretary) who reports to the Minister is the Ministry Accounting Officer. He is supported by three directors i.e. the Directors for Technical Support, Policy and Planning and Finance. Under the new structure the Secretary for Health is directly supported by two principal directors, Curative Services, Preventive Services and Policy Planning, Monitoring and Evaluation. The National Malaria Control Programme (NMCP) which is directly responsible for implementing the Global Fund program falls under the Directorate of Preventive Services. The program is managed by the National Epidemiology and Disease Control Coordinator, who is responsible for the day-to-day co-ordination of the Malaria Control Programme.

175. The MOHCW signed the Grant Agreement with the Global Fund for the Malaria Programme on 13 December 2006. The NMCP implements the grant to make Artemisinin-based Combination Therapy (ACT) available for the treatment of malaria in 51 Districts in Zimbabwe. The grant commenced on 01 October 2007 and ends on 30 September 2009.

| Narration | US\$ | Percentage |
|---|-------------|-------------------|
| Total budget for Phase 1 | 20,121,670 | 100 |
| Funds received to date | 6,798,371 | 34 |
| Funds spent to date as a percentage of budget | 4,545,860 | 23 |
| Funds spent to date as a percentage of receipts | 4,545,860 | 67 |
| Balance at bank [without interest] at 6.11.2008 | 2,252,511 | |
| Interest received to date | 338,788 | |

Table 13: Funds flow status (Source: NMCP records)

Achievements and challenges

MOHCW has achieved success in the implementation of program activities despite the challenges of the country context and the inaccessibility of foreign and local currency.

176. Whilst the Programme experienced several challenges, management registered some achievements. All staff required in the detailed implementation plan had been recruited at the time of the audit. The Information, Education and

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Communication Officer was recruited in October 2008 and had reported to work by 27 October 2008. The rest of the officers namely the Epidemiologist, Finance & Administration Officer, Monitoring & Evaluation Officer, Vector Control Officer and Secretary had been recruited earlier.

177. Agreements were signed between MOHCW and SRs namely Medicines Control Association of Zimbabwe (MCAZ), Zimbabwe National Quality Assurance Programme (ZINQAP), Population Services International (PSI) and Zimbabwe Association of Church Related Hospitals (ZACH). A disbursement of US\$ 63,416 was made to PSI for the implementation of social marketing activities (advocacy) although activities were not undertaken since the funds were not released by the RBZ.

178. ACTs and RDTs for year 1 of Phase 1 were procured through World Health Organization. 72% of the drugs had been distributed to the districts by NatPharm. Microscopes, laptops, desktop computer and printers have been procured through the PC. Training of Trainers was carried out at Provincial level for 487 Trainers with support from development partners like UNICEF and WHO. The total targeted number of trainees to roll out the new Malaria treatment policy according to the Epidemiologist was 27,000 although the work plan showed only 6,830.

179. The annual malaria conference as scheduled in the work plan was successfully organized in early September 2008 and a draft malaria strategy plan for the period 2008 to 2012 was presented by the NMCP for discussion and feedback from stakeholders.

180. The NMCP received financial support from development partners particularly the World Health Organization (WHO) and UNICEF to train trainers for VCT and RDTs in various provinces in the Country. The NMCP made commendable effort in securing this assistance from the development partners. The support registered 487 trainees as noted above.

181. However, MOCHW's achievement of results had been curtailed by:

- (e) Inaccessibility by NMCP and its SRs to local currency and foreign currency.
- (f) Delays in preparing and finalizing the procurement and supply management plan which was a condition precedent to disbursement of funds for procurement by the Global Fund;
- (g) Delays by senior management of MOHCW in resolving the leadership problem within the NMCP;
- (h) High staff turnover within the Ministry leading to weakened oversight structures;
- (i) Low morale of the NMCP staff in light of the delayed salary payments and the hyper-inflationary environment in the country; and
- (j) The use of two inconsistent treatment policies for Malaria compounded by inadequate training on the new policies.

Strengthening grant management

Institutional aspects

The organizational structure of the Ministry has been undergoing restructuring over the past seven years. However, there was confusion within the Ministry on which structure was in operation with certain officials referring to the positions in the old structure and others using positions in the new structure. The officer recruited to manage the NMCP had not taken up his responsibility at the time of the audit.

182. In 2001, the MOHCW completed a restructuring process, which led to the reorganization of its institutional functions. This followed recommendations from the review conducted by the Commission on Health, adopted by Government in 1999. In 2007, another restructuring exercise was carried out and a new structure proposed. No documentary evidence was available to confirm approval of the 2007 revised structure although it was already being implemented.

183. At the time of the OIG's review there was confusion within the Ministry on which structure was in operation with certain officials referring to the positions in the old structure and others using positions in the new structure. For example the Manager for NMCP was also referred to as the Epidemiology and Disease Control Coordinator (EDCC), a position that was contained in the old Structure but does not exist in the New Structure. Moreover, the EDCC (in the old structure) was meant to supervise the NMCP. This created a lack of clarity in roles and responsibilities as well as vague reporting lines, which all weakened the supervisory functions of the Global Fund program within the Ministry.

184. According to Programme management and the documentation reviewed, the Senior Management Team of the Ministry meets to review performance of various activities within the mandate of the Ministry. The meetings were noted to be irregular with the most recent meeting held in June 2008. There was also no evidence from the minutes to show that there was a review of Global Fund activities; although they represent a significant contribution to the Health sector. This shows that there had been inadequate oversight over the performance of the Global Fund grants within the Ministry.

185. At the time of signing the grant agreement, the Epidemiology and Disease Control Coordinator (EDCC) was appointed as the acting Manager for the Grant pending recruitment of a substantive Manager. In September 2007, the Manager for the NMCP also referred to as the Epidemiologist was recruited. The Epidemiologist's job description required him to head the NMCP as the Manager. However the handover of responsibilities from the EDCC did not happen. The EDCC also supervised four other units and the multiple roles and responsibilities created a heavy work load on her. This suggests that the time allocated to the Global Fund matters was inadequate this negatively impacted the effectiveness of grant management within the Ministry. This inadequate attention and time for proper prioritization and implementation of programme activities contributed, among other aspects, to the weak performance of the program.

Recommendation 42 (High)

The organizational structure of the Ministry should be communicated to the Ministry staff. Deployment of staff should be enforced and all staff assigned duties should be provided with a detailed description of their roles and responsibilities. The Manager for the NMCP should be allowed to perform his duties to ensure effective performance of the Programme. The Manager NMCP [and TB Unit] should be invited at the SMT meetings to update senior management on the progress of the Global Fund activities.

186. The focal person of the Global Fund programs at the MOHCW is the Deputy Director, Epidemiology and Disease Control. The NMCP reports to this office. The focal person has not been provided with clear and documented roles and responsibilities of what his role would typically entail to allow effective performance of his role. There was no evidence of anyone undertaking this important oversight role.

187. Review of documentation revealed that there had been conflict between the deputy director and the NMCP programme manager in the recent past which culminated into a management inquiry in February 2008. From the inquiry, there was a clear indication that the Global Fund activities were significantly affected by the poor working relationships among staff. There was also a lack of willingness to resolve the conflicts. The inquiry recommended that the programme manager be transferred to the post of Provincial Epidemiology Disease Control Officer, Mashonaland Central. The transfer had not taken place at the time of the audit. At the close of the audit, the OIG was informed that the Epidemiologist would take up office as the manager in charge of the Global Fund Malaria program.

Recommendation 43 (High)

The MOHCW senior management should ensure that a dedicated manager is identified for the NMCP to lead the programme team. Clear SoPs for programme management and ToRs for the focal person of The Global Fund should be developed and documented by NMCP management. Recommendations from inquiries on work-related conflicts should be implemented in a timely manner.

188. The MOHCW had developed a draft human resources policy document. However, this document was not specific for the running of the activities of the NMCP. It applied to the running of the mainstream activities of the MOHCW. The lack of specific guidance has led to some of the misunderstandings amongst staff thus leading to inefficiencies in the running of the NMCP.

Recommendation 44 (Requires attention)

A Human resources policies and procedures manual is a reference document in the management of the human resource. It shows clearly how staff should relate amongst themselves, how they should be treated by management, the work related benefits that they are entitled to, the appropriate method of resolving internal conflicts, the method of appraising staff and other employee related elements. The document allows management transparency in their relationship with staff. It is therefore important that a human resources policies and procedures manual is developed by NMCP management to allow for more effective and efficient employee-employer relationships.

189. The process of recruitment of the IEC Officer for NMCP was completed late. Also, the current staffing level in the NMCP M&E function is not adequate for the efficient monitoring of programme performance. The insufficient number of staff in the M&E function has affected the ability of the NMCP to perform its functions country-wide on a timely basis particularly in the effort to gather relevant information. The absence of dedicated vehicle drivers for the NMCP has also compounded the problem since the NMCP Officers use the services of the MOHCW drivers. Usage of vehicles for M&E activities depends on the availability of drivers from the MOHCW driver pool.

Recommendation 45 (Requires attention)

NMCP management should review the current staffing within the M&E function with the view of improving performance. The requirement for drivers dedicated to the NMCP should be discussed with senior management of the MOHCW with the view to achieving programme targets in the planned time.

190. The Internal Audit Department within the Ministry is headed by The Chief Internal Auditor who is a Certified Internal Auditor (CIA) with extensive experience in this field. The Internal Audit function has 16 staff [2 based in Bulawayo and 14 based at head office in Harare] who are responsible for the audit of 15 Provinces. The Department carries out audits in 6 Provinces annually. There was a record of some reports recently prepared by the IA department on work done under the appropriation account activities. Review of the Internal Audit Department, as a key oversight function in proving assurance over the adequacy and effectiveness of the controls to manage programmes, revealed the following areas that require strengthening.

191. As at the time of this audit in October 2008, no work had been done by the Internal Audit on the Global Fund activities implemented by the Ministry. The CIA submitted, on 4 October 2007, a budget support request of US\$ 42,400 to the Office of the Permanent Secretary to enable the department carry out internal audit work on Global Fund activities. At the time of this audit, no written response had been provided to the CIA. This represents inadequate effort by senior management to enforce monitoring and oversight functions within the Ministry, which impacts on programme performance.

192. Whilst the Internal Audit function has been established and functional within the Ministry, its independence and effectiveness is currently compromised by the lack of an Internal Audit Committee. The CIA reports to the Permanent Secretary who is the Chief Executive of the Ministry and, therefore, responsible for implementation of the Ministerial Policies and Programmes. Best practice requires that the CIA administratively report to the PS and functionally reports to an established Internal Audit Committee. OIG understand that the Public Finance Management Bill 2004 has already proposed the creation of such a Committee. Early adoption of the proposal would in this case be encouraged.

193. The current Internal Audit Charter is inadequate in providing for and communicating the required mandate of the Internal Audit Function within the Ministry. As minimum the following should be incorporated to make it more effective:

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- (a) Defining the rationale of the Charter
- (b) Authority and independence of the Internal Auditor
- (c) Role and objective of Internal Audit
- (d) Well defined responsibilities including committees
- (e) Audit programme
- (f) Audit methodology and reporting
- (g) Audit standards and quality assurance

194. The Internal Audit process should be driven by a well developed risk profile which responds to the existing risks to which the Ministry's activities are exposed. The last risk assessment exercise was carried out in 2001. Since then, the Ministry has experienced several changes including the implementation of various programmes. The current work performed by the IA department, especially taking into account the understaffing, may not adequately respond to the high risk areas.

195. Whilst the IA department has managed to retain some senior staff, which is commendable, there is no documented plan for continuous professional development. Additionally, the department is currently under staffed with limited personnel to effectively cover the audit areas. Additional work on the Global Funds programme would create additional pressure in the department.

Recommendation 46 (Requires attention)

- (a) *The Ministry should expedite the process of creating an Internal Audit Committee within the Ministry to strengthen the IA function. The current Internal Audit Charter should be reviewed to incorporate best practice. The Internal Audit work should be risk based; as such the department should, as a matter of priority, develop a risk profile for the Ministry to ensure effective service delivery particularly with the current level of staffing. The Ministry should review the current financial budget of the IA function and make appropriate proposals to development partners and the Government of Zimbabwe-through the appropriation account for technical and financial assistance to improve performance levels within the department.*
- (b) *The current state of the Internal Audit function within the Ministry requires significant support to ensure adequate coverage of the current and envisaged scale up of the workload. Until the department has been supported to the expected minimum standard, the CCM should consider outsourcing the Internal Audit function for all Global Fund grants to ensure effective coverage of risk.*

196. The MOHCW is required to confirm the external audit arrangements within the first six months of the programme implementation. At the time of this audit the Ministry had not made any arrangements for the audit for year 1. The terms of reference for the audit had also not been submitted to the LFA for review and subsequent approval by the Global Fund. This is in contravention of the grant agreement.

197. The Global Fund programmes are implemented within the general systems and structures of the Ministry. This implies that the status of such systems and structures would inherently affect the performance of the Global Fund grants. Review

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of the audit report issued by the CAG revealed certain weaknesses that have remained unresolved for a long period of time and which form part of the environment in which the grants are implemented. The key weaknesses included:

- (a) failure to update the fixed assets register at both head office and province levels, which represents inadequate accountability for government fixed assets,
- (b) weak controls over the management of advances with several provinces failing to submit annual returns on various advances, and
- (c) lack of bank reconciliation statements for several months including the reporting month of December.

Recommendation 47 (Requires attention)

The Programme management should prepare and submit the audit plan to the LFA for approval. Appropriate assessment should be made on whether the audit should be carried by the Office of the Comptroller and Auditor General or a private firm with due regard to efficiency and effectiveness. Senior management should follow up on the recommendations made by the CAG with the view of improving internal controls within the Ministry.

198. There was no evidence of effective engagement with Kingdom Bank by NMCP management to secure quick recovery of funds particularly where instructions to transfer funds were not honored by the Bank for a very long period of time. This left staff salaries for August, September and October unpaid as at 1 November 2008. NAC which banks with the same bank was able to access its funds.

Recommendation 48 (Significant)

In future, NMCP management should deploy a more aggressive and engaging approach with their bankers to ensure better results. This would include documentation of all meetings held with the bank officials and letters written as a demonstration of such efforts.

199. Discussion with the various stakeholders revealed that the Ministry takes a long time to respond to queries or requests that require action. This weakness leads to substantial delays on executing activities. An example is the time the Ministry takes to respond to PC communications relating to procurements is very long and this delays the entire procurement process.

Recommendation 49 (Requires attention)

The MOHCW should develop and implement a communications policy. NMCP management should work on setting up an effective internet connection.

Compliance

There were some instances noted of MOHCW's non compliance with the Global Fund grant agreement and applicable country laws. MOHCW should comply with the grant conditions and applicable country laws. This will ensure that the conditions put in place to safeguard the Global Fund assets are operational and therefore reduce the risks that Global Fund money is exposed to.

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200. The PR is obliged to report to Global Fund every quarter within 45 days after the close of the quarter. A review of the reporting in accordance with the agreement under Round 5 revealed that the reports were sometimes submitted late. Details are shown in the table below:

| Quarter Period Reported | Seen (Y/N) | Signed (Y/N) | Submission date / delay period (days) | Evidence of submission to LFA/Global Fund | Comment |
|--------------------------------|-------------------|---------------------|--|--|----------------|
| 1.10.07-31.12.07 | Y | Y | 9.4.08 / 54 days | Seen | Late reporting |
| 1.01.08-31.3.08 | Y | Y | 26.6.08 / 41 days | Seen | Late reporting |
| 1.04.08-30.6.08 | Y | Y | 22.8.08 / 7 days | Not seen | Late reporting |
| 1.7.08-30.9.08 | N | N/A | N/A | N/A | N/A |

Table 14: Status of submission of quarterly reports (Source: NMCP records)

Recommendation 50 (Requires attention)

NMCP management should ensure that reporting timelines are properly communicated to staff, followed through and met. This will facilitate timely and informed decision making at the Global Fund.

201. For the period January to October 2008, the NMCP did not remit PAYE to ZIMRA or contributions towards NSSA for the staff welfare. The estimated liability of the NMCP to ZIMRA is over US\$ 40,000.

Recommendation 51 (High)

The management of NMCP should compute the unremitted contribution to NSSA. Management should propose a plan to ZIMRA to settle the PAYE liability over a specified time. This would protect the reputation of the Global Fund programmes in Zimbabwe and the MOHCW. It should be noted that non-compliance with the laws of Zimbabwe translates into non-compliance with the grant agreement.

202. The M&E and PSM plans for NMCP were in draft and had not yet been finalized at the date of the audit in October 2008. It should be noted that the finalization, approval and submission of these plans to the Global Fund was set as a condition precedent in the grant agreement. The M&E plan had been drafted by 29 July 2008 along with the M&E systems self assessment tool checklist while the PSM plan draft was ready by 29 September 2008. The due date for completion of these documents was 1 May 2007 according to the grant agreement.

Recommendation 52 (Significant)

NMCP management should expedite the process of completing the M&E and PSM Plans. The LFA should also supervise closely the PR to ensure timely completion of such key documents.

Financial management

The financial environment within which Global Fund programs are implemented was weakened by the lack of comprehensive financial policies and procedures, lack of effective management oversight, ineffective controls over fuel coupons, etc. The weak control environment exposed Global Fund resources managed by MOHCW to risk.

203. The finance department of the MOHCW, which oversees the financial activities of the NMCP, uses the Treasury Instructions document issued on 1 July 1996 as the guide to the management of financial information and processing of financial transactions. The NMCP did not have tailored financial policies and procedures specific to the management of the funds received from the Global Fund leading to weak and unclear procedures. There was a likelihood that some of the required financial information for reporting purposes might not be properly represented in the financial records of the NMCP. There were no standard operating procedures (SoPs) developed for the management of the Malaria grant.

204. The NMCP management had not developed internal guidelines to guide staff on how to deal with the current hyper-inflationary environment in Zimbabwe. Staff may also not be familiar with the new economic policies which further impacts on their ability to operate effectively and in compliance with the latest legislation.

Recommendation 53 (Significant)

A financial policies and procedures manual is a document that stipulates the management of financial transactions and the processing of financial information in an organization. It guides the preparer of financial information on the required documents for reporting purposes, the process of flow of funds, the management of cash and safeguard of other assets, the approval limits for various levels of management, the way of tracking the specific reporting requirements of the Global Fund. It is thus important that the management of the NMCP retains the services of a financial consultant to prepare a financial policies and procedures manual for use in the day to day running of the programme activities.

205. No guidelines have been developed for setting per-diem rates and accounting for the advances. US\$ 7,465 (cash) was issued to participants at the annual malaria conference held at Kariba in early September 2008. Each participant received US\$ 15 per day (for 5 days) and US\$ 25 for travel allowance to the venue for all the days. There was no documented evidence that these rates were approved by an appropriate level of senior management. The participants signed on a document to acknowledge receipt of the money but did not present accountability [activity reports] to prove that they actually attended the conference. There is a risk of financial loss in the event that per-diem is issued to officers who do not actually attend the intended activity.

Recommendation 54 (Significant)

NMCP management should develop guidelines that clearly show the per-diem rates and other allowances for given activities, the basis for adjustment of these rates where required and the required procedure for issue, approval and accountability for the funds by recipients.

206. The existing procedures used at the NMCP for payment approval are excessively bureaucratic and prevent swift processing of financial transactions. Before any payment is made, a requisition raised by the finance officer has to be reviewed by the programme manager, NMCP; the deputy director, epidemiology and disease control (mainstream MOHCW staff); the principal director, preventive services (mainstream MOHCW staff) then the finance director (mainstream MOHCW staff) before it is sent to the Chief Accountant in charge of Expenditure (mainstream MOHCW staff) then to the Aid Section in the MOHCW Accounts department which processes the payment. The absence of any of the key authorities would make it difficult to process payment expeditiously and thus stifle the implementation of programme activities.

Recommendation 55 (Significant)

The management of NMCP should liaise with the senior management of MOHCW to agree on a more reasonable procedure for approval of payment which retains the control environment but also supports the Global Fund principle of rapid disbursement. Authority for the change in procedure should be properly documented in the financial policies and procedures manual and shared with the concerned parties.

207. There was no record or evidence that monthly reports (including bank reconciliation statements and management accounts) showing grant financial results, budget to actual performance reports, the cash book, quarterly cash forecasts were reviewed and approved by NMCP management or the focal person for the Global Fund. All these reports were prepared by the finance officer of NMCP.

Recommendation 56 (Requires attention)

Review, by management, of reports and documents prepared by the finance officer, is a control mechanism which would ensure that errors, omissions, misrepresentations of financial results are identified and corrected on a timely basis. It also ensures that reports sent to the Global Fund are reliable. It allows for informed decision making at all levels. The Programme Manager should spearhead the timely review and approval (by way of appending a signature) of all documents and reports prepared by the finance officer regarding the activities of the Global Fund. These reports should also be forwarded to the focal person for the Global Fund for review, comments and approval before finalization.

208. At the time of the audit, 11 laptops, 1 desktop computer and 6 printers procured by NMCP had not been distributed. The equipment was kept in the strong room yet some project officers e.g. the Epidemiologist were using their own laptops for programme activities. Also, procured microscopes for distribution to programme recipients were at NatPharm with no sign of any progress in distributing them. This represents a lack of urgency in implementing activities. It is also an indicator that the NMCP lacks a dedicated officer to monitor results in all activity areas. This situation is mainly attributed to the fact that the recruited manager for the NMCP (also the Epidemiologist) had not been allowed to take on the manager role.

Recommendation 57 (Significant)

Programme equipment should be put to use for intended activities as soon as procured. Senior management of the MOHCW should seek for timely accountability for implementation of programme activities. This would assist in identifying and resolving implementation bottlenecks in a timely manner.

209. The processing of financial transactions and accounting information for NMCP is done using Microsoft Excel spreadsheets. The MS Excel spreadsheets used for processing of information are susceptible to manipulation. The reliability of financial information for decision making is compromised since there are no controls on modification of final reports. In addition, the current management information system does not link financial and programmatic information in a systematic manner.

210. There was no evidence that the laptop used by the finance officer of the NMCP to process and store Programme financial information was owned by the Ministry. Additionally, there was no evidence that any back-ups for the financial information relating to activities under Round 5 were maintained. This increases the risk of loss of key financial records in the event that the laptop crashes or is stolen.

Recommendation 58 (Significant)

A computerized accounting system ensures the processing of financial information with a proper audit trail. The system also provides the preparer of financial reports with a more user friendly, accurate, reliable and effective interface for creating, storing, retrieving and accessing financial information for programme activities. Therefore, management of NMCP should ensure that it acquires an accounting and management information software for use during processing of financial transactions and to capture programmatic aspects. The existing integrated financial management system at the MOHCW should be evaluated for possible adoption.

Recommendation 59 (Requires attention)

Back up of financial information is a key control feature that protects an organization from any disaster and ensures data safety. Financial information is kept on external drives or flash disks with copies kept away from the premises where the information processing was done. NMCP management should ensure that this is done as soon as possible. All Programme information should be kept on Ministry owned devices.

211. The current filing and record maintenance system used in the finance office of the NMCP exposes the grant to the risk of loss of institutional memory. Documents were scattered all over the office and in various files which made it hard to access financial information. For example, there was no copy of the grant agreement between the MOHCW and the Global Fund on file.

Recommendation 60 (Requires attention)

A good filing and record maintenance system is fundamental to the management of grant information. An effective system ensures ease in accessing records when required for decision making. It also adds to the quality and reliability of information. Therefore, management should work hand in hand with the finance officer to create a filing system that allows easy access to and custody of documents.

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212. The current system for the usage and management of fuel coupons is prone to abuse and could lead to financial loss to the NMCP and the Global Fund. There was poor documentation on acquittal reports from provinces which do not consistently track mileage covered by the vehicles. No activity reports were attached to the acquittal reports as evidence that fuel was genuinely used to complete a given activity.

213. The MOHCW uses the Integrated Transport & Logistics policy document to manage the fleet of vehicles for the Ministry. This policy document was not tailored to cater for the specific requirements under the Global Fund sponsored NMCP. There is likelihood that financial loss might occur resulting from the misuse of the Global Fund procured vehicles.

Recommendation 61 (Requires attention)

A fleet management policies and procedures manual is a reference document that provides guidance on the usage, maintenance, allocation, safeguard of vehicles. It supports the institution in attaining the most appropriate use of its fleet of vehicles to achieve programme objectives and targets. The manual provides a basis for management to make decisions on the usage of fuel per vehicle, the determination of the appropriate fuel usage per kilometer. This creates increased accountability and responsibility among staff and other levels of management. In line with that, management of NMCP should ensure that a comprehensive fleet management policies and procedures manual is created for consistent use during programme activities.

214. The book kept at the NMCP finance office and used to track the issue of fuel coupons did not indicate evidence of approval by senior management of the issue of fuel coupons to the end recipients. It was not easy to ascertain that all fuel coupons issued (worth about 39,850 litres of petrol and diesel) had been authorized by an appropriate senior staff member. This also tracked the sequence numbers of the fuel coupons. However, we found some inconsistencies in the sequence of numbers recorded on some dates in the book as shown below.

| Date of issue | Recipient | Litres issued | Sequence | Comment |
|---------------|---------------------------|---------------|--------------------------|-----------------------|
| 11.01.2008 | Funtahirwa C., Manicaland | 2,000 | 1000866405 to 1000866484 | |
| 16.01.2008 | Mr. Machaka, head office | 100 | 1000866485 to 1000866488 | In line with sequence |
| 15.01.2008 | Dr. Ndwini, PMD Mat North | 2,500 | 1000866501 to 1000866600 | Break in sequence |
| 16.01.2008 | Dr. Mhlanga, head office | 50 | 1000866489 to 1000866490 | Break in sequence |

Table 15: Usage of fuel coupons (Source: NMCP records)

215. There were fuel coupons issued to the programme manager, NMCP for administration. It was not clear whether the activities to be carried out under administration had been agreed at the point of issue of the coupons. There was also no evidence that a senior management official approved the issue of the coupons to the programme manager before they were given out. It was also questionable what

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administration activities were being undertaken at a time when no program activities were underway.

216. The programme manager, NMCP received about 4,500 litres worth of fuel coupons for various activities under Round 5 between January and September 2008. 1,300 litres were for administration activities. There was no documented evidence of accountability by the manager for the usage of this fuel indicating which programme activities were carried out and completed. It was therefore difficult to ascertain whether the fuel was used wholly on programme activities as defined in the detailed implementation plan for Round 5.

217. The pattern of issuance of fuel to the programme manager was inconsistent on some of the dates recorded in the fuel book. The record indicated that the programme manager sometimes received fuel two times in the same week for different activities without presenting accountability for the completion of previous activities.

218. The Ministry officials stated in the table below received fuel to attend the Annual Malaria Conference held Early September 2008. However, the basis for the allocation of the fuel was not documented by NMCP finance office to determine reasonableness of resource utilization.

| Date | Officer | Litres received |
|-----------|----------------|-----------------|
| 8/27/2008 | Dr Manangazira | 150 |
| 8/28/2008 | Dr Mhlanga | 150 |
| 8/28/2008 | Dr Midzi | 125 |
| 8/28/2008 | Dr Chirenda | 100 |
| 8/28/2008 | Ms Chasokela | 125 |
| 8/31/2008 | Mr Majada | 150 |

Table 16: Fuel allocation (Source: NMCP records)

219. The following activities, which received fuel under the Malaria grant, were not eligible for fuel under the Round 5 Detailed Implementation Plan (DIP). There was also no evidence of approval for the usage of fuel for these un-planned activities. As a result, some of the targeted activities might not be achieved as a result of diversion of resources, which would affect the level of performance of the NMCP on other activities in the DIP.

| Date | Fuel coupon received | Activity | Litres |
|-------------|----------------------|---|--------|
| 4/15/2008 | Mr Hamandishe | Administration - R8 proposal writing | 50 |
| 4/15/2008 | Dr Manangazira | IEC Campaign - River of life expedition | 500 |
| 4/30/2008 | Dr Mberikunashe | Administration - R8 proposal writing | 50 |
| 6/10/2008 | Dr Mberikunashe | Administration - R8 proposal writing | 50 |
| 6/12/2008 | Dr Manangazira | Administration - R8 proposal writing | 50 |
| 6/17/2008 | Dr Mberikunashe | Administration - R8 proposal writing | 50 |
| 6/18/2008 | Mr Hamandishe | Administration - R8 proposal writing | 50 |
| 6/23/2008 | Dr Mberikunashe | Administration - R8 proposal writing | 50 |
| 6/25/2008 | Dr Mberikunashe | Administration - R8 proposal writing | 50 |
| 30./06/2008 | Dr Mberikunashe | Administration - R8 proposal | 50 |

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| | | | |
|-----------|-----------------|------------------------------|-----|
| 7/3/2008 | Dr Mberikunashe | Administration - R8 proposal | 50 |
| 8/8/2008 | Dr Manangazira | Cross border meeting to S.A | 325 |
| 8/20/2008 | Dr Manangazira | ZIMA conference | 325 |

Table 16: Fuel allocated to non-programme activities (Source: NMCP records)

Recommendation 62 (Requires attention)

NMCP management should develop comprehensive guidelines for the usage of fuel coupons in order to ensure that there is proper accountability for coupons issued to officers. The guidelines should be shared with MOHCW senior management and should clearly state the mode and layout of acquittal reports, activity or field reports, the levels of approval before issue of coupons, fuel coupon record management, the timeline for submission of acquittals, the need for review of fuel records on a regular basis by a senior officer of NMCP. Issue of fuel coupons should also be clearly tagged to activities on the detailed implementation plan. The guidelines should also spell out the mileage-to-distance ratio that should be followed when issuing fuel for specific trips.

220. The NMCP has three vehicles i.e. two double cabin Toyota Hilux pick-ups and one Toyota Land Cruiser. All of these vehicles were procured before Round 5. Discussion with Programme staff indicated that the Programme Manager personally controls the use of the three vehicles. A physical verification of vehicles revealed that one double cabin pick-up had a broken indicator while the other had a shattered window glass. Both vehicles (Registration Number GHCW 764 and GHCW 765) had lost their spare wheels and not been repaired by the date of the audit. Both accidents occurred under the care of the Programme Manager. At the time of the audit, neither of the two cars had been repaired and there was no evidence that due process to investigate the incidents leading to the accident in accordance to Ministry policy. This is a sign of poor asset management at MOHCW and failure to follow policy guidelines.

221. The NMCP vehicles are considered to be part of the MOHCW vehicle pool. This means that when they are not being used by the programme manager, other Ministry senior officers use them on other activities. This increases the wear and tear of the vehicles when they are being used on activities outside the detailed implementation plan (DIP) for Round 5.

Recommendation 63 (Requires attention)

The NMCP management should develop comprehensive guidelines for the usage of the Global Fund vehicles and share them with all staff. With the planned increase in the numbers of Global Fund vehicle through the utilization of the 6% administration fee, Management should consider a plan to create a separate pool for Global Fund vehicles with dedicated drivers. This would assist in controlling the movement of vehicles and strengthen accountability for usage. The damaged vehicles should be repaired.

Strengthening program management

Most of the activities in the detailed implementation plan under Round 5 had not been carried out by the NMCP at the time of the audit. This was partly due to the inaccessibility of funding. There were also weaknesses noted in the data collection, processing and reporting of results which included data collection forms did not collect key programmatic data; clear indicators and targets were not set for tracking of results etc. Data on the consumption level of ACTs at health centers and district hospitals was not available meaning that the exact quantity of drugs at rural health centre and district level is therefore not known. Data verification visits indicate low levels of ACT usage which increases the likelihood of financial loss due to drug expiry. Unless plans to accelerate implementation are put in place, it is unlikely that set targets will be met in the remaining period.

222. The status of some activities is highlighted below:

- (a) Only 487 trainers out of 27,000 (an estimate by the epidemiologist) total health workers were trained in the administration of ACTs which has affected the ease of acceptance and dispensation of ACTs;
- (b) Quality assurance visits on malaria diagnosis were not conducted;
- (c) District planning and technical review meetings were not held which has affected the flow of feedback and views between stakeholders;
- (d) Sub recipient monitoring and inspection teams have not been formed;
- (e) Monitoring of compliance to ACTs has not been done which has affected timely decision making on ACT management;
- (f) PSI received US\$ 63,416 but could not access it from its Standard Chartered Bank account as funds were lodged with the Reserve Bank of Zimbabwe;
- (g) Standard treatment guidelines for ACTs were not printed and distributed to all targeted recipients;
- (h) Training of health workers in case management and RDT use was not done to expected levels;
- (i) Pharmacists and doctors were not adequately trained on the ACT treatment policy;
- (j) Training of health workers in procurement and supplies management was not done;
- (k) Development of pharmaco-vigilance systems was not done;
- (l) Malaria technical sub-committee meetings were not held;
- (m) Health workers were not trained in conducting sentinel surveillance; and
- (n) Results on drug efficacy monitoring were not disseminated.

Recommendation 64 (Significant)

NMCP management should liaise with the Global Fund and the mainstream MOHCW to find innovative ways of achieving programme targets considering the hyper-inflationary environment in Zimbabwe. The acceleration plan should include plans on how to meet these targets within the set timeframe.

223. The NMCP does not have a finalized monitoring and evaluation plan. It also does not have an established and reliable system for collecting data on the consumption level of ACTs at health centers and district hospitals on a timely and regular basis. The exact quantity of drugs at rural health centre and district level is

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therefore not known. It should also be noted that data verification visits indicate low levels of ACT usage which increases the likelihood of financial loss due to drug expiry.

Recommendation 65 (Requires attention)

The NMCP management should expedite the process of streamlining the flow of data from the health centers and the district hospitals. The mechanism for data collection should allow for accuracy, precision and reliability.

224. Many of the programme performance indicators had not been met by the time of the review. OIG recognized that the activities above were meant to be carried out using local Zimbabwe dollars which were not available to NMCP. However, it should be noted that failure to achieve a target under a performance based grant remains an indication of the need for effort from NMCP management in managing the grants. An accelerated plan has been developed but this needs to be monitored closely so that the drive to implement activities expeditiously is not undertaken at the expense of quality work.

Monitoring and evaluation

225. There is no single national strategic plan for Malaria. Such a plan would contain the policies that guide to the Malaria Control implementation. Consequently, there is no clear plan for malaria treatment policy change to ACTs. At the time of the audit, the MOHCW and the development partners were carrying out an in-depth Malaria programme assessment. This would assist in the development of a strategic plan.

226. As a result of this, policy documents were fragmented, incoherent and offer no clear guidance to implementers. This is evidenced by the following:

- (a) The Malaria program is operating a dual malaria treatment policy within the same districts. Thus, front line workers to treat uncomplicated malaria with CQ+SP or with ACTs within the same facility.
- (b) Up to a few months ago, laboratory diagnosis has mainly been used to test sensitivity of clinical diagnosis rather than diagnosis. Reviewing September 2008, the Health Information System (HIS) reports in Mount Dever revealed that many lower level facilities still do not perform laboratory confirmation before treatment despite adequate in-country RDTs stocks.

Recommendation 66 (Significant)

The national strategic plan for Malaria should be finalised to ensure harmonisation of policy and standards.

227. There is no specific national data base for the Malaria program through which results for program implementation are collected and reported back to the program. Efforts are being made to ensure that the NMCP contact in the HMIS directorate extracts and sends the relevant monthly reports to the program. At the time of the audit, the only information available at the Program was how many ACTs and RDTs had been distributed. There was no information about their consumption across the country.

228. There is a lack of continuity in planning. The case management committee is the multi stakeholder forum for discussing case management data. Though it is supposed to meet quarterly, it has just managed to hold one meeting this year.

Recommendation 67 (Significant)

A national data base for the Malaria programme should be developed and used to monitor national data and statistics. National oversight and monitoring structures should meet regularly to review performance of the programme.

229. A review of the data collection and reporting processes revealed some weaknesses which affect the results reported to the Global Fund in line with its performance based principle. The following weaknesses were noted:

- (a) At facility level, a focal point person or District Environmental Health Officer (DEHO) picks information to compile a monthly district malaria report collating vector control, case management, Behavior Change Communication (BCC), training and other activities under Malaria control. This is however rarely done. At provincial level, the Provincial epidemiology and communicable disease officer (PEDCO) is expected to validate the district performance reports and ART Consumption/Requisition Form. This is also not done. The NMCP has a contact person in the HMIS unit at the MOHCW but linkages with the department have not been active.
- (b) There was no systematic validation of Malaria data
- (c) No clear set of national program indicators has been developed to monitor and evaluate the national program.
- (d) There was poor storage of planning and monitoring documents which raises technical challenges and poor institutional memory especially in light of high staff turnover and no clear hand over.

Recommendation 68 (Significant)

The current process for collection, assembling, reporting and review of data through the entire programme structures should be reviewed with the view to generate reliable information. In particular the issues raised above should be addressed.

230. A review of the indicators and targets agreed for the Round 5 Malaria grant revealed the following:

- (a) *Proportion of mothers/caregivers who are able to identify early signs and symptoms of malaria in under 5s:* This indicator has to be measured through population based surveys which are not budgeted for under Global Fund but could be collected through annual PSI population based surveys. The baseline of 60.8% obtained in RBM survey (2001) is too far back to serve as a reliable figure for targeting. Activities indicated to achieve this activity are basically IEC print media (about 100 per district) and 10 road shows per quarter. These are deemed adequate in increasing knowledge.
- (b) *Number of sensitization campaigns conducted on the new ACT policy:* This is a good input indicator and can be well measured. However, activities tagged to this indicator are limited to mass media activities and it is clear what

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constitutes a single sensitization campaign by PSI (SR). Such media placement could need independent media monitoring reports.

- (c) *Number of patients with laboratory confirmation of malaria:* The target set for this indicator is too high. Targets i.e. 1.45 million per year indicate that all (100%) malaria cases will have a diagnosis but this is not possible. The data for this indicator can be captured from the current T5 reporting form but there is a need to reduce the annual targets since many Malaria cases will continue to be treated without confirmation for various reasons including:
- There are a number of cases that will continue to be treated by Community Health Workers on presumptive clinical diagnosis;
 - RDTs have not been rolled out to all facilities especially the lower health facilities;
 - The treatment policy on testing was neither disseminated nor supportive;
 - It usually takes time to training and change practices;
 - The patient: health worker ratio was too high for RDTs to be done especially in the peripheral facilities;
 - Activities towards this indicator have also delayed. Only 50 health workers were to be trained in RDTs and this figure seems so small compared to over 150 facilities that will use RDTs. These may thus serve as TOTs. ZACH, the SR for this training, will have to harness capacity in the case management committee to carry out this workshop;
 - An average of two microscopes per facility was planned for. Staffing levels were too low to put these microscopes in use and there is no budget line item for reagents.
 - Laboratory quality assurance visits were very vertical from National Institute of Health Research and National Reference Laboratory to facilities and indeed each visit becomes more expensive in the second year. There will be a need to consider decentralizing and make them data driven rather than routine checks; and
 - It was noted that as laboratory diagnosis (blood slide or RDT) increases, the proportion of fever cases treated as malaria will remarkably reduce. This implies that the targets set for case management will significantly, but gradually, reduce to between 30% and 50% of what was indicated.
- (d) *Number of health facilities with no reported malaria drug stock outs lasting more than a week (during the last three months):* This indicator does not focus on ACTs but rather than all anti- Malarials. The NMCP is still supplying CQ and SP in addition to ACTs and quinine. ACTs are not included in the “Vital-Essential-Needed drugs” captured in the national T5 HMIS though stock outs are captured in the parallel Consumption and Requisition Forms. The timing of “last three months” is difficult to measure since the ACT Consumption and Requisition Forms are submitted bimonthly. Availability of ACTs varies with the different packaging. Though stock outs exist for especially the 18 tablet packs, it is not recorded as a stock out because other packs are cut. This may affect the intended compliance. This indicator needs:
- reformulation to focus on ACTs;
 - source of data should be the NatPharm reports which are currently not routinely submitted to the program;
 - The T5 Form should include ACTs among the vital medicines; and

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- There should be an improvement to ACT distribution system to support this indicator.
- (e) *Proportion of under fives receiving correct treatment within 24 hours:* This indicator is difficult to capture unless community studies which are not budgeted for are undertaken. The term “correct treatment” is vague and very confusing in light of the current treatment guidelines which allow for both ACT and CQ+SP. The baseline and hence targets are extremely high. The Zimbabwe Demographic and Health Study (ZDHS) in (2005/6 put the proportion of under fives receiving anti-Malarial treatment within 24 hours at less than 5%. This is without including correct treatment. The indicated baseline is 76% in 2006. There is urgent need to standardise and disseminate Malaria treatment guidelines. This indicator will be obtained every 5 years from the ZDHS unless rapid surveys are organised.
- (f) *Proportion of patients with severe malaria receiving correct treatment:* The standard is usually to focus on children under 5 years rather than all patients even though Zimbabwe has both stable and unstable malaria. There is need to standardize “correct treatment”. This information is not captured on the routine T7 Form. There is no basis for the target set. There is an option of looking at proportionate facility based mortality associated with malaria especially when assessing the quality of facility care.
- (g) *Number of districts rolling out ACTs:* This would be an easy process indicator if “rolling out ACTs” was clearly measurable. Unless “rolling out ACTs” is clarified, it is not clear what additional monitoring information this indicator provides. From the targets, year one will cover 25 and year two increase these to 59 rural districts. This roll out should tie in with the case management targets especially if it refers to Home based fever management or geographical coverage of ACT interventions. However, the roll out of ACTs covered over 40 districts and this was politically motivated given the pending elections at the time. It should also not only about the quantity of districts in which the roll out has happened but the quality of roll outs in the districts since it is quite clear that the roll outs so far has not been successful. Activities to strengthen NMCP and district planning and implementation are well developed in the proposal and adequate review meetings have been planned under MOHCW and ZACH partnership.
- (h) *Number of uncomplicated malaria cases receiving ACTs:* This indicator should be targeting U5s. Current data collection forms do not capture Malaria cases receiving ACTs. The only available data is inferred from the pharmacy record which only indicates dispensed ACTs. However with the practice of cutting some of the ACT packs, consumption data becomes unreliable in determining the number of cases.
- (i) *Number of health workers trained on the new Policy on ACTs:* A training report form exists and can be easily used to monitor the numbers. The targets seem right in that an average of 2 health workers will be trained for each facility. Community health workers involved in home based fever are included and they are vital in achieving the core program target of “proportion

of malaria cases receiving treatment within 24 hours". ZACH will have to harness technical advice from the case management Committee to conduct advocacy and national and district levels and, revise treatment guidelines. These two activities are necessary to lay the ground for training lower level managers and providers. Training activities are well targeted but will need to be adequately cascaded to reach all key providers. Support supervision has also been planned but still ZACH will have to harness technical advice from the case management Committee to conduct them.

- (j) *Number of health workers trained in drug efficacy monitoring/ Number of sentinel sites that complete yearly drug efficacy studies:* Drug efficacy monitoring is currently not going on and three workers from each of the eight sentinel sites will be trained. These targets under this indicator could well be achieved under the National Institute of Health Research and National Reference Laboratory

Recommendation 69 (High)

The current indicators and targets should be reviewed within the proposed acceleration plan to ensure these meet best practice and can be achieved within the remaining implementation timeframe. In future, more reliable baseline data should be obtained prior to setting of targets, which ensure reliable performance measurements. The setting of targets should also consider parallel work undertaken by other sector players to cater for results from such efforts.

Sub recipient management

231. Implementation of some of the activities of the Malaria grant are through the SRs. MOHCW signed agreements with PSI, MCAZ, ZINQAP, ZACH and PHAZ. The signing of agreements with SRs was concluded a year past the committed date in the grant agreement signed between the MOHCW and the Global Fund. The layout of the agreements simply duplicated the grant agreement between MOHCW and the Global Fund. The content of the agreements did not cover in sufficient depth the required relationship between NMCP under the MOHCW and the SRs and their responsibilities.

Recommendation 70 (Requires attention)

The NMCP management should amend the agreements between NMCP and SRs to include clearer and more specific roles and responsibilities for NMCP and the respective SRs. This will allow for more informed delivery of programme activities by sub recipients and better working relationships between SRs and the NMCP. The detailed roles and responsibilities in the agreements should be discussed and comprehended by the representatives of NMCP and each SR to allow for a high level of commitment and accountability from all parties.

232. NMCP did not undertake its own assessments of SRs but relied on the assessments done by NAC on HIV/AIDS for PSI and ZINQAP and the LFA for HIV/AIDS and TB for ZACH. MOHCW did not assess the SRs' capacity in managing Malaria activities. PHAZ was not assessed because of its small budget i.e. US\$ 16,000. However, an assessment with limited scope should have been done. There was no satisfactory justification for not conducting the assessment for MCAZ.

Recommendation 71 (Requires attention)

Assessments should be undertaken on all SRs irrespective of whether assessments have been undertaken by another party or the amount of funding. These factors can only affect the extent of the assessment but not whether the assessment should be undertaken or not. A PR that has the capacity to implement HIV grants may lack the capacity to implement the Malaria grant. These assessments provide useful information on the strength of the institutional, financial and management systems of a potential SR. Assessments aid the organization or programme to understand the capacity gaps and institutional weaknesses of the potential sub-recipient for effective and rational decision making.

233. The Malaria unit at the MOHCW implements some of the grant activities through sub recipients and implementing partners. NMCP disbursed funds to only one sub recipient (PSI). However, there were no comprehensive policies and procedures for the management of the grant relationships with these sub recipients and partners. There was no reliable mechanism in the existing financial system of NMCP to track the performance of advances to sub recipients and other implementing partners. The advances are expensed in the programme cash book rather than monitored in a separate sub recipient advance ledger. There is likelihood that accountability for usage of funds from sub recipients might not be sufficient. It might also be difficult for the Global Fund to establish whether full value was received from the funds disbursed to sub recipients. The risk of financial loss would increase where many sub recipients and implementing partners continue accessing funds.

Recommendation 72 (Significant)

Sub recipient management policies and procedures assist management to track the disbursement of funds to and accountability for funds from sub recipients and implementing partners for specific activities carried out during the grant period. These policies and procedures would assist the NMCP to make informed decisions on whether or not to continue funding the sub recipients and implementing partners. The Global Fund resources would also be directed only to those sub recipients and implementing partners that present proper accountability for funds received in the past. Management should ensure that sub recipient management policies and procedures are established and used by the NMCP on a consistent basis. The policies and procedures should cover:

- *Disbursement and accountability*
- *Programmatic and financial reporting (including formats)*
- *Budget tracking and analysis*
- *Cash flow management*
- *Maintenance of accounting records*
- *Monitoring and inspection of SR performance*
- *Guidance on internal and external auditing*

Procurement and logistics management

234. In June 2007, MOHCW signed a procurement and supply management contract with the Procurement consortium (a grouping of NatPharm and Crown Agents) in compliance with the terms of the grant agreement. The PC provided

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support in the development of the procurement plan and handling of the procurement processes. With the exception of ACTs and RDTs (which was contracted to WHO) and fuel (handled by MOHCW) all other procurements in the first year were handled by the PC. The following findings arose from the review of the procurement and supply management arrangements between the PRs and the PC. The table below summarizes the status of the procurements undertaken in year 1 as at the time of the audit.

| Item(s) | Value (USD) | Status |
|-----------------------------|---------------------|--|
| ACTs | 2,863,476.00 | Completed |
| RDTs | 980,489.40 | Completed |
| Fuel | 73,500.00 | Completed |
| Laptops and desktops | 31,733.84 | 8 desktops yet to be delivered to PC by 31.10.2008 |
| Vehicles | 171,893.18 | PC awaiting delivery by supplier by 31.10.2008 |
| Microscopes | 164,429.60 | Had been delivered to NatPharm by 31.10.08 |
| Printers, desktop & laptops | 28,190.63 | Had been received by NMCP by 31.10.08 |
| Laboratory equipment | 163,904.95 | Funds had not yet been released to PC by Kingdom Bank by 6.11.2008 |

Table 17: Status of procurements (Source: NMCP records)

235. The NMCP does not have a qualified procurement and supply management officer with a pharmaceutical background to supervise the PSM activities. The absence of the PSM Officer has weakened the coordination function between the PC and the NMCP. According to the PC, there is poor coordination at the Ministry to process procurement transactions, which is one of the reasons why delays occurred in finalizing processes. Documentation relating to procurement contracts such as purchase orders submitted to PC, agreements, sign off of product specifications, sign off of the summary of costs form by the authorized representative of the MOHCW was missing. This applies to the procurement of laboratory equipment; vehicles, desktops and laptops; microscopes, printers and computers which were done under Round 5.

Recommendation 73 (Significant)

The MOHCW should identify an officer to take responsibility for the procurement and logistics management function at the NMCP. The function would be pivotal to improvement of the procurement processes (particularly for health products) within the NMCP and also strengthen the logistics supervisory role of the NMCP and the Ministry. The PSM Officer would be a crucial resource in the training and monitoring of drug inventory systems at district and rural health centre levels.

236. WHO was the procurement agent for ACTs and RDTs in year one. On 20 August 2007, the NMCP signed a MoU with WHO. A review of the MoU revealed the following:

- (a) there was a need to adjust the phrase “any balance of contribution outstanding at completion of activity shall be re-programmed for other malaria control activities as deemed fit by the PR’s Agent” to “any balance of contribution outstanding at completion of activity shall be re-programmed for other malaria control activities as deemed fit by the PR”. This was not done

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- (b) The program support costs to WHO were also supposed to be adjusted to 3% for ACTs and 6% for RDTs from 7% in the initial MoU. This was not done either.

Recommendation 74 (High)

In future, contractual arrangements should be finalized prior to execution of work. This would avoid potential losses. In this case, the MoU should be revised and signed off by the representatives of the relevant parties. Any overpayments made under this contract should be refunded.

237. ACT stocks procured are adequate and there is an additional budget line for more ACTs and RDTs. Adequate consumption and requisition forms have already been distributed to last at least 6 months and more budgeted for under the Global Fund round 5. However, there have been several challenges with the distribution of ACTs with the system described by some stakeholders as having broken down. The review of the distribution system for ACTs revealed the following:

- (a) The distribution of ACTs is not in line with the MOHCW commodity distribution structure. No facility orders for ACTs have been received by NatPharm up to date despite the presence of consumption and requisition forms.
- (b) ACTs shortages occur and there is no systematic tracking of ACT stocks despite establishment of Consumption/Requisition Form. NatPharm, the distributor, reports that they do not receive these forms despite being filled in by facilities.
- (c) No quarterly system for assessing stocks of ACTs at facilities.

238. NatPharm sent stock status reports to the MOHCW but there was no evidence that the reports were regularly shared with the NMCP. Additionally, the reports did not isolate the stock of the Global Fund from the general stock handled by NatPharm on behalf of the MOHCW. These reports were thus not readily available or reliable for informed decision making by the management of NMCP. The absence of these reports made it difficult for the NMCP to track stock levels at NatPharm as well as to confirm the level of distribution to districts and health centers.

Recommendation 75 (High)

The distribution and tracking mechanism for drugs should be improved. The management at NMCP should liaise with the PC to directly access monthly reports from NatPharm on the movement of drugs including expiry date updates.

239. The NMCP did not maintain account ledgers for procurement contracts. This makes it difficult to reconcile procurement details with the PC and increases the likelihood of financial loss. Reconciliation reports obtained from the PC indeed indicate some over and/or under expenditures upon completion of contracts.

Recommendation 76 (Requires attention)

The finance officer at NMCP should design ledgers to track the transactions for individual procurement contracts on a timely basis. These ledgers should be reconciled with the records at the Procurement Consortium on a timely basis. Upon completion of a contract, the PC should submit, to the PR, the final Invoices and payment documents to reconcile with the advance paid on the Cost Summary Sheet.

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Any over/ under expenditure should be refunded or off-set against the next contract cost.

240. The NMCP did not have specific inventory management policies and procedures for use at district and health center level in managing Global Fund inventory. Monitoring of inventory may be difficult in the absence of standard policies.

Recommendation 77 (Requires attention)

Inventory management policies and procedures provide guidelines for stores management to ensure safe custody and proper accountability for times held. To this end, management of NMCP should develop a comprehensive inventory management policies and procedures manual.

241. The linkages between forecasting, purchasing for drugs and reporting were weak. The distributed drugs to district level were not tracked, with virtually no reports collected from treatment centers. This negatively impacts on the ability of the programme to make reasonable forecasts for procurements. The current system results in a high risk of expiry of drugs compounded by the lack of training to health workers.

Recommendation 78 (Requires attention)

Proper drug monitoring mechanisms should be created with appropriate budget support. These should be linked to the forecasting system. With the resumption of full-scale implementation, all health targeted workers should be trained in the usage of ACT and RDTs. Reports on usage of drugs should be prepared and reviewed regularly.

Concluding observations

242. The NMCP should be re-assessed by the LFA to ensure proper implementation arrangements are established prior to further funding. The Unit lacks leadership and programme management capacity to guarantee desired outputs. Particular attention should be paid to mechanisms that can accelerate programme implementation in a highly bureaucratic environment.

243. The strategy in Round 8 should pay adequate attention to creating reliable processes to secure results. The PR should also consider stronger engagement of Civil Society in the delivery of service. Under Phase 1, SRs constitute about 8% of the Malaria grant, which ties up most activities within the mainstream Ministry.

244. The CCM has proposed, under Round 8, MOHCW as the PR for TB. Although the next steps for Phase 2 of Round 5 have not been documented, there is a general acceptance that the TB Unit in MOHCW is ideal for the implementation of the TB Programme. There is further acceptance that MOHCW needs capacity development before it can be PR.

Strengthening processes that support program implementation

Monitoring and evaluation

Parallel systems for the collection and analysis of data are being established alongside the already existent Health Management Information Systems (HMIS). This system is weak and the creation of parallel systems only further weakens this system.

245. The OIG reviewed the Monitoring and Evaluation (M&E) systems, for HIV, TB and Malaria with a view to provide assurance on the adequacy of the systems. A review of the disease specific grant performance frameworks, indicators and targets and data collection mechanisms are already covered in the relevant PR sections. At the time of the audit, none of the PRs had completed the disease specific M&E plan as required in the grant agreement.

246. Most grant interventions have budgeted for the purchase of computers for data collection and analysis and the recruitment of M&E officers. Parallel systems for the collection and analysis of data are being established alongside the already existent Health management Information Systems (HMIS). This system is weak and the creation of parallel systems only further weakens this system.

247. There was no evidence of effective monitoring of results by PRs. This was attributed to the lack of funds. The LFA undertook an onsite data verification exercise and observed many issues relating to the M&E environment. At the time of the audit, these reports were still draft and had not been shared with the PRs. A review of the data quality assurance procedures and protocols revealed the following:

- (a) Currently, only the LFA reviewed the quality of service data. Results show that data quality at point of collection is generally poor. There are no systematic mechanisms to verify service data under the different programs. This could be linked to the minimal use of service data at all levels.
- (b) The biggest challenge faced by implementers is low staffing and high staff turnover. Many of the current staff are new in their position and have not been trained in information management.
- (c) Many data collection forms for the different programs are being revised. A number have been sent to the implementers but no training has been provided to facilitate their use. Consequently, their use is still very weak.

248. The OIG assessed the reporting timeframe and the accuracy of the results reported to the Global Fund on a quarterly basis and this revealed that the reporting to the Global Fund was always after the agreed upon date. A review of the results reported against supporting documentation revealed that there were data inaccuracies in the results reported. This arose from a host of various reasons ranging from inconsistent reporting periods, vague indicators, lack of staff, lack of stationery for recording purposes, poor or non existent data collection tools, poor quality assurance procedures, lack of training for staff etc.

Recommendation 79 (High)

All PRs should finalise the M&E plans for each national disease program. In finalising the plans, PRs should take the following into consideration:

- (a) As far as is practical, strengthening of programmatic M&E should be within the national HMIS. In devising their data collection plans, programs should utilise to the extent possible the existing HMIS data already collected by sectors. Parallel and duplicated effort by the different disease programs will be unsustainable especially in light of the thin staffing.
- (b) Data assurance and/or validation measures by a senior official independent of the preparer of the data should be incorporated in the plan.
- (c) Training of current staff in collection and use of data urgently needs to be undertaken.
- (d) Efforts should be made to provide guidelines for monthly analysis of indicators at each local government level. To achieve this, the national indicators and targets could be broken-down for each district and additional indicators developed to improve relevance to district level planning.
- (e) The use of service data at facility, district and central levels should be encouraged. This could be further facilitated by linking it to the forecasting of supplies.
- (f) The reporting gaps that are evident between recipients and in particular between HIV/AIDS PRs ZACH and NAC; and between TB sub-recipient (MOHCW) and PR ZACH should be resolved.
- (g) Current efforts are still fragmented so there is need to implement reporting using the “Three Ones” in both words and actions.
- (h) Reporting linkages are still poor both within and between programs at all levels. There will be need to revive technical planning and review meetings at district, provincial and nationals, in spite of low staffing levels.
- (i) Major reporting gaps exist in linkages between and within the different disease programs and yet these are vital for realisation and monitoring of service delivery. Linkages between the HIV/AIDS sub-program reporting is parallel with no apparent intersection at national or sub-program levels.
- (j) There is need to review the targets in the Global Fund performance frameworks especially for TB and Malaria. It is unlikely that the set targets will be met in the remaining implementation period.
- (k) The increased disease burden resulting from co-infection with HIV and TB (reported at 70%) and HIV and malaria highlights the need for better integration of health service planning and monitoring for the three diseases.

Procurement and supply management

The CCM appointed a third party agent to undertake procurement on behalf of the PRs due to the weak procurement capacity at PR level. This function was given to a consortium comprising of NatPharm and Crown Agents. Memoranda of Understanding were signed between each of the PRs and the PC. A review of the signed MOU showed weaknesses in the definition of roles and procedures to be followed in this relationship.

249. Procurement is at the heart of the Round 5 Global Fund programs in Zimbabwe. Given the weak procurement capacity at PR level, the CCM decided to

appoint a third party agent to undertake procurement on behalf of the PRs. This function was given to a consortium comprising of NatPharm and Crown Agents.

250. The development of the PSM Plans commenced around June 2007 but at the time of the audit in October 2008, the final PSM Plans had not been approved for all PRs. As a result there were various versions of the plan in use. As an example, the copy of draft procurement plan provided by the PC did not agree with the details contained in the copy held as the draft at MOHCW. The failure to expedite the finalization and approval of the PSM Plans leads to decisions by different stakeholders based on inconsistent information, this creates a risk of carrying out unapproved activities. Nevertheless, procurement proceeded despite the absence of approved PSM plans.

Recommendation 80 (High)

The PRs should ensure PSM Plans are prepared in time for approval. Sufficient time should be dedicated to the review process to ensure timely response to queries from all stakeholders. Once PSM plans have been approved, copies of final plans should be kept for reference.

251. Memoranda of Understanding were signed between each of the PRs and the PC. As part of this audit, the OIG reviewed the MOU signed to ensure that the interests of the Global Fund were taken into consideration in drawing up the MOU and noted the following:

- (a) The roles and responsibilities of the PRs and the PC were not clearly defined. The responsibility for the procurement ultimately lay with the PR as stipulated in the grant agreement. The hiring of an agent to facilitate the procurement process did not exonerate the PRs from their responsibilities. An example is the absence of an explicit requirement in the agreement for the PC to secure approval from the PR prior to proceeding from one phase of a procurement process to the next. The key phases of the procurement cycle that should have required documented approval were finalization of specifications; finalization of the bidding process; evaluation of bids; contract terms prior to signature; and contract completion sign off, approval of payment to the PC and closure.
- (b) There is no requirement for the Procurement Consortium to submit statements to the PR on a regular basis on the running individual procurement contracts.
- (c) While some copies of procurement progress reports were seen at the Ministry, there is no requirement in the PC contract or in the brief procurement procedures for the PC to submit regular update reports to the PR on the procurements undertaken.
- (d) The methods of procurement to be followed providing varying thresholds (by way of an approved procurement manual) were not specified in the agreement.
- (e) There was no requirement in the agreement for NatPharm to provide storage and distribution services. The services are simply implied by the rate paid.

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The terms and conditions of storage and distribution particularly relating to the extent of delivery are not specified.

- (f) The Memorandum of Agreement signed between NatPhram and Crown Agents, which contains certain commitments that applied to PRs e.g. the implementation structure of the PC, compensatory payments by the Client (PR), etc was not made an annex to the PC/PR agreement.
- (g) The MOU, which covers the two year period ending 30 April 2009, did not include a provision for performance review to determine compliance and value.
- (h) The team and logistical facilities required for the Procurement Consortium to effectively execute the contract are not specified and agreed upon in the agreement; the PC was required to provide “suitable personnel”.

Recommendation 81 (High)

The current MOU is lacking and appears to favor the PC; it should therefore be revised. The LFA should be commissioned to review the document prior to signing.

252. Some contracts exceeded their contractual period of completion. Review of the contract files revealed that the PRs were not adequately updated on the delays and the action that the PC was taking to handle the delays. Additionally, there was inadequate documentation on the contract files to demonstrate rigorous follow up with the contractors on the delivery delays. Examples of such delays are detailed in the table below:

| Contract details | Contract date of delivery | Actual date of delivery | Delay period |
|--|----------------------------------|--------------------------------|---------------------|
| Project; Hematology Analyzers NAC- HIV/AIDS End user- MOHCW Ref. CH6X2248/001 Supplier: Sysmex Europe GmbH | 31/3/2008 | 28/5/2008 | 2 months |
| Project: Motor Cycles ZACH TB Ref. CH6X2242/001 Supplier: Kjaer & Kjaer | 20/3/2008 | 9/9/08. | 5.5 months |

Table 18: Procurement contract performance

253. The closure of completed contracts, particularly those that take a long period time is not formally done. Once the goods have been signed off by the representative of a PR, the file is closed. Final contract reconciliation is not provided to the PR.

Recommendation 82 (Requires attention)

The PC should, on each contract handled, ensure that the assignment/contract is signed off as completed (using a Contract Completion Form) by the responsible PRs officials as a confirmation of contract closure. This procedure would ensure that all rights and obligations on the contract are confirmed as settled in full. The form should be accompanied by a full reconciliation/accountability for the advance given

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at the commencement of the contract. Both documents should be approved by the PR and retained on file.

254. The procurement procedures currently used by the PC were too brief and would not provide sufficient guidance to the staff involved in the handling of the procurement processes. Some of the anomalies identified could be attributed to the lack of detailed guidance and the potential risks if the guidelines are not followed.

Recommendation 83 (Significant)

The PC should develop comprehensive procurement procedures. The Procedures should be approved by the PRs. As a minimum the procedures should contain the detailed steps taken at each phase of the procurement cycle, thresholds for different procurements etc.

255. Part of the work of the PC under the MoU was to support the PR in making reasonable budget estimates by leveraging their experience in international markets. The PC was also to provide support in making realistic estimates for the items to be procured. Many instances were however noted where the variances over or under budget were very high resulting in large “savings” and deficits on certain contracts. The following examples were noted:

| Contract | Budget (USD) | Actual (USD) | Variance (USD) |
|--|-------------------------|-------------------------|---------------------------|
| Project; Hematology Analyzers NAC- HIV/AIDS End user- MOHCW Ref. CH6X2248/001 | 647,235.9 | 375,000 | (272,235.9) |
| Project: Genotyping Machine NAC-HIV/AIDS Ed User MOHCW Ref; CH6X2260/001 | 283,787 | 420,000 | 136,213 |
| NAC-HIV/AIDS End user: MOHCW Ref: CH6X2260/001 Supplier: Southern Skies Medical | US\$ 420,000 | US\$ 283,787 | US\$ (136,213) |
| NAC-HIV/AIDS End user: MOHCW Ref: CH6X2260/001 Supplier: Southern Skies Medical | US\$ 420,000 | US\$ 283,787 | US\$ (136,213) |

Table 19: Contract budget performance

Recommendation 84 (Requires attention)

The PC should be more rigorous in reviewing and advising on the budget estimates drafted by the PRs to ensure more realistic Plans.

Documentation of certain procurement processes was found to be inadequate on the procurement files. For example details (such as names) of invited bidders for a number of procurements were not on file. As a result it was difficult to confirm whether the bidders for those contacts were indeed invited. Examples included; Contract Ref Nos: CH6X2260/001 (NAC-HIV/AIDS), CH6X2248/001 (NAC – HIV/AIDS)

, CH6X2242/001 (ZACH TB).

Recommendation 85 (Significant)

The PC should maintain adequate documentation of all actions taken on each contract. Evidence of Invitation for Quotations should be on file with sufficient detail particularly the names and number of bidders invited to participate in the process.

256. The PC maintains PR off-shore accounts with Crown Agents Bank. The accounts are however non-interest bearing. According to the reconciliations provided by the PC and the bank statements sighted during the audit, the PR bank accounts have been holding balances throughout the year, which would attract interest. At the time of audit, the PR bank accounts in Zimbabwe had accumulated total interest of over US\$ 1 million. The PRs are financially disadvantaged under the current banking arrangement. Until contractors have been paid, the PC holds the PR funds in trust.

Recommendation 86 (High)

The current arrangement of holding funds with The Crown Agents Bank should be reviewed with the view of creating the opportunity for the PRs to access better banking arrangements. Such arrangements should provide for interest on funds held for a certain period of time.

257. The PC uses spreadsheets to manage financial records for the Global Fund contracts. With the envisaged scale up of funding and considering the fact that periodic reconciliation reports are currently not sent to the PRs, there is a risk of errors going undetected for a long period of time.

Recommendation 87 (Requires attention)

The PC should acquire a more reliable financial management system to ensure timely and accurate reporting in the Global Fund contracts.

258. The PC is paid all the commission on a contract on submission of the cost summary sheet to the PR. The cost summary sheet contains the Contract value, the estimated clearing, insurance and freight charges and the Consortium Commission. The PR approves the Costs Summary Sheet with bank instructions to transfer the total contract sum to the off-shore account with CAB. The Off-shore account is controlled by the PC.

Recommendation 88 (Significant)

Payment of the PC commission should be made as the contract progresses at proportionate stages of contract performance.

Additionally, the LFA should be tasked to asses the capacity of the PC to effectively and efficiently handle the procurement requirements for the Global Fund in Zimbabwe particularly with consideration of the potential scaling up of grants.

Logistics management

NatPharm's biggest traditional customer is the Government of Zimbabwe. This business has however reduced significantly as the resources available to GoZ to procure and distribute drugs to government supported health centers have reduced. This situation has put in doubt the continued existence and operation of NatPharm as a going concern. At the time of the review it was noted that controls over logistics management were weak resulting in stock outs, stocks that could not be reconciled to records etc

259. NatPharm's biggest traditional customer is the Government of Zimbabwe. This business has however reduced significantly as the resources available to GoZ to procure and distribute drugs to government supported health centers has reduced. This situation has put in doubt the continued existence and operation of NatPharm as a going concern. At the time of the review we noted that

- (a) Rubbish could be seen on the warehouse floor
- (b) The OIG was informed that there are no funds to purchase cleaning tools and protective wear
- (c) The roof of the warehouses is dilapidated, and had holes in some places at the time of the audit.
- (d) The OIG was informed that NatPharm is not able to maintain its distribution fleet. As result, NatPharm is not able to distribute ACT drugs when requisitions are placed by treatment centers.

Recommendation 89 (High)

- (a) *In consideration of future funding, support to NatPharm should be reviewed in light of the following requirements;*
 - *Distribution of drugs to treatment centers in all Global Fund implementation districts*
 - *Collection of data from treatment centers on drug consumption, stock balances and stock requirements*
 - *Feed into the drug forecasting to prevent stock outs*
- (b) *In order to support NatPharm, the CCM should consider the following options;*
 - *Revising the commission percentage earned by NatPharm*
 - *Providing support in the form the vehicles and maintenance support for Global Fund activities*
 - *Taking NatPharm to be a sub recipient to ensure continuous and sustained operations*

260. The controls over the ACT malaria drugs are not adequate as there is no evidence of an existing logistics management system for the drugs. The ACT drugs are not included in NatPharm's computerized warehouse management system. As a consequence the OIG noted disparities in the book records and actual count quantities in the drugs

| Particulars | Qty in Bin Card | Qty per count | Variance |
|--------------------|------------------------|----------------------|-----------------|
| Coartem (30 X 24) | 292,411 | 246,990 | 45,421 |

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| | | | |
|------------------|---------|---------|---------------|
| Coartem (30 X 6) | 161,916 | 124,110 | 37,806 |
|------------------|---------|---------|---------------|

Table 20: Stock count results (Source: NatPharm records and physical count)

Recommendation 90 (High)

The ACT drugs should be included as part of the logistics management system at NatPharm. The drugs should be posted in the Navision warehousing system and controlled appropriately. The MoA between MOHCW and Procurement Consortium should include a requirement to provide monthly and quarterly stock status reports generated from the Navision warehousing system

261. The process of forecasting for ACT drug requirements is not possible because there is no data coming from treatment centers on a regular basis to support forecasting of drug requirements. As a result:

- (a) There are no accurate consumption figures held for treatment centers
- (b) There may be stock outs at treatment centers which are not picked up by NatPharm
- (c) Where challenges in administering the drugs exist, these cannot be addressed in time

Recommendation 91 (High)

The contract between NatPharm and MOHCW should be revised to include a requirement to provide consumption figures from treatment centers which should form part of the distribution plan and procurement forecast. Procurement Consortium should provide these figures as part of required contractual reporting every month and quarter.

262. ARV drugs are part of NatPharm's computerized warehouse management system. However, we noted several differences in stock balances:

| Particulars | Qty in Bin Card | Qty in Navision | Variance |
|---------------------------|-----------------|-----------------|-------------|
| Determine test kits | 4 | 4 | 0 |
| Coviro 30mg | 4,736 | 4,901 | -165 |
| Efavirenz 600mg | 3,436 | 3,708 | -272 |
| Nevirapine 200mg Capsules | 5,828 | 5,781 | 47 |
| Trimune 30mg | 95,040 | 95,043 | -3 |

Table 20: Stock records (Source: NatPharm records)

The OIG was informed that the mandated monthly stock count was not held for two months due to inadequate staffing.

Recommendation 92 (High)

The capacity challenges of NatPharm should be addressed. Monthly stock counts should be carried out by the Procurement Consortium and the PRs to ensure accuracy and adequate control. Where anomalies are observed as in the table above, they should be investigated and adjustments made appropriately.

263. From the review of the supply and distribution system, we noted that on several occasions there were stock outs for ARV drugs. Stock out of ARV drugs

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indicates poor procurement planning which may lead to clients on the critical life support drugs not having access to these drugs. The stock out cases noted were:

| Particulars | Stock-out Date | Re-stock Date | Stock out days |
|------------------------------|-----------------------|----------------------|-----------------------|
| Nevirapine 200mg Capsules | 22-May-08 | 16-Sep-08 | 117 |
| Trimune 30mg | 29-Jul-08 | 22-Sep-08 | 55 |
| Efavirenz 600mg | 27-Feb-08 | 2-May-08 | 65 |
| Zidovudine + Lamivudine tabs | 5-Dec-07 | 16-Sep-08 | 286 |

Table 21: ARV stock outs (Source: NatPharm records)

Recommendation 93 (High)

The process of forecasting for procurement should be integrated with stock balances at sites, and NatPharm through improved communication and linkages between NatPharm and Crown Agents. NAC should also keep track of stock balances and the procurement plan to flag likely incidence of stock counts.

Oversight

Country Coordination Mechanism

Background

264. The CCM was established in 2002 in response to a call for proposals by the Global Fund. The Zimbabwe CCM is composed of 20 members and 2 alternate members from the Bilateral/Multilateral NGOs. 6 members are from the Government, and the rest are from the various sectors as stipulated in the Global Fund guidelines. Its composition fully complies with Global Fund guidelines.

265. The CCM has consistently fulfilled its role of coordinating and submitting one national proposal for each Round. Zimbabwe has been successful in its submission of Round 1, 5 and 8. The CCM has also selected the Principal Recipients and Sub-Recipients as part of the proposal development process.

266. The CCM has members from the Religious/Faith Based Organisations, the Private Sector and the Academic/Educational sector. One of the Global Fund minimum requirements for grant eligibility for CCM members representing the non-government sectors is that they must be selected/ elected by their own sector(s) based on a documented, transparent process, developed within each sector. The OIG was not provided with evidence that the non government members had been selected by their own constituencies following a documented transparent process. There was also no evidence that the CCM members representing these constituencies hold meetings with their constituencies to ensure that representative views and concerns are expressed in the national forum.

Recommendation 94 (High)

The CCM should ensure that the Global Fund guidelines are adhered to by ensuring that all members from the NGO, International NGO, Private Sector, Faith Based and Academic sector are elected in a clear and transparent process by their constituencies.

267. The CCM has a documented Conflict of Interest policy. The Conflict of Interest policy indicates that CCM members, alternates, members of any committee, task force, technical writing team or any other delegated body of the CCM should disclose the existence of any conflict of interest, by submitting a disclosure of interest to the Secretariat. At the time of the audit, there was no evidence that this policy was in operation as evidenced by the fact that the CCM secretariat had not received any Conflict of Interest statements despite there having been some Conflicts of Interest noted. And as a result, no waivers have been issued to any members with Conflict of Interests. A CCM was held in early November 2008 to address amongst other things the issue of Conflict of Interest.

268. There are several instances of Conflict of Interest; the CCM has 5 members who head organizations that are PRs and/or SRs. There was no evidence that these members were recused from participation at the CCM meetings where deliberations and decisions were made concerning the selection of the PR and PR renewal for

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Phase 2. The Advisor to the CCM, Mr. Jabulani Nyenwa is the Fund Manager and also works with an SR; GRM International.

Recommendation 95 (Significant)

The CCM should operationalise the Conflict of Interest policy. This will ensure that the CCM remains independent and objective in undertaking its oversight role.

269. The CCM has developed various documents to guide its operations namely its Terms of Reference, Standard Operation Procedures, Rules and Procedures and Ethics and Conflict of Interest Policy (ECIP). These documents were approved by the CCM in 2005. They had not been reviewed since then and compliance with the guidelines contained therein was not assured. One key area of non compliance noted was the maximum term for the Chair and the Vice Chair being two terms i.e. 4 years in total. At the time of the audit, it was noted that these two positions were filled by the same constituencies for over six years. This was one of the issues discussed at the November 2008 CCM retreat resulting in the setting up of a taskforce to review CCM's governance structures and operations and come up with recommendations before the end of December 2008.

Recommendation 96 (Requires attention)

While it is commendable that the CCM has committed to review its guiding documents, the strengthening of the CCM will come from the implementation of the conditions set out in the documents. The CCM should therefore endeavor to comply with the conditions set up in their guidance documents including the rotation of the Chair and Vice Chair.

270. The CCM has sub committees that undertake the detailed work on behalf of the CCM and report back to the CCM. These have been created for each of the three diseases. There is no committee set up to review key functional areas such as finance, procurement, program aspects etc. At the recent CCM retreat, a taskforce was requested to reconstitute the sub committees and their terms of references along functional lines as opposed to disease.

271. A review of the schedule of attendance for the 9 meetings held during the period from August 2007 to July 2008 revealed that 10 members out of 22 members attended less than 5 meetings (44%) and one member attended none of the meetings. The Standard Operating Procedures of the CCM, No. 22 states that each member is required to attend a minimum of 75% of the scheduled meetings. A review of the attendance lists for meetings from January 2008 to October 2008 also revealed that the average attendance for these meetings was 11, which implies that the CCM normally operates at half-strength. The effectiveness of the CCM meetings was also affected by a lack of consistency of people attending; and meetings often starting late and running for long periods of time i.e. over three hours.

Recommendation 97 (Requires attention)

The CCM should review the Operating Procedures in light of these findings; this may necessitate revisiting the CCM composition, representation from the constituencies and/or the frequency of meetings to remedy the cause of non attendance of meetings. The CCM should consider establishing sub-committees covering functional areas such as finance, program management etc.

272. The meeting agenda is developed by the CCM Secretariat and finalized in consultation with the CCM Chair. The agenda is only circulated to members for information purposes and CCM members are not consulted on what the agenda should contain. A review of the agendas for the meetings from January 2008 to-date revealed that although meetings were held frequently, they did not address the principle roles and responsibilities of the CCM. The review of the CCM minutes indicated that the discussions focused on operational issues at the expense of policy issues. Some of the issues discussed should have been delegated to the relevant sub-committees.

Recommendation 98 (Requires attention)

The meeting agenda should arise out of a consultative process to ensure that it is representative of members' ideas. The focus of the meetings should be mainly towards directing policy that supports the environment within which the Global Fund operates.

273. There are no established criteria by the CCM for PR and SR selection. The selection of PRs is done by the CCM sub-committee for selection of PRs and SRs; OIG was told that the sub-committee determines the criteria for each round. However, no sub-committee minutes setting out the criteria had been prepared. Factors that should be taken into account are evidence of ineffective performance by PR/SRs and doubts expressed by stakeholders about their capacity . In selecting PRs, it is important to pay attention to certain intricacies that can impede implementation like having a Ministry report to a local NGO.

Recommendation 99 (Significant)

The CCM needs to establish clear, complete and documented procedures for the selection of PRs and SRs. These procedures should be consistently applied to all Rounds.

274. A review of compliance of the CCM with guidance from the Global Fund revealed that:

- (a) The CCM has not developed and documented an oversight work plan. There have been few site visits by the CCM and there is no documented mechanism in place to ensure that follow-up action will be taken where the CCM review of periodic progress reports indicate vacancies from planned program results.
- (b) Some key roles for the CCM noted were the lack of follow up of the PR audits and issues arising from internal audit that affect Global Fund programs. The Global Fund programs faced many challenges as elaborated throughout this report but there was no evidence seen of adequate CCM engagement in resolving the issues raised.
- (c) The CCM has not developed a communication strategy for dissemination of CCM decisions and for regular sharing of information on grant implementation status with all CCM members and relevant stakeholders.

Recommendation 100 (Significant)

Oversight by the CCM should be strengthened. The CCM should establish, document and implement a communication strategy an oversight work plan and follow-up mechanism.

275. There is a CCM Secretariat that is ‘housed’ in the MOHCW. The OIG sought to understand the mandate of the CCM Secretariat through a review of relevant documentation. It was noted that there are no documented policies and procedures to support the Secretariat’s operations. The CCM has not clearly defined, documented and communicated the roles and responsibilities of the CCM Secretariat to CCM members, PRs and SRs. Discussions with key stakeholders revealed that the roles and responsibilities of the Secretariat were not clear both to the stakeholders and to Secretariat staff. There is a lack of clarity over who the Secretariat is responsible to and this is compounded by the fact that they receive instructions from multiple stakeholders. The Secretariat coordinator informed the OIG that CCM Management sub-committee had been asked to design the required structures and policies.

276. OIG’s discussions with the CCM Secretariat coordinator also revealed the coordinator sees the CCM Secretariat as an implementing arm of the CCM and the Secretariat as being comparable to the CCM. In addition he indicated that the role of the Secretariat was to follow up implementation of the CCM resolutions and action points regardless of whom they were referred to. The Global Fund does not provide guidance on the role of CCM Secretariats but from the best practice seen across the world, they should be the administrative arm of the CCM i.e. arranging CCM meetings, taking minutes, facilitating communication etc and not undertaking any role of the CCM. The perception that the Secretariat is the implementing arm of the CCM cannot be correct since it usurps and encroaches on the role of CCM members. It is improper for any of the Secretariat staff to take on any role of the CCM members unless delegated to them by the CCM. The OIG notes that there were some activities that are undertaken by the CCM Secretariat that are clearly outside its mandate e.g. the review of PR reports.

277. A review of the roles of each of the CCM Secretariat staff members revealed role overlaps especially between the Coordinator and the Deputy Coordinator. Some of the tasks as defined in the Secretariat staff job descriptions were not performed by the staff. A performance assessment of the CCM Secretariat was undertaken by a sub-committee of the CCM and rated the secretariat as satisfactory. A review of the assessment report showed:

- (a) The report does not include the objectives/purpose of the performance assessment and there are no Terms of Reference for the Committee.
- (b) The report does not include the performance rating criteria used, without which the ‘Satisfactory’ rating is vague. The rating of satisfactory was for the Secretariat as a whole with no ratings provided by individual.
- (c) Despite the satisfactory rating, the committee did not identify capability gaps and make recommendations to the Secretariat to improve performance.
- (d) The report did not comment on the Coordinator’s end of period report which overstated the Coordinators’ activities and responsibilities.

Recommendation 101 (significant)

A more rigorous review of the CCM Secretariat should be undertaken with clear and relevant Terms of Reference and objectives. The results of this review should be used to re-design the CCM Secretariat to ensure it achieves its roles and purposes. The re-design process should be used to clarify the role and reporting line of the Secretariat, which will then be communicated to the CCM members, PRs, SRs, and other stakeholders, to eliminate all confusion. The CCM may wish to consider appointing a CCM member as CCM Secretary and this person would then take responsibility and supervise the Secretariat.

Local Fund Agent

278. PricewaterhouseCoopers were recruited as the LFA in 2006 taking over from Crown Agents who served as LFA during Round 1 and part of Round 5. During the period under audit the LFA team comprised four in-country staff including the Team Leader. Additional technical support to the country team was obtained as and when needed. The LFA have played a key role in the process of identifying and communicating the grant strategic and operational challenges in an extremely dynamic environment. From the discussions held with the LFA team leader in Zimbabwe, the LFA maintained open communication lines with the Secretariat. The OIG's review of the work carried out by the LFA in line with the ToRs and the nature of the environment in which the grants are implemented in Zimbabwe identified the following findings.

Composition of team

279. The strength of the LFA also lies with the Team Leader's ability to manage the political intricacies that come with doing business in Zimbabwe. The LFA has kept the Global Fund informed of changes in the country and assisted the Global Fund in following up with key stakeholders like RBZ when problems arose.

280. However, the LFA team was not adequately mobilized. The team initially comprised two in-county staff i.e. the Team Leader and one experienced staff. The staff were later increased to three then four (including the Team Leader). Two team members were less experienced with less than five years demonstrated experience in assurance/public sector/development work. The nature of the environment in which the grants were being implemented and challenges faced by the PRs required more experienced and senior members of the LFA team to ensure sufficient coverage of risk.

281. The skills mix on the team based in Zimbabwe in OIG's view was inadequate. Whilst the LFA made some effort in identifying local team members with a financial management background, other critical skills i.e. M&E and PSM were not country based. The nature of work as defined by the dynamic environment in Zimbabwe called for a continuity of dedicated resources in all critical areas of grant performance. Particularly, there was a need for more technical-time input under M&E and PSM given the caliber of technical resources retained at the PRs. The LFA has mobilized PSM and M&E experts to support the in country team. While this resolved the problem by providing skilled staff to undertake work in these two functional

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areas, it however remains limited in cases where there is a need for follow up of issues in these critical areas. This partially contributed to the delays in resolving review queries on the PSM and M&E Plans.

Recommendation 102 (High)

The LFA should review the team composition to ensure that staff deployed on the Global Fund assignment are of suitable seniority and experience. Training of local counterparts should be undertaken to ensure that any issues that remain unresolved after the PSM and M&R experts leave the country can be followed up by the team in country.

282. Meetings with the PRs revealed that the LFA field teams did not have a good understanding of several the Global Fund policies and procedures leading to delays in processing information and at times the provision of contradictory information. The in-country mobilized team's lack of sufficient experience and training is reflected in the quality of assessments and verifications of implementation undertaken. Additionally, the LFA is required to provide tailored training to all staff engaged in the work of The Global Fund. However, there was no record that the team involved in the day to day work had received any training of this nature until October 2008.

Recommendation 103 (High)

LFA staff involved in the Global Fund assignment should receive training to enable them to effectively undertake their work.

283. A review of the teams that are proposed by PwC includes budgets for quality assurance of work before it is submitted to the Global Fund. The cases of sub standard work undertaken by the LFA reflected a possible failure in this quality assurance mechanism. The LFA should ensure that all work undertaken by less experienced staff is reviewed by more experienced team members to assure quality of work submitted to the Global Fund.

Recommendation 104 (High)

The LFA team should institute an effective quality assurance process for all reports submitted to the Global Fund. Because of the assessed high risk associated with the operations of the country, the LFA Central Team should provide an independent layer of review to the reports submitted to the Secretariat.

284. It is commendable that the LFA retained the services of a consultancy firm, Africa Corporate Advisors, in June 2006 to study and report on the impact of the foreign currency situation in Zimbabwe on the programs. They have prepared four reports since they were appointed. However, the OIG noted the following:

- (a) The role of the economic advisors was undertaken periodically as opposed to a continuous basis despite the numerous changes to the Zimbabwe environment.
- (b) The reports of the economic experts were stand alone reports as opposed to being incorporated into other reports submitted by the LFA to the Secretariat.
- (c) ACA contacted various stakeholders during its collection of data and did not share its findings with the stakeholders.

285. At the time of this audit, PwC appointed different people to participate in the Global Fund work. This team needs to be vigorously trained to bring them up to speed on Global Fund guidelines, program status and support and the country challenges and the varied role of the LFA in such situations. This suggests that until such a time when the team is properly trained, there is a need to have support provided by the LFA central team in ensuring that the quality of work done in Zimbabwe does not suffer. It is also prudent that the economists are retained as part of the LFA team until such a time when the economy stabilizes in order to provide an analysis of the economic changes to program implementation and aid decision making.

Recommendation 105 (Significant)

The economic analysis should not be on a ‘one off’ basis in a country like Zimbabwe that is facing continuous economic change and facing numerous challenges that affect program implementation. There is a need to continuously analyze the policies at play and provide relevant guidance to effective decision making. The reports of the economic expert should not be stand alone reports but should be analyzed by the LFA and incorporated in the recommendations that are periodically made to the Global Fund, CCM, PRs and SRs. It is courteous to share their findings with the people that were involved in the process in order to retain good will.

Role of the LFA

286. The definition of the role of the LFA operating within a country context such as that in Zimbabwe can be challenging. The LFA ToRs cannot be the same as a country with no risks and challenges as is the case here. The ToRs for this LFA were not changed and remained the same although the work orders showed an increase in budget to address the LFA’s role in addressing the challenges faced in country.

287. There was no record to show that the LFA as part of its role carried out reviews of the performance of the Procurement Consortium and the Fund Manager, two key mechanisms to the Global Fund architecture in Zimbabwe. The Fund Manager contract provided for a review of performance prior to renewal of contract. The FM contract was renewed in August 2008, but no record of performance review was available.

Recommendation 106 (High)

The Global Fund should review the LFA ToRs to ensure that they remain relevant to enable the LFA to undertake sufficient work to provide the requisite assurance over Global Fund resources.

288. There is also a challenge of determining in difficult country contexts like Zimbabwe what constitutes too little, adequate or too much work. The challenge of also having the LFA doing too much work arises when the LFA gets involved in doing work that would otherwise conflict with its traditional role and thereby jeopardize its independence and objectivity. In the light of this, the OIG noted some instances where the LFA was requested by the Global Fund to undertake activities that conflicted with its oversight role e.g. the follow up of the funds that were lodged

with the RBZ. This should have been a PR role with the LFA providing the Global Fund with an assessment and recommendations about the effectiveness of efforts by PRs. Another example is the review of acquittals under the RBZ arrangement where the same LFA would have to provide assurance about the reasonableness of the whole process. In such cases, the LFA lost its independence and objectivity in providing reasonable assurance since it is involved in some of the activities that it has to assess.

Recommendation 107 (Significant)

The LFA Central Coordination team should actively participate in the negotiation of additional work done by the local LFA at the request of the Secretariat with the aim of objectively determining whether it will result in a Conflict of Interest.

Quality of work

289. Overall the assessments performed by the LFA on the PRs for Round 5 did not provide sufficient depth into the existing PR capacity gaps. The assessment team did not demonstrate depth in the understanding of programme requirements of grants of the Global Fund magnitude. For example, the overall rating in the assessment form for MOHCW is B2, which appears to be inconsistent with the underlying ratings in the sub-sections. The management team at NMCP was rated as A2 yet significant weaknesses were noted in the management of the grant during this audit review. The HMIS was also rated as strong without a substantiated basis for such a score and the audit has revealed that this HMIS has since been “abandoned” with parallel systems created to gather data. Similar examples as noted above were cited in the assessment reports for NAC and ZACH. Assessments were also not undertaken by the LFA for key mechanisms in the Global Fund architecture like the PC. As a result of these weak assessments, the failure to identify the effectiveness of the key success factors resulted in recommendations that did not tackle the heart of the problems at PR and SR level.

290. The LFA is expected to provide analysis, advice and recommendations which will assist the Global Fund to sign a high quality grant agreement with the PR. The quality of work undertaken by the PRs during grant negotiations is also inadequate as demonstrated by the following:

- (a) The process for setting CPs in the Grant Agreements did not demonstrate adequate consultation with the PRs to agree on the CPs that would constructively support grant implementation. Several CPs were stand alone requirements with little consideration of the overall structural set-up and systems existent within the PR. For example the requirement to recruit M&E Experts and other specialized staff did not adequately take into account the overall weak systems in which the staff would be placed. At ZACH, at the time of the audit in October 2008, the M&E staff did not have work to do on the Global Fund grants despite having met the CP. Many CPs linked to disbursement have remained outstanding and the OIG did not see mitigating actions being put in place to address the risks initially identified. The delay in fulfillment of CPs contributed to the delay in the first disbursement, which happened more than one year after signing of the grant agreement thus

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raising the question of the practicality of CPs and the role of the LFA in guiding this process.

- (b) The lack of effective review of budgets is demonstrated by the approved budgets having the administration fee based on the UNDP charge of 6%. This problem should have been identified at grant negotiation when budgets are reviewed for reasonableness to prevent the confusion and dissatisfaction that happened later.
 - (c) According to the LFA ToRs, "*the LFA, through its Monitoring and Evaluation capacity, is required to assist the Global Fund in negotiating the incorporation of appropriate indicators for monitoring performance against targets and periodic grant disbursement in the Grant Agreement*". Review of the targets and performance indicators shows that several indicators were not measurable with some not meeting international standards. Consequently some targets for Round 5 may not be achievable while others were underestimated. This represents inadequate technical input by the LFA at the time of work plan and budget approval.
- 291.** Follow up of some key issues by the LFA like the finalization of M&E and PSM plans was sub optimal. The verification of implementation by the LFA was also noted to be inadequate in some cases as demonstrated by the fact that it took over a year for the LFA to identify the payment of the administration fee by PRs as irregular. PRs have now been asked to justify the 6%. All PRs have provided justifications for these fees to the LFA and although no approval has been seen in writing, most believe that the LFA cleared their justifications. However a review of these justifications revealed that some of the costs charged to Global Fund under this fee were duplications since they were already covered under other line items in the Global Fund budgets.
- 292.** The LFA is required to perform at least one site verification exercise annually. The LFA did not carry out any site verification exercise until October 2008. The technical capacity for LFA to review programmatic aspects and the work is still low though intensive capacity building efforts are under way from their regional offices.
- 293.** There were considerable delays in the finalization of the DRs and Progress Update Reports. Discussions with the PRs indicated delayed response to the draft reports submitted to the LFA. There was no record at the LFA to indicate that such delays were consistently communicated to the Global Fund secretariat and that the PRs were notified of such non-compliance with the grant agreement.
- 294.** The change in the LFA team is expected to address weaknesses such as those noted above. The LFA should develop internal quality assurance measures to track compliance with their Terms or Reference.

Role of Development Partners

295. As a funding mechanism the Global Fund does not help implement any of the programs it gives grant money to. Instead, the Global Fund relies on international development partners to provide such support to grantees. Recognizing the importance of in country partners, the Global Fund Board at its 9th session requested

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that the Secretariat work closely with partners to facilitate the provision of technical support throughout the life of the grants.

296. The commitment to support Global Fund programs in Zimbabwe is reflected by the representation of development partners on the CCM. This commitment is further demonstrated by the WHO Resident Representative for Zimbabwe being the Vice Chair of the CCM. The CCM has demonstrated some commendable effort in leveraging the relationships with DPs. The development of Round 8 Proposals was supported by the DPs. The CCM Secretariat has also received substantial financial support from the DPs. The DPs supported the training of trainers for ACT and RDTs for about 487 officials. Development partners have also funded other initiatives in the health sector that have strengthened the environment in which Global Fund operates in Zimbabwe e.g. support to NatPharm, MOHCW etc.

297. According to the minutes of the CCM meetings, the participation of the DPs at the CCM has deteriorated since March 2008 with most DPs sending other staff to attend the meetings. There is no evidence seen of a deliberate effort demonstrated by the CCM and the Global Fund Secretariat to address or resolve the concerns of the DPs.

298. The Global Fund Secretariat has not adequately engaged the in country DPs on the challenges of implementing programs in Zimbabwe. This is particularly evidenced on the decisions to create the FM mechanism and signing of the agreement with the RBZ. There is sufficient evidence to show that the DPs sought dialogue with the Global Fund Secretariat to develop a more workable solution for the local currency component of the grants. However, there is very limited evidence to confirm the Global Fund Secretariat dialogued adequately with the DPs to create a buy-in situation. This greatly affected the relationship between the CCM, Global Fund Secretariat and the country DPs.

299. Communication between the Secretariat and the DPs has not been optimal. While the Global Fund expects DPs to continue to support its programs as partners that are on ground, there is limited engagement between the Secretariat with the partners. There is a general view among in country DPs that the Secretariat is not forthcoming in sharing information.

300. However, the goodwill remains with the DPs to work with Global Fund to make its programs work. Discussions with the DPs indicated a general appreciation of the need to provide technical assistance to some of the PRs as well as to provide support to the key operational areas that are affecting the effective implementation of the Global Fund programs. In the absence of in country representatives, it is critical for the Global Fund to strengthen its relationships with in country DPs. Partnerships with the development partners are critical for a country like Zimbabwe to ensure that the limited resources in the health sector are effectively used to address the challenges in the country.

Global Fund Secretariat

301. The Zimbabwe country team has ‘walked an uncharted path’ by working on a highly volatile and challenging country context for which there were no applicable

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policies and procedures to follow. The unfolding of events in Zimbabwe has gone against the grain of what a typical Global Fund grant would face and this called for the team to come up with innovative ways to address the challenges as they arose. This has also been compounded by the dynamic nature of the environment in which constant change meant that an ideal solution today may not work tomorrow and called for flexibility in arriving at solutions. Finding a solution was also complicated by the need to have solutions that eliminated possible loss to the Global Fund and complied with Government laws. This may have contributed to the lack of and/or delays in decision making by the Global Fund on issues relating to the country.

302. Following the lodgment of funds with the RBZ, the Global Fund Secretariat has made only one disbursement into the country i.e. in December 2007. Since then disbursements to the country have ceased. Several DRs submitted by the PRs since then have not been honored. The Global Fund devised alternative measures to address the shortage of funding in country by reallocating the savings from Round 1 to Round 5 activities. This in effect represents a restriction to funding by the Global Fund.

303. In his statement to the Board at the November 2008 Board meeting, the Executive Director invoked the Additional Safeguard List (ASG) on Zimbabwe. The ASG is part of the Global Fund's risk-management strategy, which is invoked when the existing systems cannot ensure accountable use of Global Fund financing and suggest that Global Fund monies could be placed in jeopardy without the use of additional measures. The Secretariat applies the ASG as required based on the facts and circumstances of each particular grant. The conditions that would qualify Zimbabwe to be placed on this list are concerns over the safety of funding in country and the recent or ongoing concern about the operating grant environment.

304. Prior to the Eighteenth Board meeting, held between the 3 and 7 November 2008, the Secretariat discussed the status of the Zimbabwe portfolio in relation to the country context issues raised in this report. At the Board Meeting, the Global Fund Executive Director communicated to the Global Fund Board the status of the Global Fund grants in Zimbabwe. In his communications, the Executive Director confirmed the recommendation of the Director of Country Programs to invoke the Additional Safeguards Policy of all Zimbabwe grants with a view to strengthening oversight over the existing and future grants in Zimbabwe to ensure that Global Fund investments are not at risk.

305. The Additional Safeguards Policy will be applied as follows:

- (i) For the approved Round 8 proposals, the Global Fund Secretariat will directly nominate the PRs, in consultation with the CCM and other development partners in Zimbabwe. The Global Fund Secretariat will also review the existing PRs for Round 5 Grants which may result in changes of PR.
- (j) The PR assessments conducted by the LFA for the Round 8 proposals will include a special emphasis on the transparency and accountability of the flow of funds to Sub-Recipients.
- (k) For the Round 8 Grants, the LFA shall conduct assessments of nominated Sub-Recipients at the same time as the PR assessments. The assessments will be reviewed by the Global Fund Secretariat, in consultation with the LFA

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and PRs, with a view to ensuring that the allocation of program responsibilities and funding to Sub-Recipients is appropriately matched to their capacity to carry out such activities, taking into account any specific risks identified. This may also result in further grant funding being conditioned on tighter flow of funds arrangements.

- (l) For all current and future grants, PRs will be required to report on a quarterly basis. Disbursements will also be made on a quarterly basis following the performance based funding model, and no funding for a buffer period will be provided. Depending on the circumstances the Secretariat may decide as a temporary measure to limit disbursements to a monthly basis.
- (m) All Global Fund monies for health products and the majority of the non-health products under all the grants will be disbursed to an offshore account of the Procurement Agent.
- (n) For the portion of the grant budgets that is required for local currency payments, the Fund Manager Mechanism will be utilized until the expiry of the existing contract on 31 March 2009. The Global Fund Secretariat will continue to review the effectiveness of the Fund Manager Mechanism.
- (o) The LFA will be conducting on-site data verifications on a six monthly basis to monitor data quality.
- (p) The LFA has been given additional responsibilities under the existing contract to carry out special services to provide detailed oversight on the financial flows and management of Global Fund monies in Zimbabwe.

306. The Global Fund Secretariat has committed to consider the recommendations in the OIG's report, and the action plan of the PRs to determine whether the additional safeguard measures are adequate or whether they need to be re-visited.

307. In OIG's view, the listing of Zimbabwe as an ASG country ensures better management of the risk represented in the country e.g. stronger monitoring and through the greater involvement of the Executive team in its management. The conditions that countries on the ASG list are obliged to comply with would have to be reviewed to come up with ideal mechanisms that address the specific risk in the country. As recommended in the OIG's report on Suspension/Termination processes (TGF-OIG-08-003, issued on 9 September 2008), country programs should consider having a team that comprises the relevant country programs team as well as expertise from the specific clusters e.g. communications, finance, legal etc. to support the decision making process.

308. The Global Fund Secretariat have also made a decision to review existing "institutional arrangements" in respect of the current and future grants in Zimbabwe. This will include a review of whether the Principal Recipient for each grant needs to be changed.

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Recommendations and Action Plans
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| Grant operating Environment | <p>Recommendation 1 (High) Considering the effect of the prevailing environment on program implementation, the following should be considered:</p> <ul style="list-style-type: none"> • A 'no cost extension' should be requested by the CCM. As it is likely that it would cover a period of more than one year in order to be effective, such a request may have to be approved by the Board of the Global Fund. • Global Fund Secretariat should work closely with the PRs to ensure better cash flow management. Funds should be utilized immediately on receipt and not left to lie idle. • The PRs should be encouraged to implement cost control measures. Any cost savings can be used to offset the effect of inflation on the programs. | <ul style="list-style-type: none"> • The CCM notes the challenges with grant implementation. A no cost extension would be required for all the round 5 grants. However with an improved movement of funds acceleration of implementation would be more preferable. Other PRs (ZACH) have already made request for no cost extension. • Already happening. Policy issues should be communicated through the CCM. Cash flows are submitted to LFA as agreed for GF reporting. • The cost control measures have been practiced before since the PRs follow procurement procedures that require bidding and engaging the cheapest suppliers. The PRs have also been working | PRs will apply for no cost extension in consultation with support from CCM. PRs and GF secretariat PR Finance | February 2009 On going On going | The OIG recommends that the CCM secretariat develops appropriate time bound actions. |

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| | <ul style="list-style-type: none"> Accelerated work plans should be developed for all PRs, SRs and SSRs. The work plans should include measures to enhance accountability to ensure that the acceleration does not happen at the expense of accountability and quality of work. In order keep up with the frequent price changes due to inflation, there should be more frequent reviews of budgets, work plans and targets. The decision making at all levels i.e. Global Fund, LFA, PRs, SRs should be hastened to ensure that decisions made remain relevant. Decisions should also be flexible thus allowing the implementers options to adjust to the changing environment. | <p>with the LFA in the identification of cost savings and re-allocating them.</p> <ul style="list-style-type: none"> All PRs and SRs have already developed and submitted their acceleration plans. However the plans will continuously be revised when the funds become available. Reviews are done working with SRs and implementation of activities is matched with budget lines. Budgets are now in the more stable foreign currency since the RBZ has given authority to PRs and SRs to transact using USD. Where regular budget reviews are needed that would be done. Decision makers have always tried to make timely decisions but the operating environment has created serious challenges, e.g., policy changes. Continuous improvement would be pursued | PRs GF programme persons PRs and SRs Finance Decision makers at CCM, GF secretariat, LFA, PR and SRs | On going On going On going | |
| Grant operating Environment | <p>Recommendation 2 (High)</p> <p>To avoid the risk of funds being retained by the Government, the Global Fund should find alternative mechanisms to make funds available for implementing grant program activities in Zimbabwe. A mechanism should</p> | <ul style="list-style-type: none"> The November 2009 CCM recommended two options for disbursing GF grants to Zimbabwe. The immediate option would be the use of PC | GF to respond to recommendations | February 2009 | |

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| | <p>be established that ensures that lessons learnt from the past are incorporated i.e. that</p> <ul style="list-style-type: none"> • The funds held in country at any one time are minimized; • Development of such a mechanism should be timely and flexible to allow for adaptation to any changes to the environment in which the Global Fund programs are implemented. The mechanism should be reviewed regularly to ensure that it serves the intended purposes and remains relevant even as the environment changes. • To the extent possible, the mechanism should not include the RBZ and/or any institutions under the influence of the RBZ. In cases where institutions under the influence of RBZ are used, the amounts transacted should be kept to a bare minimum. • The development of a mechanism should involve in country stakeholders to ensure buy in. In line with the principle of country led processes, country stakeholders should take responsibility for the mechanism. | <p>(Crown Agency Bank). The short-term option would be the use of World Bank Trust drip feeding to PRs' FCAs. The long-term option would be the opening of off-shore US Dollar Accounts by PRs which would drip feed into their local FCAs. The CCM has since written to the GF making the above recommendations.</p> <ul style="list-style-type: none"> • PRs are now working on opening of FCA accounts. As for NAC, the Board has since approved the opening of an offshore account. PR is in the process of opening accounts with two different financial institutions. PRs would be facilitated to open offshore accounts. | PRs finance and CCM | Offshore accounts opened April 2009. | |
| Grant operating Environment | <p>Recommendation 3 (High) The effect of dollarization on all Global Fund activities should be assessed and policies and procedures developed to guide implementers about how to handle this</p> | <ul style="list-style-type: none"> • The CCM is looking at ways of harmonising payment of per diems especially for | | | OIG recommends that the CCM gives a date for finalization of the |

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| | transition. An example is how such payments can be effected and what per diem rates to pay in dollars at workshops. The PRs should also review their financial policies and procedures to address the risks related to hard currency transactions. | <ul style="list-style-type: none"> programmes involving MOHCW. ZACH activities do not require large amounts of per diems all payments are according to the approved grant budget lines and will be implemented accordingly. The bulk of this process is with NAC and MOHCW National AIDS Council has adopted the UN rates for DSA allowances. We are currently working with other key stakeholders in developing a harmonized schedule for transport allowances | | | harmonization of per diems and other allowances and allocates responsibility for follow up. |
| National AIDS Council | <p>Recommendation 4 (High)</p> <p>NAC should develop a sustainability plan with strategies to address the risk of going concern. The sustainability plan should tackle how NAC can leverage additional funding. It should be discussed with stakeholders such as donors, MOHCW, and Ministry of Finance with the view of getting buy-in and funding</p> | <ul style="list-style-type: none"> NAC had just lost an experienced officer who had been trained in the PSM at Copenhagen through UNDP and his replacement had not been trained in the PSM. However assistance in incorporating the Global Fund comments was received from WHO and Crown Agents. The PR has since finalized and submitted the PSM to the LFA and is awaiting the response or written approval from the Global Fund. The National AIDS Council experienced reduced income due to workers' salaries and wages that were below the | | | |

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| | | taxable bracket. However, the level of salaries and wages during the last quarter of the year saw the inflows from AIDS levy significantly improving. Secondly NAC is getting assistance from other partners such as CDC, UNFPA, ESP and others in the procurement of equipment, vehicles stationery and payment of salaries. Lastly NAC is projecting income of US\$8.8 million from AIDS Levy in 2009 which will be collected in foreign currency. | | | |
| National AIDS Council | Recommendation 5 (Requires attention) NAC should allocate more staff to the review of Global Fund activities. Considering the large dispersion and scale of Global Fund activities, the internal audit department should develop a comprehensive audit plan that should include a risk matrix, planned audit approach and timelines for the execution of the audits. Audit findings should be circulated to responsible parties within the set timelines, after which the reports should be presented to the audit committee. The committee should follow up management action on recommendations made. | <ul style="list-style-type: none"> • NAC Secretariat discussed the management letter of the Audit with FAAC and the FAAC Chairman made recommendations on the letter to main Board. The Board Chairman signs the accounts after the deliberation of the same at the same Board level. • The Internal Audit Plan was discussed and agreed to by the Chief Executive Officer. In future the plan will be shared with FAAC. • The staff compliment in the Internal Audit Department was 7 including (4x Internal auditors, 1x senior auditor, 1x GF auditor | HR and Administration Director/Audit Director Audit Director Audit Director | 30 March 2009 On going On going | |

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| | | <p>and 1 the Audit Director). However, in-view of the increase in the number of grants the National AIDS Council is managing, there is need to boost the number of internal auditors by two. In Round 8 there is a post of the Compliance Officer.</p> <ul style="list-style-type: none"> • The audit approach was risk based although it was not properly documented. The risk profile/matrix is now in place. • Management had held a meeting to discuss the audit observation with internal audit. | | | |
| National AIDS Council | <p>Recommendation 6 (High)</p> <p>(c) NAC management should re-examine the Program Grant Agreements and ensure that they comply with the articles and covenants therein.</p> <p>(d) The Global Fund should institute measures where compliance of the PR with grant conditions and applicable country laws is checked. This will ensure that the conditions put in place to safeguard the Global Fund assets are operational and therefore reduce the risks that Global Fund money is exposed to.</p> | <p>a. NAC approached the Comptroller and Auditor General to carry out the External Audit before the visit by the OIG. The Comptroller and Auditor General's office was responsible for auditing the Global Fund Grant when it was under the previous PR (UNDP). However, the audit was supposed to be carried out after the visit by the OIG but, unfortunately, there were some delays as the dates of coming to Zimbabwe kept on changing.</p> <p>The National AIDS Council wrote to</p> | HR and Administration Director | On going | <p>The OIG audit was deferred by one month. At the time of the audit, there were no financial statements ready for audit, eight months after year-end. PR should provide a time bound action to the recommendation.</p> <p>OIG reviewed a request</p> |

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| | | <p>the Ministry of Finance seeking exemption from paying the tax in line with its interpretation of the Grant Agreement Article 12. Taxes and Duties, that states that :</p> <ul style="list-style-type: none"> • 'Refund of Taxes. If a tax or duty has been levied and paid by the Principal -Recipient in connection with goods or services purchased with Grant funds despite an exemption from such tax or duty, the Global Fund may, in its sole discretion: (a) require the Principal-Recipient to refund to the Global Fund the amount of such tax with funds other than those provided under the Agreement; or (b) offset the amount of such tax from amounts to be disbursed under this or any other agreement between the Global Fund and Principal -Recipient. • Resolution of Tax Issues. In the event any governmental authority refuses to recognize the Global Fund's exemption from taxes, duties or charges, the Principal-Recipient shall immediately consult with the Global Fund to determine a mutually acceptable procedure. • The Principal -Recipient | | | <p>for exemption, and also noted that ZIMRA had written to NAC indicating that the request was not accepted. The reference to the exemption in the grant agreement was to sales and import duties, whereas the taxes referred to in this report are income taxes payable by NAC staff. A time bound action should be provided.</p> |

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| | | <p>authorizes the Global Fund to withhold from the Principal - Recipient's disbursement any amount representing a tax or duty paid by the Principal - Recipient, unless the Global Fund has, in each instance, specifically authorized the Principal -Recipient to pay the tax or duty.'</p> <ul style="list-style-type: none"> • The Agreement required the PR to reimburse GF any taxes paid from grant funds. • b) Arrangement to engage the Comptroller and Auditor General (CAG) were at an advanced stage when the OIG was in country. NAC did not want to have two important external audits at the same time; this was aggravated by the fact that the dates of the itinerary of OIG were consistently being changed. • The PR was of the understanding that the 6% administration fee was an amount being paid for administering the grant on behalf of the donor. This is the practice world over. The 6% and 5% administration fees for the PRs and SRs were included in the work plans and budgets for both Round 1 phase 2 and Round 5 | | | |

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| | | <p>Phase 1 grants approved by the GF.</p> <ul style="list-style-type: none"> • The fuel that was used for 'non Global Fund business' by Directors, National Coordinators and the Provincial HIV and AIDS Officers using non project vehicles was actually used to carry out GF activities. The fuel that was included in the main work plans and budgets was for project vehicles only. • It should be noted that the request to provide work plan came much later from the Local Fund Agent. However the amount was deducted from the approved administration fee budget. | | | |
| National AIDS Council | <p>Recommendation 7 (Significant)</p> <p>Management should record GF related financial transactions in Pastel with US dollars as the primary transaction currency. The Pastel package should then be configured and customized to allow for tracking budgets at PR, SR and SSR level; producing standard reporting formats for the Global Fund Secretariat; and tracking advances to SRs, the procurement agent and other implementers. An efficient, frequently tested off-site backup system should also be implemented.</p> | <ul style="list-style-type: none"> • The auditors were provided with the reports mid-way, when the Finance Officer who was away at beginning of the review was back to Harare. • The OIG was informed that the accounts are maintained on pastel accounting package. However, the version that was being used at the time of the review used one currency only, of which the Zimbabwean dollar was in use in compliance with | Finance Director | On going | <p>The accounts provided to the auditors were carried on the accountants personal flash dist. This presents significant control weaknesses.</p> <p>The PR should propose time bound actions to cover the stated recommendations in light of the report observations.</p> |

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| | | <p>the Country's laws. These records would be converted into the United States dollar using excel when preparing reports for TGF. In mid October 2008 the PR bought a multi-currency module for pastel which allows reporting in 8 different currencies.</p> <ul style="list-style-type: none"> • The transactions were made up to May, 2008 and there were challenges with the systems as it could not accept the numerous zeros on the figures. • The pastel backup for head office is kept at our provincial office in Marondera, just 65Km away from Harare. | | | |
| National AIDS Council | <p>Recommendation 8 (Requires attention)</p> <p>In order to ensure a financial management system that efficiently provides accurate and reliable information for management decision making, management should regularly review the financial policies and procedures. Some of the changes that should have triggered changes to the finance manual are the dollarization of the Global Fund budgets; the licensing of warehouses, and fuel stations to receive US dollars; hyper inflation and its effect on budgets; deletion of zeros from the Zimbabwe currency; and new operating mechanisms such as the FM</p> | No comment | Finance Director | On going | |

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| National AIDS Council | Recommendation 9 (High) The PR should refund all Global Fund funds spent on non-Global Fund activities. Where administration and other overheads are shared with other programs, a proportionate contribution may be paid from Global Fund funds to meet these costs | | | | |
| National AIDS Council | Recommendation 10 (Significant) NAC should develop procedures for management of disbursements to SRs and SSRs. These procedures should also include stringent procedures for control of advances for program activities such as workshops. | <ul style="list-style-type: none"> • (a) Capacity Building Workshop: The ticketing vouchers issued by the hotel for the expenses incurred (Z\$14 983 000) are all in the envelope attached to the payment voucher and there is no discrepancy with the accompanying statement. • Capacity Building Training: The Z\$2,800,000 was payment for internet services at Servitude Enterprises, where some documents for TGF were to be mailed to NAC HQ from Beit Bridge during a work shop. A receipt from the service provider is in the file. • Capacity Building Training: There was a difference between the statement from Beit Bridge Express Hotel and the individual vouchers for different charges. The hotel has since been asked to provide the National AIDS Council with a copy. | Finance Director/HR and Administration Director | On going | No response or action is given by the PR to the specific weakness of fuel coupons advanced to SRs not tracked or accounted for. |

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| National AIDS Council | <p>Recommendation 11 (High) To enhance program performance, NAC should develop an accelerated work plan for Phase I. The LFA should review this plan for reasonableness to ensure that the accelerated measures instituted are not undertaken at the detriment of the quality of work undertaken. For easier monitoring, benchmarking of results and to remove any possible confusion that may ensue, NAC should classify its reporting areas according to the local government districts.</p> | <ul style="list-style-type: none"> • After the release of funds by the RBZ and the authority to pay suppliers in foreign currency, SAfAIDS has conducted the following: <ul style="list-style-type: none"> • Two HIV and AIDS training workshop for 22 journalists and 24 journalists on 4- 5 December 2008 and 8 - 9 December 2008 respectively. • Hosted and coordinated series of (12) discussion forums for journalists in Zimbabwe on the following focus themes: HIV Testing and Counseling, Stigma Reduction, HIV and TB co-infection and Treatment Literacy. • A national Policy Makers' Treatment Advocacy Sensitization Workshop. • Conducted 11 briefings under the four thematic areas in Harare, Kadoma and Bulawayo respectively. • Another media briefing under | Global Fund Coordinator | On going | |

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| | | <p>the topic of Treatment Literacy will be held on the 12th of February at SAfAIDS premises.</p> <ul style="list-style-type: none"> • The SR (PSI) kicked off the activities after receiving funds from RBZ. • ZAN has not started implementing their activities as they are awaiting approval of budget re-allocation that they requested and the disbursement from TGF. • ZINQAP has trained laboratory personnel, registered all labs and carried out supervisory visits to some of the districts. • NAC has harmonized all rural based districts except for Harare and Bulawayo where reporting is according to the City health districts. | M & E/Operations Director | On going | |
| National AIDS Council | Recommendation 12 (Significant) The ART and VCT plans at all levels should be updated. Staff should be oriented in the | No comment | M & E Director | 30 March 2009 | |

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| | implementation of the plans. NAC should ensure that the different programmatic indicators, data collection tools and guidelines for ART and VCT are harmonised. | | | | |
| National AIDS Council | <p>Recommendation 13 (High) The current indicators under Round 5 should be reviewed for possible adjustment in the acceleration plan to address the findings identified above</p> | <ul style="list-style-type: none"> There is need to carry out a cohort analysis study using the current registers from each site providing ARVs. ANC data survey which is currently under way is used and the ZDHS that is carried out at five year intervals. It was difficult to follow up the babies after they had turned 18 months old. Since the MOHCW policy now allows health workers to test the babies as early as possible after delivery, it has become easier to collect the indicator. | M & E Director | 30 March 2009 | |
| National AIDS Council | <p>Recommendation 14 (Significant) The current data collection and reporting processes should be reviewed to streamline the collection reporting and review roles. NAC should work with the MOHCW in order to strengthen the data collection and reporting. Training of staff assigned review authority should be carried out to ensure the reliability of reported data.</p> | <ul style="list-style-type: none"> Agreed, and the process of harmonizing reporting tools has already started. Some M&E officers were trained using funds from other sources; however there was acceleration after the release of funds by RBZ. Due to the high attrition rate of personnel in the country | M & E/ Operations Director | 31 July 2009 | |

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| | | <p>training will be a continuous process.</p> <ul style="list-style-type: none"> • The data will be for that particular district and the DAC office will be having records for all the data. • The reporting forms have since been distributed to all reporting sites and there are minimum stocks for replenishment. • GRM is working with the SR (MOHCW) on the area highlighted. All data is from the district is sent to the Provincial HIV and AIDS officer who validates it before submission to HQ. Provincial HIV and AIDS Officers were trained in M&E. In addition, there are other two M&E officers at the provincial office and also a data base officer whose responsibilities are to analyze and validate the data. | | | |
| National AIDS Council | <p>Recommendation 15 (Requires attention)</p> <p>The assessments prepared for SRs should be reviewed, with the objective of identifying gaps that would affect achievement of program targets. These gaps should then be included in the grant agreements with SRs as conditions which are to be fulfilled at the various stages of program progress.</p> | <p>The largest amount of the budgets under SR and SSRs was for procurements that were disbursed direct to the procurement consortium. The availability of the ARV Drugs, HIV Test Kits equipment and Global Fund supported personnel, where the</p> | | | <p>The OIG noted that since the systemic weaknesses of the SRs were not included in the agreement. There have not been any changes effected by the SRs to fill the identified gaps,</p> |

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| | | <p>largest expenditure went, has resulted in the good ART and T&C Components' performance at 47,093 out of a target of 53,117 (88%) patients on ART, 37 out of a target of 66 (56%) sites providing comprehensive ART Services and 52,329 out a target of 95,000 (55%) people reached with Counseling Services.</p> <p>The working papers used to assess the procurement and M&E were retained in the M&E and Administration departments where these officers were based and were not in the file that was reviewed by the OIG.</p> <ul style="list-style-type: none"> a) ICT for MOHCW was part of the implementation of the grant; to date all sites have been provided with computers. b) Recommendations were made to the relevant SR. c) PR's internal audit function was going to cover the SRs. d) PR's M&E function to cover the relevant SRs. | | | which affect program implementation. |
| National AIDS Council | Recommendation 16 (Significant) The contract between NAC and NatPharm - Crown Agents Consortium should be reviewed to specify the responsibilities for distribution; when PC fees fall due for payment; the treatment of balances remaining on-account after procurement | <ul style="list-style-type: none"> • The PR had considered that as implied in the MOU since in practice, the Consortium has always invited the PR to assist in the inspection and verification of the goods received. The inspection is confirmed through | HR and Administration Director | On going | |

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| | funds are advanced; and the holding of money in an interest bearing account. | <p>the signing of the delivery notes and issuing of goods received voucher/note.</p> <ul style="list-style-type: none"> • In coming up with the Consortium arrangement, NatPharm came in because of its wide distribution network which is one of its core businesses. • The PR assumes that the PC uses internally recognized procurement procedures. • The amount was held in a trust account that does not earn interest. | | | |
| National AIDS Council | <p>Recommendation 17 (High) The logistics unit should be integrated into the processes at NatPharm to ensure that forecasting, procurement, distribution and stock balances at sites are integrated processes. The sustainability of the HIV/AIDS logistics unit should also be addressed in the event that the USAID funding becomes unavailable</p> | <ul style="list-style-type: none"> • There are connectivity challenges and reports are being moved manually from sites to Nat Pharm. | CEO | On going | |
| National AIDS Council | <p>Recommendation 18 (High) The PC should account for funds advanced at the completion of each procurement transaction. Where balances are held at the time of commencement of the next procurement transaction, the proforma invoice submitted by the PC should indicate a deduction of the balances held on account</p> | <ul style="list-style-type: none"> • The PR was of the opinion that the statement of account being received each month from the Crown Agency Bank is adequate. The PR will comply | Finance Director | On going | In the OIG's interactions with the procurement officer and the finance director during the audit, they did not know about these statements from |

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| | | with the observation. | | | Crown Agents. Balances on account were not taken into account by PC when requesting additional funds from the PR for subsequent procurements. |
| Zimbabwe Association of Church Related Hospitals | Recommendation 19 (Requires attention) The Constitution of ZACH should be reviewed and modified to include clear Terms of Reference and authorities of the Board and various boards that govern the organization. In addition, the Board should ensure that approval any amendments to the Constitution are clearly documented. | Point taken. Board of trustee is a separate entity with different ToRs. The issue was reviewed at the retreat of management board. A resolution was passed. Find attached the board resolution (date) | Executive Director | March 2009 | |
| Zimbabwe Association of Church Related Hospitals | Recommendation 20 (Requires attention) The ZACH council should endeavor to diversify the skills base of the Management Board. Emphasis should be placed on having representation of members with financial skills who will enhance and provide a balance to the deliberations of the Board. The Management Board should consider constituting functional sub committees to closely monitor ZACH's functional areas. | ZACH agreed with the recommendation and it was adopted by management board and to be finalized at the Annual General meeting to be held in April 2009 | Executive Director | January 2009 | |
| Zimbabwe Association of Church Related Hospitals | Recommendation 21 (Requires attention) The Management Board should undergo orientation on Global Fund related business, to better understand the significance of ZACH's position as a PR and its relationship with SRs and also gain an appreciation of the impact of non- | The orientation was done at the February 2009 retreat for better understanding and appreciation of the changing trends and challenges in implementing GF activities as well s make it part of the management board meeting | Executive Team and Consultant | February 2009 | |

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| | achievement of program targets to ZACH and the country as a whole. | <p>agenda.</p> <p>The deputy director was given official leave to study for one year and is bonded to work for ZACH for a year on return. An accounting officer was appointed to act for this position</p> <p>Deputy Director Project and Training is the focal person for the Global Fund grant. In the absence of the Director of Finance, there is need for him to stand in the gap.</p> <p>Job descriptions are being reviewed in line with the structure.</p> | | | |
| Zimbabwe Association of Church Related Hospitals | Recommendation 22 (Significant) Management should review the organization structure to assess its adequacy in delivering the ZACH mandate. Job descriptions should be reviewed to ensure they are reflective of the roles, responsibilities and authorities that each staff undertakes. Every effort should be made to fill all key positions. | .ZACH/ Ernst & Young capacity building program is already addressing some of these issues for both the PR and its SRs. This observation is already being addressed and partners are already employing personnel to cover these gaps. 1x Financial Officer and 1x Documentation Officer for data collection and analysis using the ZACH road map for addressing institutional gaps. | Director Project and Training and Ernst and Young | In progress March 2009 | Specific action point still required on review of the job descriptions and on recruitment of Medical / Programs Officer |
| Zimbabwe Association of Church Related Hospitals | Recommendation 23 (Significant) In its role as PR, it is important for ZACH to have an internal audit function to provide assurance regarding the achievement of objectives of ZACH and the controls over SR function in the following categories: <ul style="list-style-type: none"> • Effectiveness and efficiency of | An audit firm 5WH was appointed with effect from 1 st January 2009 as per the condition precedent Manuals are being reviewed. | Executive Director | January 2009 | |

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| | <p>operations.</p> <ul style="list-style-type: none"> • Reliability of financial reporting. • Compliance with laws and regulations. • | | | | |
| Zimbabwe Association of Church Related Hospitals | <p>Recommendation 24 (Significant) ZACH's manuals should be updated to cover all the aspects listed above and to incorporate EY's recommendations. These will provide a framework within which programs can be run. By providing guidance on the minimum standards staff can employ in implementing the Global Fund programs, eliminating uncertainties and guarding against the risk of weak structures and systems, these manuals will also enhance the management of ZACH programs.</p> | <p>All manuals were discussed at the management retreat and are to be reviewed.</p> <p>ZACH audit was done year end 2009 and there were no audits for SRs due to none activity ZACH endeavored to make submissions on time but extended verification exercise by LFA delayed some of the disbursement report</p> <p>ZACH's role is to purchase commodities for PRs and SRs on national capacity. NatPharm as pre the contract was to distribute to all PRs. Only Health products (cotrimoxazole) were delivered to Natpharm and TB Unit was notified of the delivery. The down stream of the product to national treatment sites is the responsibility of the SR, MoHCW. ZACH has a master inventory and by right NatPharm should also keep an inventory management at their site.</p> | Deputy Director Project and Training and Deputy Director Finance and Administration | April 2009 | |
| Zimbabwe Association of Church Related Hospitals | <p>Recommendation 25 (High) ZACH management should re-examine the Program Grant Agreements and ensure that they comply with the articles and covenants therein. The Global Fund should institute</p> | ZACH has put in place a fuel request voucher use by the program components. The vehicle management policy is in place and was forwarded to the LFA. | Administration officer | On going | A specific action point still required on re-examination of the program grant agreements to ensure |

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| | <p>measures where compliance of the PR with grant conditions and applicable country laws is checked. This will ensure that the conditions put in place to safeguard the Global Fund assets are operational and therefore reduce the risks that Global Fund money is exposed to.</p> | <p>ZACH did the same HIV M&E plan developed with NAC The policy statement was not clear on logged funds. The information was not only communicated to us on enquiry.</p> <p>Ernst & Young recommendations being incorporated in the manuals.</p> <p>The fuel coupons stubs were produced to the auditor before the procurement of ZACH vehicles. ZACH vehicles were used before implementation of GIF program and some apportionment had to be done. However directives have been put in place.</p> <p>Monitoring of bank balances is done before any expenditure are incurred. Budgetary control system is being put in place</p> <p>Backups now being done on weekly basis and virus updates done fortnightly.</p> <p>6% was agreed at CCM nationally Rent is a separate line item. Fuel and other admin expenses are covered in the 6% admin fee.</p> <p>The \$84,240 does not belong to Global Fund program but is an annual ZACH salary under ICCO which was apportioned to all programs</p> <p>Internal arrangement made at</p> | | | compliance |

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| | | <p>ZACH. And provided the space for GR staff hence no need to draft lease agreement.</p> <p>TGF activities-offices at ZACH are M&E officer, Accountant, Finance Officer, Medical Officer and two admin assistants</p> <p>The \$65,000 was budgeted as rent and approved by GF, was put aside for rent and to create space for GF staff. The money was budgeted to cater for 12 months but the program has now surpassed 12 months and ZACH has not claimed more money.</p> <p>We are not clear where the USD 1,000 rental came from. Rentals obtaining in this location are around USD 5,000 per month.</p> | | | |
| Zimbabwe Association of Church Related Hospitals | Recommendation 26 (Significant) ZACH should reimburse US\$ 84,240 paid to Senior Executives from the Administrative fees. | | | | |
| Zimbabwe Association of Church Related Hospitals | Recommendation 27 (Significant) ZACH should strengthen its financial systems and processes to better safeguard program funds and enhance accountability. The re-design would include a fuel and vehicle management system and the overhead allocation process. ZACH should improve its IT procedures, including | Noted, mechanisms now in place to monitor funds movement. | ZACH executive Team | January 2009 | |

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| | implementation of periodic back-ups of all information and maintenance of back-ups at a different location. | | | | |
| Zimbabwe Association of Church Related Hospitals | Recommendation 28 (Requires attention) The budgeting process should be redesigned to cover periodic budget expenditure analyses and explanations of large and unusual variances. Program budgets should be regularly revisited throughout the Program life and amended to ensure that the amounts included are reasonable. | Noted -based on point 26 recommendations | ZACH Executive Team | On going | |
| Zimbabwe Association of Church Related Hospitals | Recommendation 29 (Requires attention) ZACH should establish and implement rigorous review and follow-up processes both for bank-related expenses and other costs to ensure Global Fund funds are safeguarded. . | ZACH has the capacity to run as a PR and has performed successfully as SR in the past. ZACH noted the observation and believes that with the right attitude of all stakeholders, the program can be a success. Agreed. ZACH has been supporting the strengthening of the TB Unit with the GF support. ZACH supported them through GF but its up to the MOHCW to employ the right staff to strengthen their team/TB Unit CARE communicated their inability to be SR in July 2008, and latter reversed. CCM then instructed that they could not be engaged but can be replaced by Min of Agriculture in October 2008 after CCM approval leading to the delay. | Accountant | On Going (Monthly) | A specific action point is required for the recovery of bank charges of USD 5,628 |

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| Zimbabwe Association of Church Related Hospitals | Recommendation 30 (Significant) ZACH management should utilize the Global Fund M&E Officer for the purposes for which he was recruited. M & E reports should be prepared as required. | M&E officer performing and the progress update forwarded to GIF and also involved in the M&E assessment process led by NAC. | M and E officer | Procedural | A specific action point is required on the M&E officers' roles and responsibilities |
| Zimbabwe Association of Church Related Hospitals | Recommendation 31 (Significant) MOHCW should urgently develop M&E plans for the TB Program. Strengthening of the TB national and program related M&E should as far as practical, be within the national HMIS. | ZACH is working closely with the MOHCW (TB Unit) to make sure that M and E plans are finalized. The appointment of TB Data analyst and lab scientist is meant to overcome the challenges. This will be supported through the distribution of motorbikes to the TB coordinators at the district level. | Director Projects and Training | February 2009 | |
| Zimbabwe Association of Church Related Hospitals | Recommendation 32 (Significant) The TB Program should utilize to the extent possible the existing HIS data already collected by sectors. The TB Unit should also design a system for data validation and review of quality of paper-based data. The HMIS forms and system may be modified to incorporate information that is currently required by the TB Unit but not adequately captured by the HMIS. | MOHCW (TB Unit) has been made aware and encouraged to work closely with the HIV and Aids Unit and the National Epidemiology department (MOHCW). Currently ZACH under the Vital Health Service Support Program sponsored by the European Commission is building the capacity of the National HMIS for improved data collection | ZACH executive in liaison with MOHCW epidemiology department | On going Capacity building program ending in Dec 2009 | |
| Zimbabwe Association of Church Related Hospitals | Recommendation 33 (Significant) The data collection forms should be modified to capture the information above and staff should be trained in the use of these forms. The data collection system should be strengthened and ways of obtaining linkages with the HIV collection processes explored. | The Forms are developed Nationally and Health workers including mission hospitals under ZACH are being trained in information management. Through GRM it is hoped that data collection forms and processing of information will improve. | ZACH Health Information officer in liaison with MOHCW HIMS department | National and on going | |

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| Zimbabwe Association of Church Related Hospitals | <p>Recommendation 34 (High) The indicators and targets in the Global Fund performance frameworks for TB should be reviewed and updated. It is unlikely that the set targets will be met in the remaining implementation period. Compound targets should be revisited and the more favorable targets selected. The increased disease burden resulting from co-infection with HIV and TB (reported at 70%) highlights the need for better integration of health service planning and monitoring for the two diseases.</p> | <p>Noted. However these indicators are based on the TB M&E attachments. Acceleration plans can be developed if additional funding is availed and a no cost extension is granted, SRs have indicated that the targets are achievable.</p> <p>Agree with the split, however on release of funds by RBZ, ZACH disburses to HIHR \$ 12,900, BRTI \$ 55,900, ZINQAP \$65,000 and still awaiting disbursements for other activities.</p> <p>SR agreements were based on GF letters of agreement which were only released to ZACH in February 2008.</p> | Director Projects and Training | Finalization in December 2009 And based on acceleration plans | |
| Zimbabwe Association of Church Related Hospitals | <p>Recommendation 35 (Requires attention) ZACH should prepare addenda to the SR; to include all the omitted aspects indicated above. ZACH should disburse funds to SRs so program implementation can start. ZACH should adopt the procedures suggested by EY for the effective management of Global Fund programs.</p> | Addenda prepared and submitted. Now awaiting disbursement of requested funds from GF yet to be realized. E&Y Roadmap being implemented and some of the areas will depend on availability of funds for additional staff and capacity building. E&Y Capacity building program was designed to address these issues and documents to SRs were meant to strengthen grant management. This was a misinterpretation of the DIP which stated that the | ZACH | Done | |

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| | | photocopier was being procured for central level. But according the DIP the copier falls under BRTI. The country has no number plates. | | | |
| Zimbabwe Association of Church Related Hospitals | Recommendation 36 (Requires attention) ZACH should establish and implement comprehensive and complete grant management procedures that cover all areas of grant management for the SRs. | This is being done but will need to incorporate OIG recommendations | Accountant | Will be on going starting January 2009 | |
| Zimbabwe Association of Church Related Hospitals | Recommendation 37 (High) The impracticality of a regulator (MOHCW) reporting as an SR to a regulated party ZACH (PR) should be revisited at the level of CCM. The results of this review should be used to improve the TB Program set-up under Phase 2 and Round 8. | Noted – matter of attitude and should not affect program implementation | Executive Director | Immediately | The recommendation still requires time bound action points. |
| Zimbabwe Association of Church Related Hospitals | Recommendation 38 (Significant) In addition to the organizational review mentioned above ZACH should also establish detailed and systematic follow-up procedures for dealing with the matters relating to SRs. | Noted – ZACH/ Ernst and Young Capacity building for both PR and SRs was to address the same issues raised. Will use developed templates and documents by Ernst and Young. Already in place Agreed. All procurement done through the consortium under the supervision of ZACH's focal person. The admin assistant's role is to maintain the asset inventory/register. ZACH is aware that the consortium verifies the items on receipt and we also participate in this process. Based on the agreement NatPharm is a big part of this observation. | Director Projects and Training | On going | |

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| Zimbabwe Association of Church Related Hospitals | Recommendation 39 (Significant) ZACH should recruit a fully qualified person to handle procurement and in particular for Global Fund programs. | Noted – This is one of the gaps realized beside the fact that ZACH has procurement processes in place. This is again will depended on availability of funding to hire such a person mean while ZACH's staff works closely with the consortium which has professional technical personnel from NatPharm and Crown Agent for GF procurements. | .Executive Director | Sourcing for funds. | |
| Zimbabwe Association of Church Related Hospitals | Recommendation 40 (Significant) ZACH should review the contract with the Procurement Consortium and prepare an addendum to strengthen the weak areas of the contract. In addition, ZACH should enforce the specific covenants of the agreement with the Procurement Consortium to ensure the compliance by the Consortium | Noted – Working on strengthening the contract with the Consortium. The MOU with the PC will be reviewed. ZACH indicated its preference to the confirmation before RQs, were submitted. However, this affected the tender process as suppliers of various models responded. Toyota could not supply the required numbers. It was important to verify the bikes before purchasing. It was cheaper to get the samples delivered to Zimbabwe than the PR going to UK to assess the product before order confirmation. The process is set to improve with the coming in of an internal auditor. | Accountant | January 2009 | |
| Zimbabwe Association of Church Related Hospitals | Recommendation 41 (Significant) The PC should ensure that procurement best practice is practiced in the procurement of all products in order to ensure that value for money is obtained for | Noted – including point 39 checks for all GF funded programs under ZACH – PR, SRs Consortium etc. | | Already started – re-enforcement January 2009 on ward | |

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| | all procurements. | <p>PC Response/ action</p> <p>The Global Fund ethos of procurement is to secure quality goods at the lowest possible price while abiding by international and local law. The majority of the procurements by the PC is based on international restricted bidding using adequate sources to provide the PR and Global Fund with value for money.</p> <p>The PC does follow comprehensive procurement procedures as detailed in the Crown Agents procurement guidelines.</p> | | | The visit to the PC revealed that the procurement officer did not have those detailed guidelines but brief procurement notes. The PC should seek to improve its working processes in Zimbabwe itself. Whilst Crown Agents International may have excellent procurement guidelines there was no evidence that these were in use in Zimbabwe. |
| Ministry of Health and Child Welfare | <p>Recommendation 42 (High)</p> <p>The organizational structure of the Ministry should be communicated to the Ministry staff. Deployment of staff should be enforced and all staff assigned duties should be provided with a detailed description of their roles and responsibilities. The Manager for the NMCP should be allowed to perform his duties to ensure effective performance of the Programme. The Manager NMCP [and TB Unit] should be invited at the SMT meetings to update senior management on the progress of the Global Fund activities.</p> | <ul style="list-style-type: none"> -Agree with recommendation -Review and Clarify roles and responsibilities NMCP of all staff -GF issues have always been discussed in SMT meetings however The NMCP Program manager will be invited to give GF updates at least once every month. | HR Director - Ms J. Mudyara | January 2009 | |
| Ministry of Health and Child Welfare | <p>Recommendation 43 (High)</p> <p>The MOHCW senior management should ensure that a dedicated manager is</p> | We agree with this recommendation The Epidemiologist is the NMCP | Dr Midzi – Dep. Director DPC, | January 2009 | |

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| | identified for the NMCP to lead the programme team. Clear SoPs for programme management and ToRs for the focal person of The Global Fund should be developed and documented by NMCP management. Recommendations from inquiries on work-related conflicts should be implemented in a timely manner. | Manager (GF focal person). The SOPs and TORs for the incumbent will be developed | Human Resources – Ms Mudyara | | |
| Ministry of Health and Child Welfare | Recommendation 44 (Requires attention) A Human resources policies and procedures manual is a reference document in the management of the human resource. It shows clearly how staff should relate amongst themselves, how they should be treated by management, the work related benefits that they are entitled to, the appropriate method of resolving internal conflicts, the method of appraising staff and other employee related elements. The document allows management transparency in their relationship with staff. It is therefore important that a human resources policies and procedures manual is developed by NMCP management to allow for more effective and efficient employee-employer relationships. | We concur with the recommendation. The MOHCW is developing a HR policy and Strategy, but however, these policies should ensure that all NCMP Contract Staff issues are covered (an NMCP addendum) | HR Director, Programme Manager | February 2009 | |
| Ministry of Health and Child Welfare | Recommendation 45 (Requires attention) NMCP management should review the current staffing within the M&E function with the view of improving performance. The requirement for drivers dedicated to the NMCP should be discussed with senior management of the MOHCW with the view to achieving programme targets in the | We appreciate the acknowledgement that the staffing levels within the NMCP needs to be beefed up. A Logistian, an assistant administrator, data Manager, assistant M&E officer are needed. One driver will be seconded specifically to cater for | HR, Programme Manager | February 2009 | |

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| | planned time. | the NMCP. | | | |
| Ministry of Health and Child Welfare | <p>Recommendation 46 (Requires attention)</p> <p>(c) The Ministry should expedite the process of creating an Internal Audit Committee within the Ministry to strengthen the IA function. The current Internal Audit Charter should be reviewed to incorporate best practice. The Internal Audit work should be risk based; as such the department should, as a matter of priority, develop a risk profile for the Ministry to ensure effective service delivery particularly with the current level of staffing. The Ministry should review the current financial budget of the IA function and make appropriate proposals to development partners and the Government of Zimbabwe-through the appropriation account for technical and financial assistance to improve performance levels within the department.</p> <p>(d) The current state of the Internal Audit function within the Ministry requires significant support to ensure adequate coverage of the current and envisaged scale up of the workload. Until the department has been supported to the expected minimum standard, the CCM should consider outsourcing the Internal Audit function for all Global Fund</p> | <p>Bill in place, charter will be reviewed.</p> <p>Risk profile – work in progress to be completed by end of April 2009.</p> <p>Staffing MOHCW can access other Audit Personnel</p> | Mrs Dembetembe – Chief Auditor | April 2009 | |

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| | grants to ensure effective coverage of risk. | | | | |
| Ministry of Health and Child Welfare | <p>Recommendation 47 (Requires attention) The Programme management should prepare and submit the audit plan to the LFA for approval. Appropriate assessment should be made on whether the audit should be carried by the Office of the Comptroller and Auditor General or a private firm with due regard to efficiency and effectiveness. Senior management should follow up on the recommendations made by the CAG with the view of improving internal controls within the Ministry.</p> | <p>We concur with the recommendation. Draft plan and TORs, were sent to the LFA</p> <p>-We do not concur with the need to have an assessment of who should audit because all government departments are audited by the CAG. However the CAG can subcontract to other firms at a cost. If the Programme has a budget it is possible to hire a private firm.</p> | Finance and Admin Director - Mr Mabandi | Work in progress | |
| Ministry of Health and Child Welfare | <p>Recommendation 48 (Significant) In future, NMCP management should deploy a more aggressive and engaging approach with their bankers to ensure better results. This would include documentation of all meetings held with the bank officials and letters written as a demonstration of such efforts.</p> | <p>Noted.</p> <ul style="list-style-type: none"> - All meetings and communications to bankers will be documented | Finance director and NMCP Program manager | Effective December 2008 | |
| Ministry of Health and Child Welfare | <p>Recommendation 49 (Requires attention) The MOHCW should develop and implement a communications policy. NMCP management should work on setting up an effective internet connection.</p> | <ul style="list-style-type: none"> -The Permanent Secretary will authorize Principal Directors and Directors to use his delegated authority to implement quick decisions - NMCP Internet connection will be | Perm Sec Director Finance | January 2009 March 2009 | |

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| | | set up | and Admin/ NMCP Manager | | |
| Ministry of Health and Child Welfare | Recommendation 50 (Requires attention) NMCP management should ensure that reporting timelines are properly communicated to staff, followed through and met. This will facilitate timely and informed decision making at the Global Fund | Noted | NMCP Manager Dr Mberikunashe | Immediately | |
| Ministry of Health and Child Welfare | Recommendation 51 (High) The management of NMCP should compute the unremitted contribution to NSSA. Management should propose a plan to ZIMRA to settle the PAYE liability over a specified time. This would protect the reputation of the Global Fund programmes in Zimbabwe and the MOHCW. It should be noted that non-compliance with the laws of Zimbabwe translates into non-compliance with the grant agreement. | This will be clarified with Min of Finance (for the PRs to get exemption letters) | CCM Secretariat / Director Finance and Admin | March 2009 | |
| Ministry of Health and Child Welfare | Recommendation 52 (Significant) NMCP management should expedite the process of completing the M&E and PSM Plans. The LFA should also supervise closely the PR to ensure timely completion of such key documents. | We concur with recommendation. The PSM and M&E plan will be finalized | NMCP Manager Dr Mberikunashe | February 2009 | |
| Ministry of Health and Child Welfare | Recommendation 53 (Significant) A financial policies and procedures manual is a document that stipulates the management of financial transactions and the processing of financial information in an organization. It guides the preparer of financial information on the required documents for reporting purposes, the | We concur with the recommendation. A specific NMCP policies and procedures manual will be developed and used as an tandem to the existing financial policies and | Director Finance and Admin | 31 January 2009 | |

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| | process of flow of funds, the management of cash and safeguard of other assets, the approval limits for various levels of management, the way of tracking the specific reporting requirements of the Global Fund. It is thus important that the management of the NMCP retains the services of a financial consultant to prepare a financial policies and procedures manual for use in the day to day running of the programme activities. | procedures | | | |
| Ministry of Health and Child Welfare | Recommendation 54 (Significant) NMCP management should develop guidelines that clearly show the per-diem rates and other allowances for given activities, the basis for adjustment of these rates where required and the required procedure for issue, approval and accountability for the funds by recipients. | -Currently using UN rates which have been recommended for use by PRs. -Management to develop guidelines for use of the per-diem and public transport rates | Director Finance and Admin | -In place already -February 2009 | |
| Ministry of Health and Child Welfare | Recommendation 55 (Significant) The management of NMCP should liaise with the senior management of MOHCW to agree on a more reasonable procedure for approval of payment which retains the control environment but also supports the Global Fund principle of rapid disbursement. Authority for the change in procedure should be properly documented in the financial policies and procedures manual and shared with the concerned parties. | We Concur with the recommendation. To be addressed during development of the guidelines | Director Finance and Admin | 31 January 2009 | |
| Ministry of Health and | Recommendation 56 (Requires attention) Review, by management, of reports and | We agree with recommendation. | NMCP Manager | Immediate effect | |

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| Child Welfare | documents prepared by the finance officer, is a control mechanism which would ensure that errors, omissions, misrepresentations of financial results are identified and corrected on a timely basis. It also ensures that reports sent to the Global Fund are reliable. It allows for informed decision making at all levels. The Programme Manager should spearhead the timely review and approval (by way of appending a signature) of all documents and reports prepared by the finance officer regarding the activities of the Global Fund. These reports should also be forwarded to the focal person for the Global Fund for review, comments and approval before finalization. | All communication and documents that go out of NMCP shall do so through the manager. | | | |
| Ministry of Health and Child Welfare | Recommendation 57 (Significant) Programme equipment should be put to use for intended activities as soon as procured. Senior management of the MOHCW should seek for timely accountability for implementation of programme activities. This would assist in identifying and resolving implementation bottlenecks in a timely manner. | Noted | Director EDC | 1 January 2009 | |
| Ministry of Health and Child Welfare | Recommendation 58 (Significant) A computerized accounting system ensures the processing of financial information with a proper audit trail. The system also provides the preparer of financial reports with a more user friendly, accurate, reliable and effective interface for creating, storing, retrieving and accessing financial information for programme activities. | Noted. In the interim a computerized accounting system will be put in place while the MOH is working on integrating financial management systems | Director Finance and Admin NMCP Manager | March 2009 | |

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| | Therefore, management of NMCP should ensure that it acquires an accounting and management information software for use during processing of financial transactions and to capture programmatic aspects. The existing integrated financial management system at the MOHCW should be evaluated for possible adoption. | | | | |
| Ministry of Health and Child Welfare | Recommendation 59 (Requires attention) Back up of financial information is a key control feature that protects an organization from any disaster and ensures data safety. Financial information is kept on external drives or flash disks with copies kept away from the premises where the information processing was done. NMCP management should ensure that this is done as soon as possible. All Programme information should be kept on Ministry owned devices. | Noted An outside the premises back up storage facility will be identified | Finance officer | February 2009 | |
| Ministry of Health and Child Welfare | Recommendation 60 (Requires attention) A good filing and record maintenance system is fundamental to the management of grant information. An effective system ensures ease in accessing records when required for decision making. It also adds to the quality and reliability of information. Therefore, management should work hand in hand with the finance officer to create a filing system that allows easy access to and custody of documents. | Noted A proper filling and recording system will be put in place | Finance and Admin officer | January 2009 | |
| Ministry of Health and Child Welfare | Recommendation 61 (Requires attention) A fleet management policies and procedures manual is a reference document | We concur but the Ministry has in place a transport policy which does not necessarily cater for program | Finance and Admin officer | January 2009 | |

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| | that provides guidance on the usage, maintenance, allocation, safeguard of vehicles. It supports the institution in attaining the most appropriate use of its fleet of vehicles to achieve programme objectives and targets. The manual provides a basis for management to make decisions on the usage of fuel per vehicle, the determination of the appropriate fuel usage per kilometer. This creates increased accountability and responsibility among staff and other levels of management. In line with that, management of NMCP should ensure that a comprehensive fleet management policies and procedures manual is created for consistent use during programme activities. | fleet. A specific NMCP policy will be developed, adopted, and applied in tandem with the national transport policy. | | | |
| Ministry of Health and Child Welfare | Recommendation 62 (Requires attention) NMCP management should develop comprehensive guidelines for the usage of fuel coupons in order to ensure that there is proper accountability for coupons issued to officers. The guidelines should be shared with MOHCW senior management and should clearly state the mode and layout of acquittal reports, activity or field reports, the levels of approval before issue of coupons, fuel coupon record management, the timeline for submission of acquittals, the need for review of fuel records on a regular basis by a senior officer of NMCP. Issue of fuel coupons should also be clearly tagged to activities on the detailed implementation plan. The guidelines should also spell out the mileage-to-distance ratio that should be | Noted and to be considered as part of item 60 above | See 60 above | See 60 above | |

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| | followed when issuing fuel for specific trips. | | | | |
| Ministry of Health and Child Welfare | Recommendation 63 (Requires attention) The NMCP management should develop comprehensive guidelines for the usage of the Global Fund vehicles and share them with all staff. With the planned increase in the numbers of Global Fund vehicle through the utilization of the 6% administration fee, Management should consider a plan to create a separate pool for Global Fund vehicles with dedicated drivers. This would assist in controlling the movement of vehicles and strengthen accountability for usage. The damaged vehicles should be repaired. | Programme vehicles will be managed as in 60. Vehicles bought using the 6% administration fee will be assets to the ministry and will therefore be managed as per current regulations. | Mr Mabandi | See 60 above | |
| Ministry of Health and Child Welfare | Recommendation 64 (Significant) NMCP management should liaise with the Global Fund and the mainstream MOHCW to find innovative ways of achieving programme targets considering the hyper-inflationary environment in Zimbabwe. The acceleration plan should include plans on how to meet these targets within the set timeframe. | Noted. Consideration shall be made to have a risk management policy | Director Finance and Admin | May 2009 | |
| Ministry of Health and Child Welfare | Recommendation 65 (Requires attention) The NMCP management should expedite the process of streamlining the flow of data from the health centers and the district hospitals. The mechanism for data collection should allow for accuracy, precision and reliability. | Work in progress effective data December 2008. Initially with a rapid data collection from Jan to Nov 2008. From December onwards HF will collect consumption data using standard tools submit to district and up to national level. To work with JSI | Tangwena, Dr. J. Mberikunashe | Work in progress | |
| Ministry of | Recommendation 66 (Significant) | Work in progress | NMCP Manager | January 2009 | |

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| Health and Child Welfare | The national strategic plan for Malaria should be finalised to ensure harmonisation of policy and standards. | | | | |
| Ministry of Health and Child Welfare | Recommendation 67 (Significant) A national data base for the Malaria programme should be developed and used to monitor national data and statistics. National oversight and monitoring structures should meet regularly to review performance of the programme. . | A national data base is already available and require to be operationalised at national, province and district level The NMCP will establish a Surveillance M&E Sub-Committee to oversee M&E activities Data management system to be established and data manager to be recruited | NMCP Manager | March 2009 | |
| Ministry of Health and Child Welfare | Recommendation 68 (Significant) The current process for collection, assembling, reporting and review of data through the entire programme structures should be reviewed with the view to generate reliable information. In particular the issues raised above should be addressed. | Refer to 66 | See 66 above | See 66 above | |
| Ministry of Health and Child Welfare | Recommendation 69 (High) The current indicators and targets should be reviewed within the proposed acceleration plan to ensure these meet best practice and can be achieved within the remaining implementation timeframe. In future, more reliable baseline data should be obtained prior to setting of targets, which ensure reliable performance measurements. The setting of targets should also consider parallel work undertaken by other sector players to cater for results from such efforts. | Noted. Current indicators and targets were reviewed and committed in line with the acceleration plan in order to within the remaining and implementation timeframe. Recommendations addressing future requirements are noted | NMCP Manager | April 2009 | |

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| Ministry of Health and Child Welfare | Recommendation 70 (Requires attention) The NMCP management should amend the agreements between NMCP and SRs to include clearer and more specific roles and responsibilities for NMCP and the respective SRs. This will allow for more informed delivery of programme activities by sub recipients and better working relationships between SRs and the NMCP. The detailed roles and responsibilities in the agreements should be discussed and comprehended by the representatives of NMCP and each SR to allow for a high level of commitment and accountability from all parties. | The agreements were developed using the template provided for by the Global Fund. However these will be reviewed in consultation with Global Fund | NMCP Manager | April 2009 | |
| Ministry of Health and Child Welfare | Recommendation 71 (Requires attention) Assessments should be undertaken on all SRs irrespective of whether assessments have been undertaken by another party or the amount of funding. These factors can only affect the extent of the assessment but not whether the assessment should be undertaken or not. A PR that has the capacity to implement HIV grants may lack the capacity to implement the Malaria grant. These assessments provide useful information on the strength of the institutional, financial and management systems of a potential SR. Assessments aid the organization or programme to understand the capacity gaps and institutional weaknesses of the potential sub-recipient for effective and rational decision making. | With advise from Global Fund we were given a waiver not to assess ZACH, PSI and ZINQAP Needs attention | | Done | |

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| Ministry of Health and Child Welfare | <p>Recommendation 72 (Significant)</p> <p>Sub recipient management policies and procedures assist management to track the disbursement of funds to and accountability for funds from sub recipients and implementing partners for specific activities carried out during the grant period. These policies and procedures would assist the NMCP to make informed decisions on whether or not to continue funding the sub recipients and implementing partners. The Global Fund resources would also be directed only to those sub recipients and implementing partners that present proper accountability for funds received in the past. Management should ensure that sub recipient management policies and procedures are established and used by the NMCP on a consistent basis. The policies and procedures should cover:</p> <ul style="list-style-type: none"> • Disbursement and accountability • Programmatic and financial reporting (including formats) • Budget tracking and analysis • Cash flow management • Maintenance of accounting records • Monitoring and inspection of SR performance • Guidance on internal and external auditing | <p>We concur with the recommendation</p> <p>Sub recipient management policies and procedures will be developed. This will be done in consultation with the SRs</p> | NMCP Manager | February 2009 | |
| Ministry of Health and Child Welfare | <p>Recommendation 73 (Significant)</p> <p>The MOHCW should identify an officer to take responsibility for the procurement and logistics management function at the NMCP. The function would be pivotal to</p> | <p>Noted. Logistian will address this once recruited.</p> | NMCP Manager and Logistian | April 2009 | |

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| | improvement of the procurement processes (particularly for health product) within the NMCP and also strengthen the logistics supervisory role of the NMCP and the Ministry. The PSM Officer would be a crucial resource in the training and monitoring of drug inventory systems at district and rural health centre levels. | | | | |
| Ministry of Health and Child Welfare | Recommendation 74 (High) In future, contractual arrangements should be finalized prior to execution of work. This would avoid potential losses. In this case, the MoU should be revised and signed off by the representatives of the relevant parties. Any overpayments made under this contract should be refunded. | Noted | Finance Director | Immediate effect | |
| Ministry of Health and Child Welfare | Recommendation 75 (High) The distribution and tracking mechanism for drugs should be improved. The management at NMCP should liaise with the PC to directly access monthly reports from NatPharm on the movement of drugs including expiry date updates. | Noted-The MOHCW Pharmacy directorate and Natpharm receive monthly drug status reports which will include anti-malarials and will be shared with the NMCP. | NMCP Manager and Natpharm | April 2009 | |
| Ministry of Health and Child Welfare | Recommendation 76 (Requires attention) The finance officer at NMCP should design ledgers to track the transactions for individual procurement contracts on a timely basis. These ledgers should be reconciled with the records at the Procurement Consortium on a timely basis. Upon completion of a contract, the PC should submit, to the PR, the final Invoices and payment documents to reconcile with the | Noted | Finance Director and NMCP Finance Officer | April 2009 | |

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| | advance paid on the Cost Summary Sheet. Any over/ under expenditure should be refunded or off-set against the next contract cost. | | | | |
| Ministry of Health and Child Welfare | Recommendation 77 (Requires attention) Inventory management policies and procedures provide guidelines for stores management to ensure safe custody and proper accountability for times held. To this end, management of NMCP should develop a comprehensive inventory management policies and procedures manual. | MOHCW has existing policies and guidelines on stores management and these would be applied to GF activities. | Finance Director and NMCP Finance Officer | In progress | |

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| Ministry of Health and Child Welfare | Recommendation 78 (Requires attention) Proper drug monitoring mechanisms should be created with appropriate budget support. These should be linked to the forecasting system. With the resumption of full-scale implementation, all health targeted workers should be trained in the usage of ACT and RDTs. Reports on usage of drugs should be prepared and reviewed regularly. | NatPharm is installing the software package to capture the movement of drugs between facilities. | Pharmacy Directorate and Nat harm | Work in progress | |
| Strengthening processes that support program implementation | Recommendation 79 (High) All PRs should finalise the M&E plans for each national disease program. In finalising the plans, PRs should take the following into consideration: (l) As far as is practical, strengthening of programmatic M&E should be within the national HMIS. In devising their data collection plans, programs should utilise to the extent possible the existing HMIS data already collected by sectors. Parallel and duplicated effort by the different disease programs will be unsustainable especially in light of the thin staffing. (m) Data assurance and/or validation measures by a senior official independent of the preparer of the data should be incorporated in the plan. (n) Training of current staff in collection and use of data urgently needs to be undertaken. | To be done | | Jan- February 2009 | |
| Strengthening processes that | Recommendation 79 (High) – Continued (o) Efforts should be made to provide | To be done | | Jan- February 2009 | |

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| support program implementation | <p>(p) guidelines for monthly analysis of indicators at each local government level. To achieve this, the national indicators and targets could be broken-down for each district and additional indicators developed to improve relevance to district level planning.</p> <p>(q) The use of service data at facility, district and central levels should be encouraged. This could be further facilitated by linking it to the forecasting of supplies.</p> <p>(r) The reporting gaps that are evident between recipients and in particular between HIV/AIDS PRs ZACH and NAC; and between TB sub-recipient (MOHCW) and PR ZACH should be resolved.</p> <p>(s) Current efforts are still fragmented so there is need to implement reporting using the "Three Ones" in both words and actions.</p> <p>(t) Reporting linkages are still poor both within and between programs at all levels. There will be need to revive technical planning and review meetings at district, provincial and nationals, in spite of low staffing levels.</p> <p>(u) Major reporting gaps exist in linkages between and within the different disease programs and yet these are vital for realisation and monitoring of service delivery. Linkages between the HIV/AIDS sub-program reporting is parallel with no apparent intersection at national or sub-program levels.</p> | | | | |

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| | <p>(u) There is need to review the targets in the Global Fund performance frameworks especially for TB and Malaria. It is unlikely that the set targets will be met in the remaining implementation period.</p> <p>(v) The increased disease burden resulting from co-infection with HIV and TB (reported at 70%) and HIV and malaria highlights the need for better integration of health service planning and monitoring for the three diseases.</p> | | | | |
| Strengthening processes that support program implementation | <p>Recommendation 80 (High) The PRs should ensure PSM Plans are prepared in time for approval. Sufficient time should be dedicated to the review process to ensure timely response to queries from all stakeholders. Once PSM plans have been approved, copies of final plans should be kept for reference.</p> | OK | | | |
| Strengthening processes that support program implementation | <p>Recommendation 81 (High) The current MOU is lacking and appears to favor the PC; it should therefore be revised. The LFA should be commissioned to review the document prior to signing.</p> <p>.</p> | The Procurement agreement is a standard model used worldwide and accepted by Donors and sovereign governments e.g. Japanese Government, Kenyan, Nigerian and Zambian governments. The document is designed to protect the interests of the PR whilst meeting the reasonable expectations of commercial suppliers. | | | <p>It is important that the LFA is tasked to review the revised contract. The OIG report provided specific areas of deficiency within the contracts and the PR is encouraged to focus on those and other related issues for improvement. The PC, particularly CA, should take the findings positively as part of continuous</p> |

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| | | <p>The agreements were reviewed by GF, LFA, Attorney Generals Office and State Procurement Board before signing to ensure PRs interests were protected.</p> <p>The agreement will be revised to incorporate the storage and distribution services.</p> | | | improvement. |
| Strengthening processes that support program implementation | <p>Recommendation 82 (Requires attention) The PC should, on each contract handled, ensure that the assignment/contract is signed off as completed (using a Contract Completion Form) by the responsible PRs officials as a confirmation of contract closure. This procedure would ensure that all rights and obligations on the contract are confirmed as settled in full. The form should be accompanied by a full reconciliation/accountability for the advance given at the commencement of the contract. Both documents should be approved by the PR and retained on file.</p> | A Contract Completion Form will be added to the current Goods Received Vouchers | PRs and PC NAC HR and Administration Director | On going | |
| Strengthening processes that support program implementation | <p>Recommendation 83 (Significant) The PC should develop comprehensive procurement procedures. The Procedures should be approved by the PRs. As a minimum the procedures should contain the detailed steps taken at each phase of the procurement cycle, thresholds for different procurements etc.</p> | There are already comprehensive procurement procedures (80+ pages) within the international Crown Agent business. There are in addition corporate Levels of Authority which detail the respective thresholds of an individual buyer and procurement checklists for all quotations/Invitation To Bid contracts and payments. If need be specific procedures | | | The OIG recommends that the PC proposes actions with timelines on how the observations are to be resolved |

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| | | would be developed | | | |
| Strengthening processes that support program implementation | Recommendation 84 (Requires attention) The PC should be more rigorous in reviewing and advising on the budget estimates drafted by the PRs to ensure more realistic Plans. | | | | |
| Strengthening processes that support program implementation | Recommendation 85 (Significant) The PC should maintain adequate documentation of all actions taken on each contract. Evidence of Invitation for Quotations should be on file with sufficient detail particularly the names and number of bidders invited to participate in the process. | Buyers have been reminded to print and file hard copies of all suppliers contacted on each tender. | | | The OIG recommends that the PC proposes actions with timelines on how the observations are to be resolved |
| Strengthening processes that support program implementation | Recommendation 86 (High) The current arrangement of holding funds with The Crown Agents Bank should be reviewed with the view of creating the opportunity for the PRs to access better banking arrangements. Such arrangements should provide for interest on funds held for a certain period of time. | Crown Agents USD Zimbabwe Procurement funds are held on interest bearing accounts but due to the current economical climate and exceptionally low USD interest rates, the accounts presently do not accrue interest. Unlike some of the Bank's other Global Fund Procurement funds where money market balances are consolidated on one account hence generating higher average balances, with the Zimbabwe Procurement accounts there are several accounts that have relatively small balances. | | | The OIG recommends that the PC proposes actions with timelines on how the observations are to be resolved PC should commit to pay interest for Program funds held, |

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| | | <p>As balances have gradually increased with further deposits into the account, The Bank considered transferring these funds into other tiered interest bearing accounts whereby the rate of interest payable is determined by the balances held. However in this current climate, the rate of interest payable on these high tiered accounts is presently zero.</p> <p>The situation is closely monitored and under regular review so should the current market situation improve, we see no reason why the same would not apply to the accounts held</p> <p>The Bank does not charge for statements, payments made in support of supply chain services provided by CA, or for foreign exchange activity, when it holds funds for procurement commitments independently (in trust) on behalf of both CA and its clients.</p> | | | |
| Strengthening processes that support program implementation | Recommendation 87 (Requires attention) The PC should acquire a more reliable financial management system to ensure timely and accurate reporting in the Global Fund contracts. | Bank statements hold an accurate representation of all credits and debits on the clients account. | | | The OIG recommends that the system used in the UK is applied in Zimbabwe. |

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| | | In addition the Crown Agents procurement system in the UK can provide commitment and disbursement reports for each of the respective clients | | | |
| Strengthening processes that support program implementation | <p>Recommendation 88 (Significant) Payment of the PC commission should be made as the contract progresses at proportionate stages of contract performance.</p> <p>Additionally, the LFA should be tasked to assess the capacity of the PC to effectively and efficiently handle the procurement requirements for the Global Fund in Zimbabwe particularly with consideration of the potential scaling up of grants.</p> | The PC take their commission only when the supplier has completed their contractual obligations. The PC is therefore not paid until 95% of their obligations have already been completed | | | The OIG recommends that the PC proposes actions with timelines on how the observations are to be resolved. |
| Strengthening processes that support program implementation | <p>Recommendation 89 (High)</p> <p>(c) In consideration of future funding, support to NatPharm should be reviewed in light of the following requirements;</p> <ul style="list-style-type: none"> • Distribution of drugs to treatment centers in all Global Fund implementation districts • Collection of data from treatment centers on drug consumption, stock balances and stock requirements • Feed into the drug forecasting to prevent stock outs <p>(d) In order to support NatPharm, the CCM should consider the following options;</p> <ul style="list-style-type: none"> • Revising the commission percentage earned by NatPharm • Providing support in the form the | NatPharm capacity is always a priority for the MOHCW. NatPharm distributes drugs and other pharmaceuticals to clinics and compiles consumption data. However the capacity would be strengthened. | NatPharm and Pharmacy Directorate | On going | |

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| | <p>vehicles and maintenance support for Global Fund activities</p> <ul style="list-style-type: none"> • Taking NatPharm to be a sub recipient to ensure continuous and sustained operations | | | | |
| Strengthening processes that support program implementation | Recommendation 90 (High) The ACT drugs should be included as part of the logistics management system at NatPharm. The drugs should be posted in the Navision warehousing system and controlled appropriately. The MoA between MOHCW and Procurement Consortium should include a requirement to provide monthly and quarterly stock status reports generated from the Navision warehousing system | See 77 above | See 77 Above | See 77 Above | |
| Strengthening processes that support program implementation | Recommendation 91 (High) The contract between NatPharm and MOHCW should be revised to include a requirement to provide consumption figures from treatment centers which should form part of the distribution plan and procurement forecast. Procurement Consortium should provide these figures as part of required contractual reporting every month and quarter. | This has been happening although the contract would be reviewed to capture reports on consumption data. | MOHCW Finance and Admin Director and Natpharm | April 2009. | |
| Strengthening processes that support program implementation | Recommendation 92 (High) The capacity challenges of NatPharm should be addressed. Monthly stock counts should be carried out by the Procurement Consortium and the PRs to ensure accuracy and adequate control. Where anomalies are observed as in the table above, they should be investigated and adjustments made appropriately. | Noted Support for this activity to be budgeted for. | PRs and PC NAC HR and Administration Director | On going | |

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| Strengthening processes that support program implementation | Recommendation 93 (High) The process of forecasting for procurement should be integrated with stock balances at sites, and NatPharm through improved communication and linkages between NatPharm and Crown Agents. NAC should also keep track of stock balances and the procurement plan to flag likely incidence of stock counts. | All forecasting requirements to be coordinated from one place; utilisation of the Logistics Sub unit and enhancing continuity of its programmes by making it part of the reporting structures. | PRs and PC NAC HR and Administration Director | On going | |
| Oversight | Recommendation 94 (High) The CCM should ensure that the Global Fund guidelines are adhered to by ensuring that all members from the NGO, International NGO, Private Sector, Faith Based and Academic sector are elected in a clear and transparent process by their constituencies. | Noted There is evidence of documentation that GF guidelines were adhered to when selecting CCM members prior to submission of round 5 proposals. This is why Zimbabwe continued to meet eligibility criteria for proposal submission. However selection of members at the end of term of office has not been adhered to. The CCM would in 2009 select sector representatives and office bearer as per GF and CCM guidelines | | | Specific action is required to address recommendation in light of the observations made. |
| Oversight | Recommendation 95 (Significant) The CCM should operationalise the Conflict of Interest policy. This will ensure that the CCM remains independent and objective in undertaking its oversight role. | Agreed The CCM would revise the COI policy to include the TORs for the Ethics and COI committee (ECIC) and relevant disclosure procedures. Adherence to | | | |

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| | | conflict of interest policy would be monitored by the ECIC. | | | |
| Oversight | Recommendation 96 (Requires attention) While it is commendable that the CCM has committed to review its guiding documents, the strengthening of the CCM will come from the implementation of the conditions set out in the documents. The CCM should therefore endeavor to comply with the conditions set up in their guidance documents including the rotation of the Chair and Vice Chair. | Noted: The CCM would first select and endorse sector representatives then elect office bearers. The ECICI to monitor the rotation of organizations | CCM Secretariat | | |
| Oversight | Recommendation 97 (Requires attention) The CCM should review the Operating Procedures in light of these findings; this may necessitate revisiting the CCM composition, representation from the constituencies and/or the frequency of meetings to remedy the cause of non attendance of meetings. The CCM should consider establishing sub-committees covering functional areas such as finance program management etc. | Noted: The CCM retreat of 3-4 November agreed to the revision of the CCM guiding documents and the recommended issues would be covered in the process. | CCM Members | | |
| Oversight | Recommendation 98 (Requires attention) The meeting agenda should arise out of a consultative process to ensure that it is representative of members' ideas. The focus of the meetings should be mainly towards directing policy that supports the environment within which the Global Fund operates. | Noted: The CCM secretariat always request for agenda items from CCM members before the agenda is developed. The agenda is consolidated in consultation the chair/vice chair as per guidelines. Before the start of meetings, the chair requests for any adjustments to the day's agenda. During meetings, CCM agenda would be reviewed to ensure policy | | | |

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| | | issue are discussed more. | | | |
| Oversight | Recommendation 99 (Significant) The CCM needs to establish clear, complete and documented procedures for the selection of PRs and SRs. these procedures should be consistently applied to all Rounds. | Noted The CCM established sub-committees to select the PRs and SRs. Selection of PRs for each round was transparently done with clear guidelines and a selection panel. However the CCM will develop a generic procedure for selecting PRs and SRs to be applied to all rounds. | CCM secretariat | | |
| Oversight | Recommendation 100 (Significant) Oversight by the CCM should be strengthened. The CCM should establish, document and implement a communication strategy an oversight work plan and follow-up mechanism. | Note The CCM will develop a communication strategy document, an oversight plan and a follow-up mechanism on issues. | CCM Management Subcommittee | | |
| Oversight | Recommendation 101 (significant) A more rigorous review of the CCM Secretariat should be undertaken with clear and relevant Terms of Reference and objectives. The results of this review should be used to re-design the CCM Secretariat to ensure it achieves its roles and purposes. The re-design process should be used to clarify the role and reporting line of the Secretariat, which will then be communicated to the CCM members, PRs, SRs, and other stakeholders, to eliminate all confusion. The CCM may wish to consider appointing a CCM member as CCM Secretary and this person would then take responsibility and supervise the Secretariat. | Noted: The CCM has already established a CCM Management Subcommittee to address the issues related to the operations of the CCM secretariat with the view to make it more effective. The TORs of the management committee will continuously be revised to address emerging issues. | | | |
| Oversight | Recommendation 102 (High) The LFA should review the team composition to | The LFA agrees with this recommendation, and has been | Senior Partner, PwC Harare and | First formal review end | |

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| | ensure that staff deployed on the Global Fund assignment are of suitable seniority and experience. Training of local counterparts should be undertaken to ensure that any issues that remain unresolved after the PSM and M&R experts leave the country can be followed up by the team in country. | <p>working since the OIG first made its recommendations to put a strengthened team in place. We note that PricewaterhouseCoopers (PwC) was appointed as the LFA in April 2003 and the team leadership has remained constant throughout. A senior manager has been transferred within the Harare office as Project Manager to support the Team Leader. Five members of staff have been appointed to work on the Global Fund assignment with Finance and M&E focal point persons. Five team members attended the training in Geneva in January 2008 provided by the Global Fund. The Team Leader has attended PwC LFA Training events which have taken place most years since 2003. A regional M&E expert with significant LFA experience will be working full time with the team (two thirds of the time in country) and a previous LFA Team Leader from one of our teams in East Africa will work with the Harare team over the coming months at key times when deliverables are due.</p> <p>PwC will review the</p> | Engagement Leader, PwC Geneva | March 2009 | |

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| | | effectiveness of the new team. We will request continuous feedback from the Secretariat and a formal review at the end of March and bi-monthly thereafter during 2009 | | | |
| Oversight | Recommendation 103 (High) LFA staff involved in the Global Fund assignment should receive training to enable them to effectively undertake their work. | Five team members attended the LFA training (for all LFAs) in Geneva in January 2008 provided by the Global Fund. The Team Leader has attended PwC LFA Training events which have taken place most years since 2003. The M&E Regional Expert, the Team Leader from East Africa and the Central Co-ordination Team will provide additional in-country coaching during the first two quarters of 2009. As noted above many of the procurement-related recommendations are complex and will require expert input. When the LFA is mandated to carry out that work we will make our expert available to coach the Harare team, and to agree a list of follow up activities that they will carry out on the ground. | Senior Partner, PwC Harare and Engagement Leader, PwC Geneva to monitor PSM expert | Ongoing during 2009 Subject to ToRs and contract, ideally before April 2009 | OIG recommendations are made in light of delays by LFA in addressing queries from PRs, and contradictions in advice on GF policies given to the PRs. Training programmes should adequately support skills enhancement among field team members. |
| Oversight | Recommendation 104 (High) The LFA team should institute an effective quality assurance process for all reports submitted to the Global Fund. Because of the | The LFA concurs with the recommendation and the arrangements were put in place | Senior Partner, PwC Harare and Engagement | Ongoing during 2009 | |

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| | assessed high risk associated with the operations of the country, the LFA Central Team should provide an independent layer of review to the reports submitted to the Secretariat. | in the period October to January 2009. | Leader, PwC Geneva to monitor | | |
| Oversight | Recommendation 105 (Significant) The economic analysis should not be on a 'one off' basis in a country like Zimbabwe that is facing continuous economic change and facing numerous challenges that affect program implementation. There is a need to continuously analyze the policies at play and provide relevant guidance to effective decision making. The reports of the economic expert should not be stand alone reports but should be analyzed by the LFA and incorporated in the recommendations that are periodically made to the Global Fund, CCM, PRs and SRs. It is courteous to share their findings with the people that were involved in the process in order to retain good will. | The LFA agrees with this recommendation and notes that the economic experts continue to be part of the team. Indeed the scope of their work in the latter part of 2009 was expanded so their proportional input to the team was greater than earlier in the year. The need for more rigorous feedback to all stakeholders contributing to the process is noted and will be monitored during the performance reviews. | Senior Partner, PwC Harare and Engagement Leader, PwC Geneva to monitor | First formal review end March 2009 | |
| Oversight | Recommendation 106 (High) The Global Fund should review the LFA ToRs to ensure that they remain relevant to enable the LFA to undertake sufficient work to provide the requisite assurance over Global Fund resources. | The Secretariat and the LFA are in the process of concluding the scope and schedule of work, the timelines, deliverables and contracting to ensure that LFA services going forward are in line with the complexity, challenges and special circumstances of the Global Fund grants in Zimbabwe. | Fund Portfolio Manager and Engagement Leader, PwC Geneva to agree | Contract in place end February 2009 | |
| Oversight | Recommendation 107 (Significant) The LFA Central Coordination team should actively participate in the negotiation of additional work done by the local LFA at the | The LFA notes that to date PwC does not consider it has compromised its independence through the work we have been | | | |

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| | request of the Secretariat with the aim of objectively determining whether it will result in a Conflict of Interest. | <p>requested to do as per the Inspector General's report.</p> <p>When the RBZ held funds intended for the PRs, the LFA kept the Secretariat informed of any progress made, any promises made or bottlenecks. The LFA was in contact with the CCM and the PRs in order to inform the Secretariat of the issues as required by the LFA terms of reference. We accompanied the FPM on several occasions to the RBZ for meetings which is in line with the ToRs of the LFA (support visits by Secretariat staff). As LFA, we had an obligation to follow up the progress of those actions. Our follow-up was independent from that of the PRs and the CCM. In the circumstances, we think that it was vital to follow up on the RBZ issue as it was an issue that greatly impacted Grant performance. The RBZ had an agreement with the Global Fund and is not an implementer of the programs. In respect of the acquittals, we wish to clarify the role of the LFA. Under the agreement with the RBZ, GF would only pay for completed activities on the</p> | Fund Portfolio Manager, LFA Management and Engagement Leader, PwC Geneva to agree | End February 2009 | |

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| | | <p>recommendation of the PR that GF disburse the budgeted foreign currency equivalent. Our role was to then review these activities and assure the GF that the disbursement request by the PR was in order so that GF could direct the Fund Manager to effect payment. PwC considers the above in line with the LFA mandate. Even though the Fund Manager's role was to review the disbursement requests, the LFA also had a role to carry out an independent verification and to report to the Global Fund. There was therefore no risk of self review which would have created a conflict of interest.</p> <p>We recognize that it is critical that the LFA does not carry out activities which create a real or perceived conflict of interest. We note that the Secretariat has put in place a process with the LFA Management Team, independent of the Regional Team, to check there is no conflict of interest in the LFA activities or relationships.</p> | | | |