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Our ref: OGM/GJ/JP

19 April, 2012

MESSAGE FROM THE GENERAL MANAGER AND INSPECTOR GENERAL

Audit Reports and Diagnostic Review issued by the Global Fund's Office of the Inspector General on 20 April 2012

Dear Reader:

Today the Global Fund has released three audit reports and one diagnostic review. These audits and reviews are part of the Global Fund's well established and consistent quality assurance process which seeks to ensure that grant money is used as effectively and efficiently as possible.

The reports are:

- Audit Reports: Ethiopia, Kenya and Uzbekistan;
- Diagnostic Review: Cuba.

While diagnostic reviews and audits serve similar purposes—they provide the Global Fund with an opportunity both to learn and to improve the way it does its business—there are certain important differences between them.

Audits take an historical perspective and comprehensively review grant implementation over time to substantiate whether grant funds have been used for the purpose intended and to provide assurance that grant funds are used wisely to save lives.

Diagnostic reviews look at the grants at a given point in time to identify the key risks to which grant programs are exposed. They provide recommendations to mitigate the risks identified.

The audit reports in the current release are 'legacy' reports, which relate to grants signed as far back as 2004 and to audits performed in 2009 and 2010. Many of the findings relate to weaknesses in grant management and oversight during the early years of the Global Fund that have been identified before, including in the High Level Panel Report and in other audit reports by the Office of the Inspector General. Many findings are already being addressed.

The diagnostic review in this release was performed in late 2011. It points to areas for improvement in managing Global Fund support. It also demonstrates solid achievements and good grant management practices.

Each report published today includes a concrete time-bound management plan of action that indicates how the findings will be addressed and the recommendations implemented. We both applaud the considerable progress that has already been made to improve grant management in response to the recommendations offered by the Global Fund's Office of the Inspector General.

Gabriel Jaramillo John Parsons

THE OFFICE OF THE INSPECTOR GENERAL

The Global Fund to Fight AIDS, Tuberculosis and Malaria

Review of Audit of Global Fund Grants to the Republic of Kenya

GF-OIG-10-011 (rev)
1 June 2012

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NB: This revised version of the report first issued on 20 April 2012 contains an updated table on page 5 (*Summary of grants audited at 30 June 2010*) and a modification on page 61, paragraph 285.

Executive Summary

Introduction

1. The Office of the Inspector General (OIG) carried out an audit of Global Fund grants to Kenya from 21 June to 30 July 2010. The audit covered all ten grants totaling USD 376 million, of which USD 204 million had been disbursed, from April 2003 (the inception date of the first grant) to 30 June 2010. The Principal Recipients (PRs) in Kenya were: The Ministry of Finance (which acted as a pass-through recipient for public sector and civil society Sub-Recipients), CARE International in Kenya, The Kenya Network of Women with AIDS and SANAA Art Promotions[1].

2. Kenya has achieved meaningful results in its fight against HIV/AIDS, tuberculosis and malaria. However, at the time of the audit there was significant scope for improvement in all Kenya grants, particularly in (i) governance and oversight, (ii) financial management, (iii) procurement, and (iv) Sub-Recipient management.

The Public Health Response

3. HIV prevalence in Kenya was estimated at 6.3% of the adult population. Utilization of HIV counseling and testing and PMTCT uptake were considerable, and adults on ART represented 70% of estimated need. There is scope to improve the uptake of infant ART, which remained at 24% of those in need, in part due to loss to follow-up from PMTCT.

4. Despite being one of the 22 highest TB burden countries worldwide, Kenya had achieved WHO targets for case detection and treatment success with the assistance of the Global Fund, specifically through raising community and health worker awareness, recruiting and deploying laboratory technicians and training service providers. Challenges to the program included weak linkages between HIV/AIDS and TB, insufficient laboratory capacity, MDR-TB treatment delays, and the need to strengthen community-based DOTS.

5. Malaria remained a major public health problem in Kenya, although the last decade had seen a steady decline in prevalence related to the rapid scale-up of interventions with stricter guidelines on diagnosis and management. There is scope to improve adherence to guidelines among health workers, ensure sufficient stock of ACTs and rapid diagnostic test kits, and putting in place external quality assurance over diagnosis.

Financial Management

6. At the time of the audit, extensive scope for improvement existed in the financial control environment at PR and SR level. Control risks included poor maintenance of books of account and absent accountability statements, the use of personal bank accounts for program purposes, irregular payments, expenditure not in line with the grant agreement and funds spent without supporting documentation.

7. Regular audits of grant recipients did not take place and disbursement delays to SRs were commonplace.

[1] The latter two institutions were not audited given that they had received funding only under Round 1 and were no longer involved in implementation.

Procurement and Supplies Management

8. Procurement (valued at over USD 100m by the time of the audit) for Global Fund grants in Kenya was managed by a consortium comprising the Kenya Medical Supplies Agency (KEMSA), Crown Agents, the Gesellschaft für Technische Zusammenarbeit, and John Snow, Inc. The consortium built a strong Secretariat and followed good procurement practices. However, there was scope for improvement in the timeliness of procurement, competitive selection, regular quality assurance in line with Global Fund requirements, maintenance of proper books of account and fund accountability, local capacity building, the transparent application of fees, and the recording of interest and other income.

Civil Society Sub-Recipient Management

9. There was scope for improvement in the selection process of and allocation of funds to civil society organizations acting as Sub-recipients. The criteria and processes for selection were not consistently clear or documented, and while CSO capacity assessments were undertaken, CSOs contracted included those without sufficient capacity to implement, report or absorb funds. These weaknesses slowed down implementation and placed a greater burden on limited PR management and capacity building resources.

Oversight

10. At the time of the audit, there was a need to improve the effectiveness of the oversight structures in place to identify and resolve challenges in the complex grant operating environment in Kenya. While the CCM undertook reviews to strengthen program performance, many of the recommendations contained in these reports were not implemented. However, a technical advisor had been appointed to strengthen controls.

Conclusion

11. At the time of the audit, considerable risk existed in financial, procurement, and Sub-Recipient management. The audit found that grant funds disbursed to Kenya were not always used appropriately and that value for money was not assured in Global Fund investments. This report includes a table that identifies an amount of USD 3,253,161 that should be recovered to the grants due to transactions not being properly accounted for or relating to expenditure on activities not in the approved work plan.

Events Subsequent to the Audit

12. Following the preliminary audit findings, the Global Fund Secretariat, the CCM and the PRs developed action plans to address key shortcomings. We were informed that:

- The Country Team approach was introduced for the Kenya portfolio in March 2011;
- The CCM has been re-organized for improved oversight;
- KEMSA has taken over procurement and supplies management; and
- CARE Kenya had overcome many of the grant start-up difficulties, which had resulted in better performance towards the end of Phase 1.

13. A brief validation review by the OIG in late 2011 demonstrated that 55% of all recommendations made by the OIG in the draft report had been fully implemented. The OIG commends the Kenya CCM and in-country stakeholders for progress made in addressing audit recommendations and looks forward to working with the Global Fund Secretariat to track the implementation of the remaining recommendations.

Message from the General Manager

The Global Fund
To Fight AIDS, Tuberculosis and Malaria
10 YEARS OF IMPACT

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Our ref: OGM/GJ/

19 April, 2012

MESSAGE FROM THE GENERAL MANAGER

I would like to thank the Office of the Inspector General for its thorough and insightful work on the Audit of the Global Fund grants in Kenya.

The audit was conducted in 2010 and covers grants made from 2003 to 2010, worth a total of USD 376 million. The report outlines meaningful advances in Kenya in the treatment and prevention of HIV, tuberculosis and malaria. The report also recognizes a need for improvement in accounting, timely procurement, and oversight functions.

The audit identified several challenges and key risks in the implementation of grants in Kenya. In Annex 4, the Secretariat responds in detail to each one. In Annex 5, the Country Coordinating Mechanism provides a management action plan that outlines actions already taken, and action still to be taken to implement recommendations by the Office of the Inspector General.

I am confident that with our new emphasis on risk management and grant management, we will have appropriate procedures in place to address and resolve in a timely way the issues raised in this report by the Office of the Inspector General.

Audit reports by the Office of the Inspector General are an essential form of quality control for the Global Fund. The Office of the Inspector General plays an indispensable role in helping us all achieve our mission of effectively investing the world's money to save lives.

Yours sincerely,

The Global Fund | Le Fonds mondial | El Fondo Mundial | Глобальный фонд | 全球基金 | الصندوق العالمي

Message from the Ministry of Public Health and Sanitation of Kenya

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28th February, 2012

Mr. John Parsons
Inspector General
Office of the Inspector General
The Global Fund to Fight AIDS, Tuberculosis and Malaria
Chemin de Blandonnet 8, 1214 Vernier
Geneva
SWITZERLAND

Dear Mr. Parsons,

RE: FINAL OIG DRAFT REPORT ON THE GRANTS IN KENYA

This is to acknowledge with thanks receipt of your letter Ref. No. OIG/JP_12/015ao dated 21st February 2012 forwarding the final Draft Report for our comments. It is gratifying that we have been given an opportunity to comment on the Report before publishing the final copy.

This is to confirm that we agree with the contents of the Report and that implementation of the Action Plan submitted to you in October, 2011 is on track and a status report will be submitted to OIG by 28th March, 2012.

May I take this opportunity to thank you for the excellent support we have continued to receive from you as we strive to improve the performance of our grants.

Yours sincerely,

Mark K. Bor, CBS
PERMANENT SECRETARY/KCM CHAIRMAN

Introduction and Overview

Background

14. The Office of Inspector General (OIG), as part of its 2010 work plan, carried out an audit of Global Fund grants to Kenya. The audit sought to provide assurance that the Global Fund grants provided were being spent wisely to save lives in Kenya. The audit objectives were to:

i. Assess the efficiency and effectiveness of the management of the grants;
ii. Measure the soundness of systems, policies and procedures in safeguarding Global Fund resources;
iii. Confirm compliance with Global Fund grant agreements, related policies and procedures and the laws of the country; and
iv. Identify any other risks that the Global Fund grants may be exposed to; and
v. Make recommendations on the scope to strengthen management of Global Fund grants.

15. The audit field work was undertaken between June and July 2010 and all the grants signed and disbursed by 30 June 2010 were covered:

Round	Component	Grant Number	Grant amount	Disbursed
Ministry of Finance				
2	HIV/AIDS	KEN-202-G03-H-00	106,786,807	68,006,881
7	HIV /AIDS	KEN-708-G09-H	30,655,749	30,146,906
2	Malaria	KEN-202-G05-M-00	27,700,377	4,640,447
4	Malaria	KEN-405-G06-M	162,173,085	102,535,157
2	Tuberculosis	KEN-202-G04-T-00	8,761,405	3,299,522
5	Tuberculosis	KEN-506-G07-T	13,499,990	5,170,662
6	Tuberculosis	KEN-607-G08-T	7,650,960	2,961,806
Sub- total			**357,228,373**	**216,761,381**
The Kenya Network of Women with AIDS				
1	HIV/AIDS	KEN-102-G01-H-00	220, 875	220,875
Sub-total			**220, 875**	**220,875**
SANAA Art Promotions				
1	HIV/AIDS	KEN-102-G02-H-00	2,650,813	2,650,813
Sub-total			**2,650,813**	**2,650,813**
Care International in Kenya				
7	HIV/AIDS	KEN-708-G10-H	16,007,746	4,735,494
Sub-total			**16,007,746**	**4,735,494**
Total			**376,107,807**	**224,368,563**

Table 1: Summary of grants audited at 30 June 2010. (Source: the Global Fund website)

Scope and methodology

16. The OIG audit covered all aspects of the management and operations of the grant programs i.e. Principal Recipients (PRs), sub-recipients (SRs), Country Coordinating Mechanism (CCM) and the Local Fund Agent (LFA). The audit covered:

i. Compliance of the grant structures, systems and processes with the grant agreement, laid down policies, procedures and guidelines and country laws;

ii. Internal control where the adequacy of the structures and systems were assessed in safeguarding grant assets against possible misuse and abuse;
iii. Financial review to ensure that funds were utilized in accordance with the grant agreements; and
iv. 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.

17. The Audit did not cover The Kenya Network of Women with AIDS or SANAA Art Promotions, both Round 1 PRs whose grants had ended.

The report

18. This report is presented by PR and by functional area, i.e., (i) Institutional arrangements; (ii) Financial management; (iii) Sub-grantee management; and (iv) Public Health. The procurement and supply chain management section which covers the Procurement Supply Chain Consortium (PSMC) is presented after the PR. The service delivery, monitoring and reporting section lays out disease-specific observations and is applicable to all three PRs. The report also has a section dedicated to the oversight of the Global Fund supported programs.

19. Good internal control practices or significant achievements found during the audit are mentioned in the report, but they are not discussed in depth given that the purpose of the audit was to identify important risks and issues that needed to be addressed. 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.

20. Audit recommendations have been prioritized so as to assist management in deciding on the order in which recommendations should be implemented. The implementation of all audit recommendations is essential in mitigating risk and strengthening the internal control environment in which the programs operate. The categorization of recommendations is as follows:

i. <u>High Priority</u>: Material concern, fundamental control weakness or non-compliance, which if not effectively managed, present material risk and will be highly detrimental to the organization’s interests, significantly erode internal controls, or jeopardize achievement of aims and objectives. They require immediate attention by senior management.

ii. <u>Significant Priority</u>: There is a control weakness or noncompliance within the system, which presents a significant risk. 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 controls, or undermine achievement of aims and objectives.

iii. <u>Requires Attention</u>: There is a minor control weakness or noncompliance within the system, which requires remedial action within an appropriate timescale. The adoption of best practices would improve or enhance systems, procedures and risk management for the benefit of the grant programs.

Ministry of Finance

Background

21. The Ministry of Finance (MoF) of the Republic of Kenya is constitutionally mandated to ensure proper budgetary and expenditure management of resources flowing through the Government of Kenya (GOK). The Department of External Resources is the unit in the Ministry that directly oversees application of funds sourced for development assistance, including those from the Global Fund.

22. Within the External Resources Department, the MOF has established a Program Management Unit (PMU) that is responsible for managing the Global Fund-supported Programs. Program activities are implemented by the technical Government agencies responsible for delivery of Health Programs, i.e., the Ministry of Public Health and Sanitation (MoPHS) and the Ministry of Medical Services (MMS).

Institutional arrangements

PMU

23. The institutional arrangements for the grants in Kenya have evolved since the initial grants were signed. Initially, a Project Management Unit responsible for grant oversight was set up in the Ministry of Health. In 2006, this PMU was closed and a new PMU set up in the Ministry of Finance under the External Resources Department.

24. The Ministry of Finance's Program Management Unit is the linkage between the Global Fund and the implementing agencies, responsible for grant negotiation, signature, oversight of implementation, and reporting of performance. The PMU is responsible for ensuring that conditions in the grant agreements are observed. Implementing departments in the MoPHS and MMS take an active role in the development of budgets, implementation of program activities and submission of reports to the PR for onward submission to the Global Fund.

25. Although the OIG was informed that regular grant-related updates were provided to the Director of External Resources and the Secretary to Treasury, there was no documentary evidence to support this. The PMU's available human resources were inadequate to effectively oversee grant implementation. At the time of the OIG audit, the PMU had eight permanent positions, two volunteers and one technical expert. Of eleven staff, only five were technical staff in the areas of M&E, procurement and finance. Moreover, most of the technical work at the PMU was carried out by a contract resource provided by the French government. The unit had also suffered high staff turnover in the past and it experienced difficulties in securing appropriate replacements.

26. The PMU developed a grant management manual. The OIG noted a few instances of non-compliance with this manual, e.g., (i) contracting of SRs did not follow the provisions laid down in Section 4 of the Manual; and (ii) preparation and submission of standard Progress Update and Disbursement Requests (PUDRs) did not comply with requirements.

27. The MOF disbursed funds to its SRs, departments in the Ministry of Public Health, which in turn disbursed funds to districts. The MOF did not have effective oversight mechanisms to ensure proper accountability of funds by its SRs. The OIG noted different processes of accountability for program funds. Expenditure was recorded at SR level with

accountabilities for expenses remaining at district level. In these cases, no reports were available at SR level to evidence how funds had been spent and there were no assurances available at either SR or PR level that intended activities had been implemented.

28. The OIG also noted that the performance of Round 2 and 4 grants was recognized as having been sub-optimal. This had been attributed to poor coordination of Global Fund grants in the country[2]. The Global Fund Secretariat had on several occasions raised concerns over poor grant performance, specifically, the performance targets not having been met, failure to submit timely reports and slow grant implementation. The Country Coordinating Mechanism and studies by other stakeholders had identified challenges and provided recommendations for improvement. At the time of the OIG's audit in 2010 there were indications of notable improvement in grant performance.

Subcontracted services

29. The MOF appointed a professional services firm, Ernst & Young (EY), to act as a Financial Management Agent (FMA) for grants to Civil Society Organizations for the HIV/AIDS Round 2, Malaria Rounds 2 and 4 and Tuberculosis Rounds 2, 5 and 6 grants. Under this arrangement, the FMA was responsible for assessment of the capacity of CSOs, disbursement of funds to qualifying CSOs, verification of expenditures by CSOs and submission of monthly reports to the PR. The selection of CSOs was jointly undertaken by the PR and implementing departments in the Ministry of Public Health.

30. The PR contracted a third party procurement agent (TPPA) to undertake procurement, warehousing and distribution for all commodities procured for the Round 2, 4, 5 and 6 grants. The TPPA was a consortium of four entities, viz. the Kenya Medical Supplies Agency (KEMSA), Crown Agents, the German Gesellschaft für Technische Zusammenarbeit (GTZ, now GIZ), and John Snow Incorporated (JSI). The PR retained the responsibility for overseeing the Procurement Agency contract to ensure compliance with the conditions in the grant agreements.

31. Kenya's institutional arrangements for grant implementation were complex, and required significant resources to ensure effective oversight. The MOF retained oversight over the FMA and TPPA. However, the authority to spend through the FMA and TPPA lay with the implementing departments, which did not have any contractual and oversight relationships with the FMA and TPPA.

32. The OIG noted that the Ministry of Finance as PR did not take steps to ensure that best value for money was obtained from the contract signed with the FMA. The FMA was paid irrespective of whether there were activities undertaken in the period. There were protracted periods with no programmatic activity because of delayed disbursements. The contract with the FMA also did not contain any performance or service standards and there was no evidence that any performance assessments were undertaken throughout the period EY was the FMA. The financial results reported by the FMA were not compared with the programmatic results in order to assess performance.

Audit arrangements

33. Under Kenya's Constitution, external audit of the Ministry of Finance is undertaken by the Kenya National Audit Office (KENAO). The OIG observed that after the Ministry had responded to audit queries raised in the annual audit of 2007, it had taken the KENAO more than three years to clear the queries and finalize its audit report. Such a long delay

[2] Report of Self-Assessment of the Capacity of the PR – GFU Retreat

in finalizing audit reports is inefficient and may present risks, since necessary action may be neglected and the applicability of findings and the benefit of recommendations may be reduced over time.

34. A review of the audits undertaken at PR and SR level showed that the audits did not identify areas where programs could be strengthened.

Recommendation 1 - High

(i) The PR should improve the effectiveness of grant oversight. Consideration could be given to human resources capacity of the PMU. PR should monitor activities contracted out to service providers such as the FMA.

(ii) The PR should work with KENAO to speed finalization of audit reports. Consideration might be given to inviting the KENAO to outsource the audit of the Global Fund supported programs.

Financial management

35. In accordance with the grant agreement, the Global Fund transfers grant funds to the Principal Recipient's offshore account. The OIG noted delays in the time of transfer from the Global Fund to receipt into in-country program grant bank accounts. Because the Global Fund grants are time bound, this resulted in programs not always having funds when required, delays in program implementation and failure to meet programmatic targets. Examples of such delays are provided in the table below:

Round	Funds from GF		Disbursement by MOF			Delay (months)
	Date received in offshore account	Amount (USD)	Recipient (USD)	Date received by recipient	Amount (USD)	
2	10/09/07	842,119	PSMC	14/08/08	519,000	12
6	26/11/09	1,058,761	MOPHS	3/02/10	860,000	4
2	29/04/08	19,109,814	MOPHS	8/09/09	215,312	4

Table 2: Illustration of delays in transfer of grant funds. Source: MoF (PMU) records

36. The terms of the grant agreement require the PR to maintain books of account (accounting records) in accordance with generally accepted accounting practice. However, the audit showed the following weaknesses in the financial records: (i) The PMU could not provide a cashbook or ledger for Round 2 grants; and (ii) Proper bank reconciliation statements were not prepared. Bank reconciliations contained unexplained block figures used to balance the reconciliation. The cashbook/ledger and bank reconciliations for Rounds 4, 5 and 6 grants had not been reviewed by a supervisor.

37. In the absence of proper books of account, the OIG was unable to obtain assurance that the PUDR reports submitted to the Global Fund for the Round 2 grants were derived from proper books of accounts and were accurate. Further, without properly reconciled bank accounts it was not possible to place reliance on the bank balances reported to the Global Fund by the PR.

38. At the time of audit, interest accruing from grant funds and amounting to USD 492,787 at 31 May 2010, had not been recorded in the program cashbook, in contravention to the grant agreement which requires that all interest income should be accounted for and used solely for program purposes. The OIG noted in addition that

interest income of USD 40,820 had been erroneously deposited into a World Bank special account and had not been transferred to the PR's bank account.

Recommendation 2 – High

(i) The Ministry of Finance should take steps to improve the quality of its financial record keeping in relation to Global Fund grants,

(ii) Unrecorded interest income (USD 40,820) should be deposited in the program bank account, recorded in the program books of accounts and authority sought to spend the funds.

Grant Management

39. The institutional arrangements for grant implementation are complex and require significant resources to oversee effectively (Annex 1). The MoF has fiduciary responsibility for grant funds as the signatory to the grant agreement with the Global Fund. The PR however passes the funds to Sub-recipients which are departments within the Ministry of Public Health. In addition, a significant portion of grant activities are undertaken at the District and Municipal levels.

40. With a staff of only 11 persons, the PR struggles to oversee grant management, as evidenced by delays in submission of reports to the Global Fund that trigger further disbursement of funds. The PR has not taken on active management of contractors such as the PSMC and FMA.

41. The established grant architecture provided for funds to be disbursed to districts for pre-set activities and in return financial and activity reports were to be received by the Division (of Malaria or Tuberculosis). The Division would then share quarterly reports with the Treasury. Inefficiencies were noted across all the disease programs including the following:

i. Financial and programmatic returns were prepared separately. The financial returns went to the MOPHS and the programmatic returns went to the NASCOP.
ii. There was no evidence of harmonized reviews of the financial and programmatic reports.
iii. Most returns were made after 12 months instead of every 6th of the following month after disbursement.
iv. There was no evidence that the returns were being checked in the divisions.
v. Transfers to districts were expensed in the books of account upon payment. There was no mechanism in place to identify and follow up districts with outstanding accountabilities.
vi. There were no third party supporting documents to support expenditure incurred at the district level.
vii. There was no agreed upon format for reporting by the districts.

42. The PR depended on the M&E structures at the SR level to verify results reported to the Global Fund. The OIG's review of the effectiveness of the monitoring and evaluation framework showed the following:

i. Most of the districts did not submit programmatic reports, and programmatic reporting was not complete. There was no evidence that the reports that were submitted were followed up. (See details in the SR sections of this report).
ii. The PR had only recently established a systematic way of collecting and verifying financial and programmatic data at SR level for monitoring purposes and reporting to the Global Fund.

iii. There was no verification of programmatic results that were reported to the Global Fund at PR and SR level.

iv. Programmatic results were not aligned to financial results to establish whether value for money[3] was obtained at PR, SR and program implementation level. At district level, for example, financial reports were sent to the Accountant, MOH while programmatic reports were sent to Program Managers. CSO financial reports were sent to the FMA and programmatic reports sent to NACC. The effectiveness of the Global Fund-supported program can only be assured by the comparison of financial with programmatic results.

v. Targets were set for SRs and program implementers but there was no system in place to monitor the performance of implementers against the targets that had been set. Explanations were not obtained for targets that were not met.

43. At the time of the audit a Technical Adviser had been placed in the PR's office to strengthen its ability to manage grants. In consequence there had been a notable improvement in the PR's interaction with the three program teams, with streamlining of the production of PUDRs which trigger the release of funds. Some challenges still remain at the program level, as evidenced by delays in the submission of reports.

[3] Efficiency, effectiveness and economy.

Division of Malaria Control

Background

44. Malaria remains a major public health problem in Kenya, although in the last decade there has been a steady decline in prevalence. The relative success in curbing malaria prevalence has prompted a policy change which calls for the application of stricter guidelines in its diagnosis and management.

45. The reduction in prevalence arises from the rapid scaling up of cost-effective interventions. However, the burden remains high and the estimated number of malaria clinical cases is about 9.6 million per year. This contributes about 30% of all outpatient attendances, 15% of all hospital admissions and 3-5% of annual deaths. Malaria is estimated to cause at least 20% of deaths among children under five years of age and is also estimated to cause 2-15% of maternal anemia.

46. Both local and development partner support have been critical in making good progress. Some of the specific achievements include institutional strengthening for malaria control, and the establishment and maintenance of a common information, education and communication strategy for malaria prevention amongst all stakeholders.

47. However, a number of health systems barriers still exist in Kenya, including: bottlenecks in fund flow and a heavy work load for the health providers in facilities at all levels.

Governance

48. The national response to malaria in Kenya is coordinated through the Division of Malaria Control (DOMC) of the MoHPS, which manages malaria programs funded by the Global Fund in Kenya. The Division is responsible for providing policy and strategic guidance as well as coordinating and scaling up an effective malaria control program. At the time of the audit, the DOMC was placed under the Department of Preventive and Promotive Health Services of the MOPHS.

49. The Round 2 grant was signed in June 2003, with the DOMC being notified about the grant in October 2003. However, the responsibilities for coordination of Global Fund programs at the division level were only allocated to a DOMC staff member in 2006. Prior to 2006, coordination of grant implementation had been undertaken by the Administrative Support Unit (ASU) within the Ministry of Health. Programmatic reports were prepared by the DOMC and financial reports prepared by the ASU. The ASU was later dissolved and the management of the program transferred to the DOMC.

Implementation of grant program activities

<u>Round 2</u>

50. The main interventions and activities undertaken under the Round 2 grant were to:

i. Increase the use of insecticide treated nets by pregnant women and children under 5. At the time of proposal development, it was envisaged that the net distribution would be through a voucher subsidy scheme. However, this was superseded by the free distribution of nets through MOH clinics;

ii. Increase access to intermittent preventive therapy. The DOMC expanded intermittent presumptive treatment services through the use of Focused Antenatal Care;
iii. Improve case management and the effective treatment of malaria. Health facilities staff and community resource persons were trained in integrated management of childhood illnesses and good drug dispensing practices. Quality of care assessments were also undertaken at 176 health facilities;
iv. Improve the drug distribution system for efficient malaria prevention and treatment where anti-malarial drugs were purchased and distributed to all facilities including peripheral ones; and
v. Improve community access to malaria control and prevention information. A malaria communication strategy was developed resulting in IEC messages being disseminated through different media. Community education meetings were also held.

Round 4

51. The main interventions and activities undertaken under Round 4 included:
i. Mitigating against malaria through treatment by Sulphadoxine/Pyrimethamine. Drug quality surveys were undertaken, a pharmacovigilance system[4] was established and RDT kits procured and distributed to 16 districts;
ii. Reducing morbidity and mortality from malaria in 16 epidemic-prone rural districts. High risk mapping was undertaken in 16 epidemic prone districts prior to spraying, IRS equipment and insecticides were procured and distributed and community spray-men were trained and spraying undertaken;
iii. Establishment of malaria early warning sentinel sites increasing the use of long-lasting insecticide treated nets among pregnant women and children under five years. ITNs were procured and resistance monitored; and
iv. Building capacity for effective implementation of the program. Computer equipment was procured and field monitoring visits undertaken.

52. However, a review of the PUDR for the quarter ended 31st January 2010 showed that the following targets were not met:

Indicators	Target	Results
Proportion of children under 5 with fever receiving ACT treatment according to national policy within 24 hours of onset	85%	42%
Number of front line health workers trained on the revised malaria treatment policy - prompt and effective treatment using Artemisinin-based combination therapy (ACT)	8297	3424*
Percentage of facilities reporting no stock-outs[5]	80%	73%
Number of LLIN distributed to children under 1 year of age and pregnant women through MCH clinics[6]	6,632,476	4,328,558**
Number of adults with uncomplicated malaria receiving ACT as per national guidelines[7]	12,557,203	7,068,431
Number of community spray-men trained in epidemic prone	7,804	3,804

[4] A reporting form exists (Suspected Adverse Drug Reaction Reporting Forms (yellow, pink & alert card) and all health workers are expected to report on poor quality medicines, and adverse drug reactions
[5] Quality of Care Survey, February 2010
[6] Subject to further verification by the OIG
[7] The PUDR for February-July 2010 indicates that a performance of 1,314,839 against a target of 1,311,883 for the six months period, which shows an improvement. Cumulative performance is still below target.

districts[8]		
Number of targeted structures sprayed[9]	4,180,000	1,171,073
Recruitment of health workers staff for remote facilities through the malaria program	500	489

Table 3: Extract of results against targets. (Source PUDR at 31 January 2010)

* the unverified PUDR for the quarter ended July 2010 indicated that the number of health workers trained has reached 8,262

** includes 177,000 nets procured by ADB

53. A number of implementation difficulties for Round 4, mainly related to procurement processes and disbursement of funds were identified:

i. International tenders for artemisinin-based combination therapy were subject to long unexplained delays, resulting in stock-outs. For example, the country needed to have six million doses of ACTs by 15 March 2009 but only half were delivered, which resulted in an eight-month stock-out of drugs;
ii. There had been delays in the release of funds from the Global Fund; for example a request for disbursement sent to the Global Fund in January 2009 was only disbursed in November 2009; a delay caused by the signing of the Phase 2 extension. The program in this case was able to fast-track funding under the US Presidential Malaria Initiative in order to continue activities; and
iii. The training of District Health Management Teams and health staff on drug supply and stock management was integrated with the case management module. There was a high staff turnover of the 81 national trainers before they could cascade training to the first level health workers. This resulted in training reports not being submitted. In consequence the OIG could not assess the nature and quality of training conducted.

Recommendation 3 –Significant
The PR should set targets and monitor the time taken by KEMSA to undertake procurements. Contracts with suppliers should contain penalties for delayed delivery.

Quality of service delivery

54. As part of its audit, the OIG examined a number of measures related to the quality of service delivery achieved by the Division of Malaria Control, such as diagnosis and case management, education and communication and surveillance.

<u>Diagnosis and case management of malaria</u>

55. Microscopy is commonly used for malaria diagnosis. The OIG visited 3 health facilities in the Coast Province and noted the following areas that need strengthening with regard to microscopy-based diagnosis:

i. At a district hospital, up to 75% of patients were sent to the laboratory to rule out malaria infection more as a clinical ritual than a diagnostic practice. Prescriptions were written for Artemether-Lumefantrine (AL) before results were known.
ii. Prescribing AL prior to receiving results was also done by clinicians that had recently been trained on the new alternative treatment approach, which stated that AL should be prescribed on the basis of a positive blood slide.

[8] The PUDR for February-July 2010 indicates that the number trained for this period is 2,212 against a target of 2,000 bringing the number of those currently trained to 7,990

[9] The PUDR for February-July 2010 indicates that the number of structure sprayed during this period is 1,055,043 against a target of 753,000 bringing the number of those cumulatively sprayed to 3,027,082

iii. In a remote facility in the Coast Province, the OIG noted that blood microscopy was only carried out for patients who could afford to pay KES 40. This fee was charged by the facility in order to ensure a steady supply of glass slides.
iv. There was no clear procedure for the restocking of laboratory reagents for health facilities that practiced cost sharing called for from patients. Although the cost sharing was not a reliable source of funds, in some cases the monies collected were used to purchase reagents. Laboratory technicians were advised on how to access reagents by the national staff accompanying the OIG.

56. Rapid diagnostic test kits (RDTs) were also procured and distributed to health facilities. However, the effectiveness of the use of RDTs for diagnosis was impacted by:
i. The lack of necessary equipment and skills for laboratory microscopy;
ii. An RDT stock-out of two months in at least one district health management team in the Coastal region;
iii. Limited RDT use in spite of the training done, due to health workers' lack of confidence in the results; and
iv. Concerns voiced that some RDTs might not be used before their expiry date in 2011.

57. There is no effective external quality assurance (EQA) process applied to malaria diagnosis and therefore there was no guarantee of the sensitivity and specificity of blood microscopy.

58. Given the reduced malaria parasite prevalence, a new policy specified that AL should only be prescribed on the basis of a positive blood slide. Several trainings were provided to ensure that the new policy was applied. However, despite the relevant training having taken place, the treatment protocol was not strictly adhered to. In consequence, there was a risk of wastage of AL through unnecessary prescription, as well as the risk of creating drug-resistant strains. The lack of an EQA also undermined the clinician's confidence in laboratory results and contributed to the prescription of AL on a clinical basis.

59. The OIG also learnt through the interview with the District Health Management Team in the Coast Province, that although shopkeepers had received training on AL use, they did not follow the diagnostic protocol when selling drugs but tended to provide AL to a larger number of clients than would have qualified under the guidelines in order to increase their income.

60. ACTs are supposed to be distributed free of charge at the point of use. However, Government did not always deliver sufficient ACTs to municipal health facilities. In consequence, facilities were not always able to comply with new treatment protocols. The OIG observed that health workers at one health facility were using quinine as first line treatment because AL was not available, even though they were aware of the new policy guidelines.

<u>Information Education and Communication/Behavior Change Communication (IEC/BCC)</u>

61. The implementing partners conducting IEC/BCC were civil society organizations, government ministries and departments, and the private sector such as media houses. The DOMC functioned as the secretariat to a technical working group that sought to harmonize messages, and regulate and supervise implementation.

62. The major constraint to this intervention was the delay in the receipt of funding, which affected the continuity and dissemination of messaging. This was ineffective because behavioral change requires multiple, persistent and repetitive messages. A further implementation challenge was that it had not always been possible to translate materials into the local vernacular. Kenya has at least 42 indigenous languages with an adult literacy rate of 61.5%[10].

Surveillance

63. Quality of service delivery can be improved and made more efficient through effective surveillance techniques. The OIG noted that digital mapping had been implemented with continuous data capture of indoor residual spraying and other epidemiological parameters being progressively included as part of the surveillance efforts to characterize the nature of the malaria epidemic. Capacity had been built to enable DOMC staff to use a geographical information system, with 2 of 16 early warning sites established and consistent surveillance taking place with data collection and compilation to indicate trends.

64. However, input data was based largely on clinical rather than laboratory confirmed cases, and the early warning system was not very effective in mounting a response since it could only give warning 2-3 weeks in advance. This time frame was inadequate to mobilize prevention interventions such as IRS.

IRS

65. The operational research unit undertook IRS surveys to establish entomological baselines and determine the number of structures to be sprayed. IRS was conducted using locally trained teams with a district supervisor[11]. The cost of this activity was not well estimated and as a result the budget available was not adequate for mass IRS which resulted in a failure to meet the set program target. The targets were later revised to bring them in line with the available resources. There was a delay of up to eight months in procurement of IRS insecticide. However, the DOMC was able to synchronize the IRS with the malaria peak seasons.

LLINs

66. LLIN were distributed to women and children through MCH clinics. Facilities in transmission areas visited during the OIG audit (Nyanza and Coast), had an established procedure for giving out nets to mothers and children in the Maternal and Child Health clinics. Uptake of LLIN in some places was slowed down by erroneous cultural beliefs,, e.g., in the Coast Province there were rumours that nets were linked to mystical powers, but the program acted quickly to curb such negative rumors. The 2009 MIS/KDHS reported an increase in LLIN use among pregnant women (53% in 2009 up from 13% in 2003) and children under five (50% in 2009, up from 15% in 2003).

Recommendation 4 – High
To improve the quality of service delivery overall, the DOMC needs to take action to:

i. Expedite the availability of malaria diagnosis in under-served areas, to ensure that all suspected cases are tested, and also consider waiving the fee for laboratory diagnosis of malaria;

10 The Kenya National Adult Literacy Survey. Most Kenyans speak Swahili and/or English.
11 2007 report available from http://www.nmcp.or.ke/documents/2007IRS_Campaign_in_Kenya.pdf

ii. *Establish or enhance external quality assurance arrangements for malaria diagnosis;*
iii. *Increase the level of supportive supervision and post-training mentoring, to ensure compliance with recommended treatment guidelines for both the public and private sector;*
iv. *Address administrative bottlenecks to allow municipal facilities to access free medicines from the Government of Kenya, to help move to universal access to cost-effective malaria treatment, and*
v. *Improve the sensitivity of the early warning system by ensuring that input data uses confirmed cases, and combine interpretation with meteorological data to improve the precision of the early warning system.*

Organization of services

67. All facilities visited kept separate dispensing registers for AL. At some of the higher level facilities, e.g., hospitals, the pharmacists attempted to ensure that AL was dispensed to patients with positive results for malaria parasites. The OIG found that at one peripheral facility, there was a slight variance between total numbers of doses of AL dispensed at the pharmacy with actual number of confirmed and clinically diagnosed malaria cases (28 vs. 26). This could point to a laxity in recording or low scale pilferage of medicines. At another district hospital, the OIG noted that the register had run out of empty pages three weeks previously. The DOMC official accompanying the team promised to provide new registers.

68. Supportive supervision uses an integrated approach that combines case management, pharmacovigilance and drug management. The DOMC facilitates the use of a provincial team to supervise districts and requires the districts to supervise sub-district providers[12]. A checklist had been prepared for the areas of focus and all provincial and district malaria coordinators were trained during the case management training, in which all tools were discussed. Nonetheless, there was no reconciliation between the out-patient data and those of the pharmacy dispensing unit. The DOMC should consider incorporating such reconciliation in the supervision checklist.

Monitoring and evaluation

69. A monitoring and evaluation plan was developed for 2009-2013. This plan incorporates the indicators in use during Rounds 2 and 4, and the country's Health Management Information System should be able to support the information needs set out in the Global Fund's performance framework. The Malaria Indicator and Kenya Demographic and Health Surveys provide information for impact indicators; and activity and supervision reports provide information for process indicators. However, activity and supervision reports were not submitted within the required period of one month, leading to delays in compilation of reports that were sent to the PR.

Recommendation 5 (Significant)
The DOMC should consider the need to strengthen health facility reporting to ensure timeliness and completeness of programmatic data by
i. *Synchronising the data collected at the different data collection sites within a facility in order to improve accuracy of reporting;*
ii. *Instituting and/or scaling up regular data verification/data quality audits for the central HMIS data through all data collection points;*

[12] Sample monitoring and evaluation supervision reports for Nyanza province and districts include observations, challenges and recommendations. Activity was undertaken February-March 2010. A summary is made by the DOMC level.

iii. Strengthening feed-back mechanisms at all levels; and
iv. Undertaking support supervision and/or refresher training to address new HMIS reporting forms and newly recruited staff in both public and private sectors.

Financial Management

70. The utilization of grant funds disbursed for malaria programs is summarized below:

Detail	**Round 2 USD**	**%**	**Round 4 USD (at January 2010)**	**%**
MOF to DOMC	4,640,447		44,604,917	
Interest Income	1,870		187,502	
Total Income	**4,642,317**		**44,792,419**	
Expenditure				
DOMC	570,811	12	6,269,350	16
NGOs	701,917	16	2,107,821	5.5
Districts	1,644,580	36	1,712,555	4.5
Procurements	1,606,691	36	28,273,854	74
Total Expenditure	**4,523,999**		**38,362,580**	

Table 4: Summary of utilization of grant funds for malaria programs. Analyzed from DOMC financial records

71. At the time of the audit the Division had no dedicated accountant and the books of account were being maintained by a part time accountant who did not have an employment contract with DOMC. The OIG also noted that the DOMC did not have an accountant for three months between January and April 2008. Further, there had been no hand-over from the previous accountant, which hampered business continuity. The audit also showed poor record keeping at the DOMC.

72. No internal audit reports covering Global Fund programs were available for review. The OIG was informed that internal control review activities were being undertaken by the Internal Audit Unit based at the MOPHS. The OIG was also informed that Internal Audit staff took part in the review of expenditure documents prior to posting in the Financial Management System at the Treasury. However, there was no evidence that Internal Audit activities were focused on specific risks faced by the Global Fund funded program.

Recommendation 6 – High
The DOMC should assign a dedicated accountant to ensure accurate and timely recording in the books of account. The DOMC in conjunction with MOPHS should ensure appropriate internal audit coverage of Global Fund program activities.

<u>Expenditure</u>

73. The audit showed expenditure that was not appropriately supported by documentation. This related mostly to the Round 2 grant and amounted to USD 450,041. The OIG could not obtain assurance that this expenditure was incurred in furtherance of program objectives. These amounts should be refunded to the Global Fund.

74. The OIG also noted that USD 19,118 were borrowed from Round 2 for Round 4 activities and not returned. Program objectives might not be achieved if the funds allocated are diverted and loaned out to other programs.

Advances

75. The OIG's audit showed that internal controls around cash advances were weak and accountability of cash advances was not provided on a timely basis. The DOMC did not maintain an advances/imprests register to control cash payments made to staff for programmatic activities. The standard document used for requisition and approval of cash advances, the imprests warrant, was not serially numbered and advances within the division could be processed with an imprests warrant sourced from any government department, making it difficult to control cash advances. In various cases staff received cash advances long before the relevant activity implementation date, e.g., up to three months before the planned activity. There were significant delays in imprests account advances being brought to account. Examples of delays noted were:

Date of imprest	Date Accounted	Delay (Months)	Details	Amount (KES)
15 Sep 2005	27 May 2006	8	Training on drug management - 31 Oct - 4 Nov 2005	258,000
15 Sep 2005	11 Apr 2006	7	Malaria training for Taita Taveta District held on 2/11/05 - 6/11/05	516,000
21 Sep 2004	18 Apr 2006	7	Malaria control activities - Kisii	259,960
20 Sep 2005	30 Jun 2006	9	Drug management training	243,000
09 Sep 2004	10 Jun 2006	9	Malaria control activities - Thika	245,182

Table 5: Illustration of delays in settlement of advances

Recommendation 7 –Significant

(i) The PR should refund unsupported expenditure to the Global Fund and ensure that expenditure supporting documents are securely preserved. The practice of loaning out grant funds to other programs should end. Expenses which are not supported and those that are ineligible (USD 450,041) should be refunded to the Global Fund.

(ii) Management should ensure that improved control arrangements are established over imprests advances and that advances are accounted for within 48 hours of the activity in accordance with Government regulations.

76. The OIG noted non-compliance with good procurement practice. The specific areas of non-compliance identified were:

i. Although government procurement regulations provide for a procurement committee, such a committee was not established by the DOMC. The committee would have gone a long way in enhancing controls over the procurement process.
ii. Bids were split in order not to have to tender for goods and services. The OIG noted one instance where a request for printing services was split into three bids and requests for quotations sent to three firms. In consequence the requirement of a single procurement by national bidding was circumvented.
iii. The time allocated to bidders to provide bids was sometimes too short. For example, bids for printing services were sent on 25 November 2009 with a deadline of 26 November 2009. These orders were awarded to different firms for the same services on the same day but at different prices.

77. Contrary to Government regulations, the DOMC did not prepare and analyze vehicle fuel consumption rates. This was despite the vehicle travel log sheet (work ticket) having a provision for this analysis. The monthly travel log sheets were merely filed with the purchase and stores officer. The OIG computed the fuel consumption rates of various

vehicles and noted fluctuating rates, viz. between 3 and 9 km per liter, which indicated a possibility of irregularities in the reporting of fuel use.

78. A payment of KES 300,000 dated 16 May 2008 to Kenya Shell was not supported with analysis of which vehicles consumed the fuel and what activities were carried out. There was no documented basis to show why the expenditure was charged to the Global Fund Program. The amount was explained to be a general allocation of fuel cost to DOMC by the Ministry of Public Health and Sanitation.

Recommendation 8 – Significant
The Management at DOMC should improve procurement practice by:
- *(i) Ensuring competitive bidding for all procurement;*
- *(ii) Hasten the formation of procurement committee to oversee all procurement; and*
- *(iii) Ensure that monthly vehicle fuel analysis is carried out and irregular fuel consumption investigated on a periodic basis.*

Grant management

79. During Round 2, KES 134,084,330 (approximately USD 1,703,739) were disbursed to districts for program activities through the Authority to Incur Expenditure (AIE) method in 2006. No instructions were sent to the districts about what activities should be undertaken and how funds should be spent. The districts were not notified that the activities could not be spent after year end. As a result, the activities were to a large extent not undertaken. There were no supporting documents to evidence how these funds were spent.

80. On 29 January 2010, disbursements to districts worth KES 15.1m (USD 200,000) were made to individuals' bank accounts. This weakens the control environment within which grant funds are managed.

81. The Division accounting officers were involved in M&E activities in the districts. However, they did not utilize their visits to carry out any financial reviews of the program activities in the areas visited. In addition, the districts' financial returns were not made in time, and when they were eventually provided no action was taken to follow up on these reports during the field visits.

82. The OIG was not provided with evidence that the division undertook monitoring and support supervision of CSOs that were hired to undertake program activities through the funds provided through the FMA. This would have been necessary to ensure that CSOs activities were in line with the national programs.

83. The OIG identified a number of weaknesses in the accountability arrangements for program funds disbursed to districts and in general record keeping related to program funds:

- i. Accountability returns were submitted by district health offices. The OIG found no evidence that these were reviewed at DOMC.
- ii. Although returns were required to be made every 6th of the following month, most of the returns examined by the OIG were made 12 months after the required date. For example, returns for the Kakamega districts for the period ending April 2006 were made in March 2007.
- iii. Supporting information for returns from the districts was inconsistent. Some included copies of bank statements, payment vouchers and cash books, whereas others contained none of these.

iv. Bank reconciliations were not checked, reviewed or approved. Errors and misstatements in bank reconciliations could go undetected if not checked and reviewed by an independent person.

Recommendation 9 - Significant
The DOMC should provide instructions alongside funds that are provided to districts for program implementation. The DOMC should also establish improved control procedures over program funds disbursed to districts to ensure prompt reporting; management checking and oversight of financial returns against program results, to ensure that funds are spent on program activities; and effective checking and review of bank reconciliations.

84. Out of the reviewed sample of 403 transactions worth a total of KES 2,210 million (approximately USD 29.8m) the OIG noted 10 instances of irregular accountabilities submitted to support expenditure related to field supervision. An officer at the program used photocopied authorization memos, which had already been used to process payments, to withdraw program funds. A total of KES 4,443,000 (USD 59,240) were withdrawn from the grant using documentation that was not authentic. In response to the draft audit report, the PR provided the OIG with evidence that: KES 1,458,000 (USD 19,440) has been recovered and returned to the program bank, KES 435,000 (USD 5,800) has been accounted for, and the staff member in question has been asked to repay KES 2,549,000 (USD 33,986).

The PR should refund the lost monies (USD 33,986) to the grant bank account.

National AIDS and STIs Control Program (NASCOP)

Background

85. The prevalence of HIV in Kenya is estimated at 6.3% of the adult population, with new infections estimated at 100,000 in 2009. Approximately 1.3-1.6 million adults are currently infected. There is a disproportionate burden for women (at 8.4%) compared to men (5.4%) and the burden of HIV in rural areas is higher than in urban areas, with varying prevalence rates by region[13].

86. The political commitment to combating the epidemic is exemplified by the location of the National AIDS Control Council within the President's Office in the Ministry of Special Programs. The national response includes the development of a decentralized network of health facilities at different levels to provide care and preventive activities. Extensive social mobilization in terms of Information, Education and Communication (IEC) as well as Behavior Change Communication (BCC) is an important component of preventive services.

87. Some of the health systems barriers that impact service delivery include (i) shortage of human resources; (ii) inadequate infrastructure, especially the number and quality of laboratory diagnostic centers; and (iii) weak collaboration between public health programs and private practitioners.

Governance

88. The National AIDS and Sexually Transmitted Infection (STIs) Control Program, (NASCOP), was established in 1987 to spearhead Government interventions in the fight against HIV/AIDS. NASCOP operates within the Ministry of Medical Services and the Ministry of Public Health and Sanitation, and is mainly involved with technical coordination of HIV/AIDS programs in Kenya.

89. Although the OIG was informed that NASCOP management held monthly meetings to discuss program performance, no documentation was provided to confirm this. Good practice in grant management calls for regular meetings with documented follow-up action.

90. The role of and linkages between NASCOP and some stakeholders was not defined, which affected the efficient and effective management of the programs. Although NASCOP was responsible for implementation of program activities related to treatment programs, it did not have any control over the activities of the TPPA. The responsibility for forecasting and quantification of drugs lay with NASCOP, whereas the Procurement Consortium had the mandate to undertake procurement and supply of drugs and commodities. The responsibility for quantification was not allocated to a specific person at NASCOP, with quantification undertaken by the Procurement Consortium.

91. In the earlier years of grant implementation, payments could be processed by the Ministry of Health headquarters without the knowledge of NASCOP. For example, on 18 May 2005, the Ministry of Health transferred KES 82,116,200 (USD 1,109,678) to NASCOP without informing them. In consequence, there was no follow up on the program activities that were to be implemented with these funds.

[13] Kenya Demographic and Health Survey, 2008/09.

92. The district authorities received authorization to incur expenditure from NASCOP. However, they were not directly answerable to NASCOP and as a result no reports were furnished to NASCOP on how funds were spent and no programmatic reports were submitted to NASCOP. This situation also made it difficult for NASCOP to monitor implementation of district activities.

93. Although the OIG was informed that NASCOP submitted programmatic reports to the MOPHS for onward submission to the PR, these were not made available to the OIG for review. The OIG learnt that most districts did not submit programmatic reports. The few districts that submitted reports provided incomplete information. The district activities were not always reported within the agreed performance framework; it was therefore not possible to provide assurance that PUDR reports were based on reports of activities actually undertaken by NASCOP. (It was unclear on what basis the LFA had been able to clear the PUDRs.)

94. The audit of grant funds is carried out by the Kenya National Audit Office (KENAO). There were no internal audit reports covering Global Fund programs. The OIG was informed that the Internal Audit unit at the Ministry of Health headquarters undertakes reviews prior to transaction posting in the Financial Management System at the Treasury.

95. PRs and their SRs are required to comply with the grant agreement and the laws and regulations of the relevant country. The OIG's review of NASCOP's compliance with the grant agreement identified some instances of non-compliance with the Global Fund grant agreement, e.g., the Round 7 funds were not maintained in an interest bearing bank account as required by article 11 (a) i of the grant agreement.

Recommendation 10 - significant

(i) NASCOP in conjunction with the MOPHS should ensure appropriate internal audit coverage of Global Fund program activities to address program-specific risks and review compliance with provisions in the grant agreements.

(ii) NASCOP should comply with the grant agreement with regard to banking grant funds in an interest bearing bank account.

(iii) The various relationships between NASCOP and other stakeholders critical to program implementation should be defined in memoranda of understanding.

Implementation of grant activities

96. Kenya has received two HIV grants in Rounds 2 and 7 respectively. The Round 2 grant term was from 1 December 2003 to 30 November 2008. The Round 7 grant commenced on 1 June 2009, with Phase 1 scheduled to end on 30 May 2011. The MOF was the PR for the two grants with the MOPHS and NASCOP as SRs.

Round 2

97. The Round 2 grant was titled "National proposal to address the impact of HIV/AIDS", with the following key interventions:

i. Reduction of HIV prevalence in Kenya through prevention and advocacy through the scaling up of existing voluntary counseling and testing services;
ii. Provision of treatment, continuum of care and support through expansion of the existing prevention of mother to child transmission services and ART; and
iii. Management and coordination through institutional capacity building.

98. Most Round 2 activities were implemented by NASCOP and civil society organizations as planned. However, some activities were not undertaken because funds were not received in country. In addition, the PR did not access all the funds earmarked for the grant. The following planned activities were not undertaken with Global Fund resources and therefore not reported upon: (i) Sensitization of District Technical Committees and the Constituency AIDS Control Committee on interventions for the prevention of mother to child transmission (PMTCT); (ii) Procurement of ARV drugs; (iii) Provision of home-based care; and voluntary counseling and testing (VCT).

<u>Round 7</u>

99. The key interventions in the Round 7 grant, "Improvement of quality of life of people living with HIV & AIDS and reduction of HIV infections", were:

i. Treatment: ART and monitoring as well as prophylaxis and treatment for opportunistic infections;
ii. Prevention: Testing and counseling; behavior change communication through mass media and community outreach; and
iii. Health systems strengthening: Information system and operational research and strengthening of civil society and institutional capacity building.

100. At the time of the audit, NASCOP was meeting some of its targets with the exception of the activities that were delayed due to tardy procurement processes. A review of the PUDRs at 30 June 2010 showed the following performance against indicators:

Targets exceeded

Indicator	**Target**	**Actual results**
Number of adult patients on first line ARVs	307,066	337,366
Number of patients on care being offered Cotrimoxazole	717,764	874,470
Number of women and men age 15-49 years who were counseled and tested for HIV and received results	2,499,997	2,506,703
Percentage of districts submitting timely and complete reports according to national guidelines	60%	92%

Table 6: Summary of achieved program targets for Round 7 HIV grant (Source: PUDR of 30 June 2010)

Targets not met

Indicator	**Target**	**Actual results**
Number of adults and children on nutrition supplements	6,677	239
Number of children on therapeutic feeding	2,969	59
Number of HCWs trained in counseling and testing	765	605

Table 7: Summary of unachieved program targets for Round 7 HIV grant (Source: PUDR of 30 June 2010)

Quality of service delivery

<u>Utilization of the HCT/ART/PMTCT</u>

101. Utilization of HCT and ART services was generally high. The 2.3 million target for HIV testing was surpassed during the latest PUDR reporting period. The 320,719 adults on ART at the time of the audit represented 70.4% to the estimated clinical need. Similarly, uptake of PMTCT services had rapidly scaled up and the target set exceeded by a factor of

three. However, the uptake of ART among the infant population remains low (24.2% of those in need) and is in part related to loss to follow-up from the PMTCT program.

ART

102. Clinical usage of ART is guided by national guidelines and forecasting and procurement of ARVs to a large extent depends on this estimated need. However, actual clinical practice does not neatly match this programmatic expectation. During field visit interviews with provincial health management teams in Coast, Nairobi and Nyanza provinces, the OIG noted deviations from the guidelines. For example, some private practitioners switch patients on ART to the national second-line regimen without clinical or diagnostic justification.

103. Stock-outs were not a common feature in Kenya, but were reported for Taita district in 2009. There were also low stocks of ARVs noted for some drugs, e.g., Nevirapine in 2010 (Coast Province). In these cases, patients were asked to return to the ART clinic, raising the risk of non-adherence for those patients who could not make several trips.

104. Nutritional support is essential to support adherence to ART and a pilot designed to increase the knowledge base of how nutritional supplementation supports adherence to ART was in the initial stages of implementation. The outcome of this pilot should inform implementation and scale up of similar interventions. The design of the nutritional supplements pilot focused on how nutritional supplementation promotes well-being among PLWHA. However, information on its cost-effectiveness in comparison to other approaches was not collected. Such analysis will be needed if the intervention of nutritional supplements is to be scaled up.

PMTCT

105. Low uptake of ART among babies is hampered by the low capacity for Early Infant Diagnosis (EID) which is further compounded by significant delays in turnaround time for receiving laboratory results. For example, at the centers visited, the turnaround time for receipt of PCR results from the Central Reference Laboratory (CRL) was 2-3 months. This delays initiation of life-saving therapy for this age group.

Voluntary Counseling and Testing (VCT)

106. The scaling up of counseling and testing in Kenya has involved the use of different approaches, with integrated provider-initiated counseling and testing being increasingly preferred to stand-alone voluntary counseling and testing centers. Engagement by civil society organizations is to a large extent focused on encouraging the use of HIV counseling and testing by young people.

107. The integrated Provider Initiated Counseling and Testing (PITC) is increasingly preferred to standalone Voluntary Counseling and Testing (VCT) centers. PITC is an integrated service approach conducted in the same setting and with the same staff charged with day to day health services for other conditions. The pressure on space and human resource, especially at lower level health facilities in peripheral locations, however, is unlikely to allow for compliance with national guidelines for privacy and confidentiality.

Recommendation 11 (Significant)

(i) There is scope for NASCOP and KEMSA to improve forecasting to avoid unanticipated medicine shortages in the medium to long term, e.g., align national guidelines and procurement projections to match real-time clinical practice needs.

(ii) NASCOP should consider proactively engaging the private sector to enhance compliance with standard treatment guidelines for ART.

(iii) There is a need to identify and address bottle-necks resulting in long lag-times between request for PCR diagnosis and submission of results to facilities.

<u>IEC/BCC</u>

108. The technical capacity of civil society organizations to undertake activities in IEC and BCC related to the prevention of HIV infection, as well as uptake of related clinical services, was weak. Moreover, the development of a standard curriculum for training on HIV/AIDS prevention for CSOs and the private sector is still outstanding. Without a standard curriculum, the quality of IEC/BCC currently offered by CSOs is not easily controlled or measured.

Recommendation 12 - High

NASCOP should consider pursuing the issue of establishing a standard curriculum for training on HIV/AIDS prevention for CSOs and the private sector. To encourage use, these guidelines might usefully be co-developed by NACC and Care Kenya.

Monitoring and evaluation

109. National monitoring and evaluation (M&E) plans have existed since 2002, developed through a series of consultative forums and aligned to both UN and Millennium Development Goal indicators for HIV/AIDS. All process, output, outcome, and impact indicators are drawn from or based on the national M&E plans.

110. Data collected at service provision points is compiled on a monthly basis. All facilities send their integrated reporting tools to the district level, where they are aggregated sequentially into a district, provincial and finally a national report. The PUDR for the period ending 31 March 2010 showed, however, that only 70% of districts were reporting in a timely manner.

111. NASCOP collects information on some indicators, e.g., '*number of PLWHA on Cotrimoxazole prophylaxis*' directly from the facility level because information on this indicator reported on the HMIS form was considered to be unreliable. This was because the results that were reported from the HMIS included patients receiving Cotrimoxazole from both the Government of Kenya[14] and the Global Fund, with the PUDR showing that the target was exceeded. The OIG noted that information for Cotrimoxazole Prophylaxis Therapy (CPT) was either incomplete or incorrectly filled in for the periods before.

112. There are a number of partners supporting M&E. However, in some cases this support is compartmentalized and limited to certain aspects of the program such as PMTCT. This fragmented support puts pressure on the time of the district coordinators for AIDS and sexually transmitted infections, and is likely to result in neglect of the other programs. In the New Nyanza Provincial General Hospital, the CDC had put in place a different data collection system, with the program database housed by the CDC and not

[14] PUDR for R7, ending 31 December 2009

the hospital. Although the CDC provided summaries when these were requested, the provincial team was not able to easily and independently verify/audit records provided.

113. Data verification for reported HIV indicators at district level should be done at least quarterly but only a partial verification was undertaken. This situation was explained by a lack of funds. When undertaken, the data verification by DASCO was not effective since it only focussed on marked outliers, e.g., misinterpretation of data entries. At some facilities, treatment monitoring tests such as CD4 were routinely conducted and were available in individual patient files. However, this information was not routinely entered into the ART register, thus most likely giving rise to incomplete data reporting at the facility level.

Recommendation 13 - Significant
NASCOP should strengthen reporting by health facilities and civil society organizations so as to ensure the timeliness and completeness of programmatic data. The ongoing dialogue to harmonize paper and electronic HMIS forms as well as support supervision should be accelerated.

Financial Management

114. The utilization of grant funds disbursed to NASCOP is summarized below:

Detail	**Round 2 USD**	%	**Round 7 USD**	%	**Total USD**
MOF to NASCOP	40,294,963		264,528		40,559,491
Interest Income	199,247		-		199,247
Total Income	**40,494,210**		**264,528**		**40,758,738**
SR Expenditure	9,271,736	23	220,069	100	9,491,805
PSCMC	30,029,386	74	-		30,029,386
Districts	1,173,088	3	-		1,173,088
Total expenditure	**40,474,210**		**220,069**		**40,694,279**

Table 8 - Extract of utilization of grant funds disbursed to NASCOP to 30 June 2010. Analyzed from NASCOP records

115. NASCOP follows the GOK financial procedures. The audit showed instances of non-compliance with these financial procedures. For example:

i. Expenses were effected without adequate supporting documents;
ii. Bank reconciliations were not reviewed and approved by a senior official independent of the preparer; and
iii. Under Round 7, there were delays noted in receiving accountability of funds. Accountabilities were received 1-2 months after field work instead of the 48 hours requirement.

116. The Round 2 grant had not been closed at the time of the audit, despite the grant having expired in November 2008. USD 20,000 remained in the program bank account at grant closure. The interest income earned under the Round 2 grant, amounting to USD 199,000 was also still held by NASCOP. These amounts (USD 20,000) should be refunded and the interest earned utilized with the guidance and approval of the Global Fund Secretariat.

117. The OIG noted that there had been notable delays in the disbursement of funds from the Ministry of Health to the NASCOP bank account, resulting in delays in program implementation. Checks for KES 80,000,000 (USD 953,516) issued on 6 August 2004 and

reissued on 18 September 2004 were dishonored. NASCOP finally accessed the funds on 1 December 2004, some five months late.

118. Proper books of accounts were not maintained for the Round 2 grant. Although the grant had been closed in November 2008, by July 2010 the general ledger as the principal record of accounts had only been posted up to June 2006. The Round 2 Phase 2 fund accountability statements were not provided to the OIG auditors. Without up to date books of account, it is not possible to prepare accurate financial reports for audit or reporting to the Global Fund. It was not clear on what basis the LFA had been able to sign off on a PUDR in these circumstances.

119. NASCOP did not have a process in place for comparing actual expenditure to budget and explaining significant variances. If in place, this would help monitor performance of activities to ensure timely and effective implementation of planned activities:

#	Particulars	Planned activity	Actual activity	Budget	Actual
1	Setting up VCT sites	71 Sites	65	665,127	1,285,186
2	IEC activities	30 motor cycles	0	0	0

Table 9: Illustration of inadequate program monitoring.

120. The OIG noted that KES 69,808,840.80 (USD 1,078,040) of funds from the HIV Round 2 grant were borrowed to purchase commodities for the malaria grant. These funds were not used for the purposes of the grant and were not reimbursed to the HIV program by the malaria program. These funds should be refunded to the Global Fund since they were not used for their intended purposes, and the Round 2 is now closed.

121. A payment of KES 16,000,000 (USD 212,616) was used to pay for a Women's conference under the Round 2 grant. The amount was drawn against a budget of USD 35,000 for a women's advocacy meeting. It was reported as training of health services, scaling up of VCT sites and prevention messages. This amount was not adequately supported and there was no evidence that the activity had been implemented. This amount (USD 212,616) should be refunded.

122. NASCOP disbursed grant funds to districts amounting to KES 11,550,000 (USD 154,000) without work plans and instructions about how the funds should be used. These monies sent to the districts were classified as "account maintenance fees". There were no documented criteria for allocation of funds to districts. There was also no supporting documentation for funds amounting to USD 96,596. The balance, viz. KES 4,305,297 (USD 57,404) was refunded by the districts after the bank accounts were closed without implementation of activities. The USD 96,596 should be refunded.

123. Procurement of health products was undertaken by the TPPA. Funds were regularly transferred from the NASCOP account to the PSCMC account, however, there were no reconciliations sought from the Procurement Consortium on the use of funds transferred from NASCOP. NASCOP could not confirm that all the funds that were transferred to the Consortium had been used efficiently and effectively.

124. The OIG could not find evidence to indicate that bank reconciliations had been checked for errors and authorized by a senior person in the program. Reconciliations from June to December 2004 had recorded a KES 80,000,000 (USD 953,516) receipt in the cash book but not in the bank statement. This represented a transfer of Global Fund grant

funds from Ministry of Health headquarters to the NASCOP program account, which was never received by the program. There was no evidence of follow-up to resolve and reconcile the records between Ministry of Health headquarters and NASCOP.

125. NASCOP is required to maintain adequate documentation to support all payments made with Global Fund funds. The OIG noted, however, that in various instances involving training there were no activity reports to support payment vouchers or authentication of the payments. For example, payments effected on 30 June 2005 for three trainings amounting to KES 6,665,666 (USD 88,875), and KES 7,757,269 (USD 103,430) relating to other program expenditure were not adequately supported. The total amount of unsupported expenditure (USD 192,305) should be refunded to the Global Fund.

126. NASCOP hired district accountants to manage Global Fund program accounts with payments amounting to USD 87,642 effected to cover their salaries. However, these accountants were not absorbed into the Government systems and most of the activities in the districts were undertaken by the district treasury. In the absence of timely reports at the SRs, and the findings noted above, there is doubt as to whether value for money was obtained from the investment to recruit these accountants.

127. The OIG noted that the fixed assets register was not comprehensive. It lacked acquisition dates, asset locations and asset values. The register did not list the assets that were purchased by the districts for program implementation and there was no evidence that physical asset verification was periodically undertaken to validate the existence and condition of program assets.

Recommendation 14 - High

(i) NASCOP should ensure that books of account including asset records and supporting information are maintained in a comprehensive and up to date condition. Management should ensure improved and adequate monitoring of the budget, implementation and use of funds for program activities.

(ii) The PR should refund the following amounts:

- *i. USD 212,616 relating to the women's conference;*
- *ii. USD 1,078,040 lent to the malaria program that was not refunded;*
- *iii. USD 96,596 unsupported district level expenditure;*
- *iv. USD 192,305 of unsupported expenditure; and*
- *v. Round 2 grant balances of USD 20,000.*

Division of Leprosy, TB and Lung Diseases (DLTLD)

Background

128. Kenya is one of the 22 highest TB burden countries worldwide. According to the 2009 WHO Global TB Control Report, the prevalence of all TB forms is estimated at 370/100,000 with new smear-positive cases at an incidence rate of 95 per 100,000. The prevalence of MDR-TB among smear positive TB patients was 1.6%. A survey to obtain a population-based prevalence of MDR-TB was planned for late in 2010.

129. The epidemic is largely driven by the incidence of HIV/AIDS since PLWHAs have the highest incidence of TB infection. Recent case notification trends show a plateauing since 2004, which could be related to the consistent application of the STOP TB strategies. Kenya is one of the few African countries to have achieved the WHO targets for case detection and treatment success rate.

130. Some programmatic challenges in sustaining achievements in the TB fight include: (i) Weak linkages between HIV/AIDS and TB treatment centers for the co-infected patients; (ii) Inadequate laboratory capacity to monitor progress for TB patients; (iii) Delays in setting up an MDR-TB isolation treatment center; and (iv) Weak public/private partnerships.

Governance

131. The Division of Leprosy, Tuberculosis and Lung Diseases (DLTLD) implements Global Fund TB grants in Kenya and is a Division of the MOPHS. It was originally established in 1980 as the National Tuberculosis and Lung Program. The national TB programme coordinated by the DLTLD was highly decentralised with the provincial and district levels being key for service delivery and reporting. DOTS based TB services are provided at all levels of health care. Treatment for MDR-TB is offered at 8 regional centers and there were plans to open four more before the end of 2010.

132. Implementation was undertaken through district health offices and civil society implementers. These implementers did not submit programmatic reports to the DLTLD and in consequence program managers were unable to monitor activities. The OIG could find no evidence of training on reporting requirements for the implementers.

133. PRs and their SRs are required to comply with the grant agreement and the laws and regulations of the relevant country. The OIG's review of DLTLD's compliance with the grant agreement identified some instances of non-compliance with the Global Fund grant agreement as detailed below:

i. Reporting to the Global Fund was not undertaken on a timely basis; and
ii. Contrary to the country laws, statutory deductions were not made from staff salaries.

Recommendation 15 (Requires attention)
DLTLD should comply with the grant agreement with regard to:

i. Timely submission of audit reports; and
ii. Remitting statutory salary taxes.

Implementation of grant program activities

134. Three Global Fund grants had been received by the DLTLD at 30 June 2010 under Rounds 2, 5 and 6.

Round	Grant reference	Grant USD	Disbursed USD
2	KEN-202-G04-T-00	8,761,405	3,299,522
5	KEN-506-G07-T	13,499,895	5,170,662
6	KEN-607-G08-T	4,206,357	2,961,806
		26,467,657	**11,431,990**

Table 10 - Summary of grants and disbursement at 30 June 2010

<u>Rounds 2 and 5</u>

135. The Round 2 grant was aimed at addressing and reducing the impact of Tuberculosis. The Round 5 grant was titled "Strengthening DOTS and mitigating impact of TB/HIV co-infection in Kenya". The key interventions and activities undertaken under the two grants were:

Intervention	Activities undertaken
Strengthening the national laboratory network for continuous surveillance and diagnosis of MDR-TB	• The Division scaled up tuberculosis services in hard to reach areas; • An Urban TB Control strategy was developed; • Anti TB drugs were procured and there were no stock-outs reported during the period; and • Procuring protective gear for health workers was also acquired
Establishing a national MDR-TB treatment center	• Second line drugs were procured for the treatment of MDR-TB at the national hospital and at the regional centers and no stock-outs were reported.
Expanding and improving the quality of directly observed treatments to prevent the emergence of MDR-TB	• Drug susceptibility testing MDR-TB was undertaken. • Private health care providers received training on quality DOTS to prevent MDR-TB.
Promotion of supportive policies and increased funding for TB programs	• Members of parliament were sensitized which led to increased funding to health sector and political commitment
Increasing awareness and knowledge of TB in the general public	• A number of workshops were conducted workshops to increase awareness among key stakeholders. • An advocacy and IEC/BCC strategy was developed and relevant training undertaken. • 'TB ambassadors' were recruited and trained to act as first line health providers for supervised tracking of defaulters, targeted pamphleteering, and door-to-door IPC
Mobilizing and building community capacity	• Laboratory technologists, community health workers and CBOs were trained in the management of tuberculosis cases
Improving the human resource capacity available for effective	• Joint HIV/TB program activities were implemented • HIV/TB working groups were formed with the mandate to coordinate and monitor the joint activities;

Intervention	Activities undertaken
delivery and coordination of integrated TB/HIV services	• 96 functional TB/HIV committees were set up in 88 districts; and • There was active screening of HIV infected persons for TB at VCT and MTCT centers.
Strengthening health planning and management capacity at all levels:	• Baseline surveys in one district in each province were conducted to map out available services and networks and to plan joint activities in collaboration with DLTLD, KEMRI and NASCOP; • Monitoring and evaluation through the NTLP, PHMT and DHMT continued throughout this period; • The process to recruit a coordinating officer was initiated.

Table 11: Summary of activities performed

136. At the end of February 2010, a review of the reported results showed the following indicators for which targets had been met or exceeded:

Indicator	Target	Actual results
Number of TB cases that receive drug susceptibility testing among TB cases suspected of MDRTB during a specified period	2,850	3,507
Number of service providers MDR patients enrolled on second line treatment, among TB cases identified	120	123

Table 12: Targets achieved at 28 February 2010

137. At the time of the audit, a review of the last PUDR report for February 2010 showed the following indicators for which targets had not been met:

Indicator	Target	Actual results
Training of laboratory staff on external quality assurance	1,500	854
Staff training on MDR-TB management	200	96
Training of private sector employees on TB/HIV activities	3,000	2,460
Training of private health providers on DOTS	570	258
Community volunteers trained for community-based treatment (DOTS)	1,960	1,273
Number of private care providers trained	600	137
Number of pharmacists and pharmaceutical technologists trained	600	65
Number of staff trained on BCC	210	17
Percentage of lab staff preparing slides for EQA re-checking	930	542
Private sector employees trained on TB/HIV activities	3,000	2,460

Table 13: Targets that were not achieved at 28 February 2010

138. Due to a slow pace of implementation, the following planned Round 2 and 5 grant activities had not been undertaken:

i. The development of guidelines on tuberculosis for the private sector;
ii. Construction of an isolation facility at Kenyatta National Hospital; and
iii. Conducting two one-day sensitization meetings each year for all major religious, cultural and civic groups in each province.

Round 6

139. The Round 6 grant entitled “Strengthening of Primary Health Care Systems to Deliver Integrated TB/HIV Services” had the following interventions and activities implemented:

i. Expansion of physical infrastructure for the delivery of TB/HIV services: Minor renovations were provided for and undertaken in most of the 107 targeted laboratories. Solar panels and generators were provided to areas not connected to the main electricity grid.
ii. Improving the human resource capacity: 101 laboratory technicians were recruited and deployed although there was attrition and a need to replace staff that left[15]. A motivation study was undertaken,[16] although results had not been released at the time of the audit.
iii. Increasing the productivity of the available human resources: Laboratory equipment, furniture, power supply units and reagents were procured. A contract for servicing of microscopes was awarded; work was ongoing at the time of the audit.
iv. Strengthening health planning and management capacity at all levels of health care: TB/HIV guidelines were printed. A performance improvement supervision approach had been used to strengthen management and operation of district health teams[17].

140. The PUDR report for 31 March 2010 showed that process targets had not been met for the printing of TB/HIV guidelines (2,258 were printed against a target of 2,500), but 155 staff for the TB program had been recruited against a target of 155.

Quality of service delivery

TB case management and DOTS

141. TB diagnosis and treatment was delivered through a network of DOTS centers. Standard first-line DOTS treatment regimens were being administered in line with WHO recommendations. At the community level, patient support is mainly provided by family members as the attrition rate for trained volunteers is high.

142. The case detection rate had steadily improved and the WHO target has been attained. Based on WHO estimates, the case detection rate for new smear positive cases in Kenya increased from 66% in 2000 to 85% in 2008 making Kenya one of the few high burden countries to meet the WHO case detection target for the period. The contributing factors to the country’s performance were (i) Raising awareness through IEC and BCC at community level and among health workers; (ii) The recruitment and deployment of laboratory technicians with grant funds; and (iii) Training of service providers in health facilities.

143. Directly observed treatment was used, particularly in the intensive phase where patients reported daily to a health facility for medication. Patient medicines were kept in individual boxes together with their contact information as well as that of a partner-supporter. Cough triage was practiced, especially at hospital level. However, the OIG

[15] GFATM-MoH deployment list of medical laboratory technicians
[16] Preliminary report: Motivating and de-motivating factors among health care workers at facility level in Kenya
[17] Sample of training reports on Performance Improvement Assessment (PIA)

observed that the use of protective wear such as masks by suspected infectious patients was not routinely practiced.

144. A number of Community-based DOTS providers were trained to provide peer-support at community level. However, with the slow disbursement in Round 5, there was high provider attrition. In consequnce, reliance was placed on partner support to encourage adherence, yet household members were not as knowledgeable. This resulted in non-continuity/slow down of CSO activities as was seen, e.g., among the NEPHAK-trained TB ambassadors supporting TB/HIV prevention and advocacy campaigns by Reto Mara.

145. Laboratories were available at all district hospitals and most high volume facilities, enabling the monitoring of treatment success of smear positive patients. External quality assurance was carried out for TB diagnosis in more than 50% of all laboratories. The treatment success for patients that lived far from health centers was judged on a clinical basis which was less accurate than confirmatory laboratory diagnosis. Although the Public Health Officer was expected to track treatment defaulters, this activity was not routinely undertaken. This was only carried out where funding was available from other development partners for HIV-related activities.

HIV/TB care

146. There had been efforts to integrate TB/HIV care at levels of service organization. Kenya has systems in place to ensure that TB patients are tested for HIV and at sites visited by the OIG all TB patients had been tested for HIV, as evidenced by documentation in the registers at facility level.

MDR TB

147. At the time of the audit, a national MDR-TB treatment center to offer appropriate second-line treatment was not yet in place. Neither the national MDR-TB treatment center at Kenyatta Hospital nor the KNH MDR-TB isolation treatment center were functional. Instead, there had been innovation to increase treatment access for MDR-TB through the use of an open tent ambulatory treatment center at hospitals. Overall, there were 12 such regional centers for MDR-TB treatment, 8 of which were functional.

148. The most recent Green Light Committee (GLC) assessment indicated that current national capacity to treat MDRTB patients were up from 90 to 390. For the poor, the cost of pre-treatment laboratory work up and the need to reallocate from their homes to an abode closer to the ambulatory facility were still barriers to access to treatment.

149. There were notable delays in receipt of diagnosis results by health facilities from the Central Reference Laboratory for MDR-TB related requests. For example, the average turnaround time for patients with positive culture results was 8 weeks and in one the turn around time was 52 weeks. A key contributing factor was the absence of a systematic dispatch procedure for completed results between the CRL and some facilities; and some clinicians did not provide complete patient information, making it impossible to dispatch results to the correct facility. In other cases, the delays were caused by patients that did not provide samples in a timely manner.

150. The training target for MDR-TB had not been attained and the knowledge and skills for its management was not widespread. During an interview with clinicians at Kenyatta Hospital MDRTB treatment center the OIG learnt that some private sector practitioners erroneously add second line TB medicines to a failing first line regimen without

conducting drug susceptibility tests. This complicates and limits the choices patients would have should they be diagnosed with MDR-TB. Some clinicians did not have knowledge of the referral requirements and sent patients to specialized centers without first calling for laboratory tests thus causing delays in the decision making process.

151. Defaulter tracing was limited to phone calls to either the patient or the support partner. This usually works. However, in some cases this was not adequate or effective. For example, the Kenyatta hospital staff reported a case where a patient who defaulted from treatment and travelled internationally. Such cases are potential reservoirs of MDR-TB if there are no clear mechanisms to ensure treatment continuity are available when patients travel across borders.

Organization of services

152. A Logistic Management Information System (LMIS) for TB logistics was in place to track stock status at district level but there were no stock status reports for laboratory commodities. No stock-outs for TB medicines were reported at any of the 3 facilities visited and this finding was confirmed at the district, provincial and national levels.

153. Three laboratories visited by the OIG were observed to autoclave used sputum specimen containers before they left the laboratory for disposal. However, this was not the case with the laboratory at Mbagathi District Hospital, which presented a potential biohazard should infectious contents leak out into the environment. This risk was compounded by insecure packaging used during transportation of sputum samples from some non-diagnostic centers to a reference laboratory.

Recommendation 16 – High

(i) The Ministry of Public Health and Sanitation should have access to laboratories especially in remote areas in order to ensure that all patients receive confirmatory diagnosis during follow-up of smear positive cases.

(ii) Efforts should be made by the DLTLD to better inform public and private sector participants on treatment management requirements for MDR-TB generally; and to provide resources to achieve more extensive use of pre-treatment laboratory work-up.

(iii) The DLTLD should take steps to ensure that all laboratories have in place and follow SOPs for good affection control practice, such as: good ventilation, ex-hand washing; avoid heating the slide while it is wet, and preparation of smears near a flame to reduce the risk of aerosol transmission.

Monitoring and evaluation

154. Data needed to monitor all the outcome indicators apart from the population-based MDR-TB prevalence was generated from facility level. The OIG observed that registers at most sites visited had complete records and that most indicators were supported by data from the register. However, at the time of the audit, there was no mechanism for reporting on the "number of HIV infected persons who are screened for TB". Therefore this indicator was not reported on during the R6 grant. At health facilities visited, there was cough triage and all patients with a cough lasting for more than two weeks were screened for TB.

155. Data accuracy was assured by regular support supervision and the quarterly meetings at provincial level where quality was checked and data gaps filled. The Onsite

Data Verification (OSDV) undertaken by LFA highlighted some issues that affected the data quality which were also noted during the OIG's field visits. These included:

i. Variances between reported data from a facility to the DLTLD were attributed to timing of the verification and the date a report was submitted. Records continued to be updated throughout the year and especially at quarterly meetings and therefore a one-off spot check was bound to find such variances.
ii. High volume facilities with diagnostic centers tended to receive more priority for data collection than lower volume non-diagnostic centers that were only engaged in providing the continuation phase of TB treatment.

Financial Management

156. The utilization of grant funds disbursed to DLTLD is summarized below:

Detail	Round 2 USD	%	Round 5 USD	%	Round 6 USD	%	Total USD
Grant disbursements	3,299,522		5,170,662		2,961,806		11,431,990
Interest Income	11,053		38,911		13,734		64,148
Total income	**3,310,575**		**5,209,573**		**2,975,540**		**11,496,138**
Program	574,215	17	879,920	17	1,299,231	44	2,753,366
AIES (Districts)	537,750	16	117,600	2	111,080	4	766,430
PC	1,397,500	42	314,294	6			1,711,794
FMA	330,000	9	1,690,515	33	462,207	16	2,482,722
KNH			428,513	8			428,513
Total expenditure	**2,839,465**	**86**	**3,430,842**	**66**	**1,872,518**	**63**	**8,142,825**

Table 14 - Summary of the utilization of grants for TB programs at time of audit at 30 June 2010

157. The DLTLD did not prepare any fund accountability statements, giving rise to an absence of support for the basis and accuracy of PUDR reports submitted to the Global Fund. Although grant agreements require quarterly PUDRs, these reports were prepared only every six months. The books of account were not up to date. Regular fund accountability statements could have served as a basis for management reports, PUDRs and annual financial statements.

158. An imprest control register was maintained to record advances made for which accountabilities were outstanding. The register was not always kept up to date as evidenced by advances that had been accounted for but were still listed as outstanding.

The DLTLD did not have a process in place for comparing actual expenditure to budget and explaining significant variances. The budgets were not uploaded into the accounting system thus resulting in a missed opportunity to undertake such analysis. The OIG noted that the Division had significant budget overruns under Round 5, e.g., "expansion and improvement in the quality of DOTS" had a budget overrun of USD 308,773 (75% over budget) and "advocacy for development of supportive policies and increased funding for the TB program" had an overrun of USD 600,061 (63% over budget).

159. There were no details on the nature and purpose for KES 2,436,293 (USD 32,484) drawn from the grant bank account without any supporting documents. The amount was recorded in DLTLD's books of account as a foreign exchange loss.

160. Although bank reconciliations were prepared monthly as required, these had not been reviewed by an independent person to ensure that any errors and misstatements had

been identified and corrected. Bank statements are only reviewed by the Ministry auditor at the close of the financial year.

161. There were significant delays in the transfer of funds between the PR's overseas account, the Treasury and the MOPHS. In consequence, funds were not always available for implementation of activities, which had led to poor programmatic results. Given that grants are performance based and time bound; this had had a significant impact on the achievement of targets and subsequent funding. The delay in funds transfer ranged from 1 to 8 months as shown in the table below:

Round	Date of disbursement by the Global Fund	Date of receipt by Treasury	Date of receipt by DLTLD	Delay in transfer between the Global Fund and Treasury	Delay in transfer between Treasury and DLTLD
2	27/8/03	12/03/04	19/05/04	6 months	2 months
2	17/12/04	17/02/05	19/05/05	1 month	3 months
5	30/06/06	26/10/06 & 20/08/07	06/11/06 & 13/12/07	4 months	4 months
6	20/03/08	29/05/08	13/06/08	2 months	1 month
6	06/11/09	03/02/10	11/03/10	3 months	1 month

Table 15 - Examples of delays in transfer of funds

162. As was the case with NASCOP, funds were transferred to districts without instructions and work plans and these funds were not used for program implementation. The OIG noted that KES 9,338,652 (USD 126,198) for activities meant for Round 2 Phase 1 (year 2004/05) was refunded by districts in June 2008. Activities with a budget of USD 172,800 which should have been implemented in 2004/5 were only implemented in 2008.

163. Contrary to Government regulations, the DLTLD did not monitor vehicle fuel consumption rates. This was despite the vehicle travel log sheet (work ticket) having a provision for this analysis. The monthly travel log sheets were just filed with the purchase and stores officer. The OIG computed the fuel consumption rates of various vehicles and noted fluctuating rates i.e. between 1.31 and 9 km per liter which indicated the possibility of irregularities in the use of fuel.

Recommendation 17 – Significant

(i) The DLTLD management should ensure that adequate and complete books of account are maintained to support financial transactions. The Financial Management System should support preparation of budget analysis reports to ensure that budgets are closely monitored.

(ii) Unsupported expenditures should be refunded, i.e., USD 32,484.

(iii) Management of the DLTLD should ensure that monthly vehicle fuel analysis is carried out and irregular fuel consumption investigated on a timely basis.

National AIDS Control Council (NACC)

Background

164. The National AIDS Control Council (NACC) was established as a corporate body under the State Corporations Act by a Presidential Order on 26 September 1999, soon after HIV/AIDS was declared a national disaster in Kenya. It is a body under the Ministry of Special Programs, which spearheads the coordination of a multi-sectoral approach to the HIV epidemic.

165. NACC's objectives were to:

i. Reduce the number of new HIV infections in both vulnerable groups and the general population;
ii. Improve treatment and care, and the protection of rights and access to effective services for infected and affected people; and
iii. Adapt existing programs and develop innovative responses to reduce the impact of the epidemic on communities, social services and economic productivity.

166. Under Round 2, NACC was responsible for overseeing activities undertaken by CSOs. Under Round 7, NACC was responsible for key prevention interventions, specifically Behavior Change Communication (BCC). NACC faced some challenges in the implementation of programs, including:

i. Significant delays in the receipt of funds. For example, although the Round 7 grant started in July 2009, funds were only received in December 2009 and January 2010;
ii. Under Round 2, some of the funds were not disbursed by the Global Fund due to poor grant performance, which affected the implementation of programs;
iii. Poor capacity of and sustainability challenges for some implementing CSOs;
iv. Low absorption capacity of funds by CSOs.

Oversight

167. The NACC has a Council that provides oversight to its programs and an appropriate structure to manage programs supported by the Global Fund. the Global Fund supported programs are integrated within NACC Secretariat structures.

168. The OIG reviewed compliance with key conditions to the grant agreement and noted that grant funds were used to pay taxes and that there was inter- project borrowing of grant funds. There is a risk the payment of taxes paid reduced the funds available for program implementation as budgets did not include tax.

169. NACC had a high staff turnover. For example, the HR & Administration Manager changed 4 times during the Round 2 period. The two grant managers responsible for the Round 2 Global Fund grants left NACC and the positions remain unfilled to date. The orientation of NACC staff to Global Fund principles was insufficient as evidenced, for example, by accountants not being familiar with Global Fund reporting requirements.

170. Although there was an internal audit function in the NACC, it did not carry out any audit reviews of Global Fund activities during Round 2. The OIG, however, noted that the internal audit department had developed a program to audit Global Fund support to Round 7.

171. The external audit of grant funds was undertaken by the Kenya National Audit Office. The audits conducted did not take into consideration compliance with provisions

of the grant agreement, compliance with the work plan or assessment of target achievements. Some audit issues raised by KENAO had not been addressed, e.g., advances amounting to KES 3,335,400 (USD 44,472) that remained outstanding from 2005. These funds should be recovered and returned to the PR.

172. NACC is well-structured from the national level to the constituency level. However, the Global Fund supported programs did not rely on this management structure. NACC decided to engage 11 M&E officers under the Round 2 Global Fund support to supervise the CSO activities at a regional level. NACC's regional M&E staff were not involved in supervising CSO activities in their regions but undertook other NACC related work.

173. The recruitment of monitoring and evaluation personnel funded from grant funds was not transparent. The consultant that undertook the recruitment process noted that out of the 11 people interviewed, three did not have the required qualifications for the position but were hired nonetheless. The consultant's recommendation that the positions be re-advertised was not followed.

Financial Management

174. The two grants received are summarized in the table below:

Round	Grant reference	Grant amount (USD)	Amount disbursed (USD)	Amount spent (USD)
2	KEN-202-G03-H-00	23,250,109	9,204,790	9,220,958
7	KEN-708-G09-H	1,543,950	468,750	81,138

Table 16 - Grants approved and disbursed to the NACC

175. The Round 2 funds were (i) Disbursed to CSOs; (ii) Used to procure computers for M&E personnel; (iii) Pay salaries for M&E personnel; (iv) Pay FMA administration expenses; and (v) Pay NACC operational expenses in relation to Global Fund activities. The Round 7 funds were used for implementing BCC activities.

176. Financial reports in the form of Fund Accountability Statements should provide the basis for preparation of management reports, Progress Update and Disbursement Requests (PUDRs), and annual financial statements. The OIG found that the NACC did not maintain proper books of accounts and was unable to prepare a fund accountability statement for the period from 1 January 2004 to 30 November 2008. This casts doubt on the basis and accuracy of PUDR reports submitted to the Global Fund and on the basis of the analysis by the LFA.

177. The last NACC progress report (30 November 2008) showed a cumulative expenditure figure of USD 9,220,958. This exceeded amounts disbursed under Round 2 by USD 16,168. This difference remains unexplained. The OIG also noted a variance between the closing balance of one reporting period i.e. 31 May 2008 (USD 53,921) and the opening balance of the subsequent period i.e. 1 June 2008 (USD 34,284). A failure to reconcile financial records points to weaknesses in the process of recording transactions to produce accurate financial reports.

178. The OIG noted that the amounts advanced to the FMA were recorded as expenditure as opposed to advances. The NACC books of account showed a balance of funds (KES 25,868,316 or approximately USD 344,910) held by the FMA at the close of

Round 2. This amount should be refunded to the Global Fund. The OIG also noted that the FMA had not been audited. It should be audited before the Round 2 grants are closed.

179. The OIG noted that the Round 2 grant ended on 30 November 2008 but at the time of the audit in July 2010 had not yet been closed. The balance at the end of the Round 2 grant was USD 119,414; this amount should be refunded to the PR.

180. The OIG found that the NACC did not have effective budget monitoring systems for program budgets and there had been significant budget variances under Round 2, e.g., in the training of constituency Aids control committees that was budgeted at USD 50,000, with the actual expenditure amounting to USD 280,214.

181. At the time of the audit, NACC had not submitted any financial or programmatic progress reports, which had been due on 31 December 2009 and 30 June 2010. A review of the Round 7 expenditure showed the following:

i. NACC purchased 144 computers instead of the 81 in the approved work plan, and
ii. Funds were used to pay for expenses that were not in the budget. For example, the payment of M&E staff salaries amounting to KES 4,495,257 (USD 56,190). This amount should be refunded.

Recommendation 18: (High)

(i) NACC management should ensure that adequate and complete books of account are maintained to support financial transactions. The Financial Management System should support preparation of budget analysis reports to ensure that budgets closely monitored.
(ii) The Sub-Recipient Financial Management Agent (FMA) should be audited and bank balances (USD 344,910) refunded to the Global Fund.
(iii) The balances held by NACC at the end of the Round 2 grant (USD 119,414) should be refunded to the Global Fund.

Grant management

182. The OIG reviewed the selection process and allocation of funds for CSOs and found the following:

i. The criteria and process followed in the selection of CSOs was not documented. The OIG could thus not confirm that this process was transparent and objective;
ii. The process for the allocation of funds among CSOs could not be explained. Most CSO work plans and budgets proposed were cut, but the basis for allocation of funds among the CSOs could not be explained;
iii. CSO capacity assessments were undertaken. However, some CSOs identified as being unable to implement GF programs were still contracted. The basis of this decision was not provided to the OIG;
iv. FMA raised concerns about the CSO capacity to absorb funds, which raises questions about the process for identifying, assessing and building capacity of CSOs; and
v. NACC engaged independent consultants to evaluate the performance of SRs in the program. All Phase 1 CSOs continued to receive funding despite some having been identified as lacking sufficient capacity to implement programs during Phase 1.

183. The OIG reviewed the M&E structures and noted the following:

i. NACC did not submit reports to the PR but continued to receive funds. This is not in line with the performance-based funding principle;

ii. There was no evidence of liaison with NASCOP in developing an overall report on the HIV program;
iii. There was no evidence that CSOs prepared and submitted programmatic reports to NACC for review. Programmatic reports would be expected as part of the input to the overall reporting to the national program and the Global Fund. CSOs prepared financial reports which were verified by the FMA; and
iv. There was no evidence of field supervision of CSOs by NACC M&E staff.

Recommendation 19 (Significant)
NACC could support the efforts to strengthen civil society sub-recipients that are involved in program implementation. The M&E systems should be strengthened, with each CSO provided with a work plan and targets and their performance monitored against that performance.

CARE International

Background

184. CARE International has operated in Kenya since 1968, providing development and humanitarian assistance to communities in primary health care, HIV/AIDS, small economic activity development, reproductive health and agriculture. Care was selected as PR for the non-government component of the Round 7 program, covering the civil society and private sector.

185. The main beneficiaries of the program were PLWHA who were provided with treatment services, and most-at-risk populations (MARPs), including youth, CSWs and their clients, MSMs, IDUs, long distance truckers and prisoners, who were targeted with strategic communications messages.

Implementation of program activities

186. CARE International in Kenya (Care Kenya) signed a Round 7 HIV grant with the Global Fund on 20 November 2008. Phase I of the grant, “Improvement of the quality of life of the PLWHA and reduction of HIV infections”, ran from 1 April 2009 to 31 March 2011. Key activities were implemented through 54 sub-recipients and included:

i. Mobile counseling and testing events to target hard-to-reach regions and the most at-risk populations;
ii. Training health care workers to best respond to the needs of hearing impaired people;
iii. Development of targeted materials including documentaries for use in community outreach sessions and radio programs;
iv. Community outreach events on behavior change communication targeted at persons living with HIV/AIDS, youth, people with disabilities, most at-risk persons and in the work place;
v. Sensitizing people living with HIV/AIDS and families on ART and youths;
vi. Training peer educators to implement peer programs for youth and in the work place;
vii. Establishing school clubs to undertake HIV prevention activities;
viii. Youth sports events and youth groups to implement HIV prevention events and maintain youth resource centers; and
ix. Training civil society implementers in monitoring and evaluation, data collection and documentation, grants and program management requirements.

187. At the time of the audit, Care Kenya had achieved good results against several indicators:

i. The number of women and men aged 15-49 who received an HIV test and their result (39,766, 98% of target);
ii. The number of youth sensitized on HIV prevention (83,421, 83% of target); and
iii. The number of most at risk populations (MARPS) reached with BCC messages (3,144, 72% of target).

188. Performance on other indicators was lower:

i. The number of health workers trained in counseling and testing for the hearing impaired (50, 31% of target);
ii. The number of people reached with sexual and BCC education in the work place (109, 5% of target); and
iii. The number of peer educators trained (1,871, 52% of target).

189. Grant implementation was affected by a slow start, partly due to staffing challenges. There had been a delay of more than eight months in the appointment of a monitoring and evaluation expert. The increase in the number of SRs from 34 to 54 affected Care's capacity to effectively manage the resultant sub-grant agreements. The Global Fund Secretariat approved staff increases to allow Care to manage this more effectively after a review process.

190. At the time of the audit, program implementation had only recently started, giving Care a performance rating of B2 against its targets. The poor performance was attributed to:

i. Low absorption capacity of SRs;
ii. Delays in the submission of reports by the SRs and the review of these reports by the PR;
iii. Delayed disbursements to SRs pending resolution of incomplete reports and information on expenditures; and
iv. Delays in obtaining tax exemption status.

191. The OIG noted that the PR was not involved in the SR selection process. This contributed to tensions between the PR and the CSOs. However, at the time of the audit, the relationship had improved and there was a marked increase in program activities, especially those relating to access to core HIV services and the number of people tested for HIV.

192. There had been significant delays in the review of financial and programmatic reports by the PR, and the long turnaround time for review of reports prior to the provision of additional funding to SRs had contributed to delays in the implementation of program activities at SR level. However, over time there had been some improvement in the number and quality of SRs reporting.

193. There were concerns about the quality of reports received from SRs and the risk of misreporting on some indicators. For example, with regard to the process indicators "Number of youth sensitized on HIV prevention" and "Number of youth sensitized during youth sporting events", Care acknowledged that these activities did not have verifiable documentation. In consequence, the LFA did not include some of the reported results in their verified total.

Governance

194. Care Kenya does not have a board at local level. The senior management team is actively involved in the management of Global Fund programs. The OIG was informed that there was active oversight of Care Kenya by CARE International (Canada).

195. At the time of the OIG's audit, no external auditor had been appointed, although the grant agreement required this by August 2009, six months following the commencement of the grant. The OIG was informed that the process of selection was well advanced.

196. The internal audit department had just been set up and no audit reports were available for review by the OIG. Care Kenya had recently recruited an internal auditor who coordinated review and risk management activities on behalf of management. There was scope for the internal audit department to roll out audit plans speedily, to ensure

that program implementation complies with budgets, work plans and Government regulations.

197. The PR had in place operations manuals to cover financial management, human resources, grant management and procurement. From its review, the OIG noted that the manuals were followed, which resulted in a sound control environment.

198. Although responsibility for selection and assessment of sub-recipients lies with the PR, Care Kenya was not involved in the selection of its SRs. The CCM's selection committee initially selected 34 civil society organizations following pre-defined criteria and due process. Following complaints from some CCM members regarding the selection process, an ad-hoc committee of the CCM was appointed to address concerns and recommended an additional 24 sub-recipients. The OIG noted that the basis of selection for the additional SRs was not clear and the OIG could give no assurance that the additional SRs were selected transparently.

199. Many of the SRs contracted by Care Kenya performed poorly, as evidenced by delays and failure to account for funds advanced for program activities. At the time of the OIG's audit, some 17 organizations had accessed only the first tranche of funds, constituting only 16 percent of the grant funding they should have received by that time. Despite this situation, Care Kenya was unable to terminate the agreements and contract entities with better capacity, since the SRs had been selected by the CCM. This partly explains why, at the time of the OIG's audit, Care Kenya had not met required performance targets and grant performance was sub-optimal.

Recommendation 20 - High
Grant performance could be improved if Care were to assume its full obligations and authority as PR in the selection and oversight of sub-recipients with the necessary capacity to implement grant activities. Improved oversight should be instituted as a matter of priority given the lack of capacity at SR level and the risk of fraud or abuse.

Financial Management

200. The disbursements are summarized in the table below:

Round	Grant reference	Grant amount (USD)	Amount disbursed (USD)	Amount spent (USD)	Utilization %
7	KEN-708-10-H	16,007,746	4,735,494	1,382,677	33
CARE expenditure			1,661,297	619,093	37
SR expenditure			3,074,197	763,584	25

Table 17 - Grants disbursed and spent by Care Kenya

201. With 12 months left under the grant, only USD 4,735,494 or 30 percent of the grant funds had been disbursed to the PR, and of the disbursed funds only 49 percent had been spent. 25 of the 54 contracted sub-recipients had received a first disbursement but were at least three months late in accounting for expenditure, with some showing delays of five to six months. Of the USD 3,074,197 disbursed to SRs, only USD 763,584 had been accounted for at the time of the audit. Care had disqualified SR expenditure worth USD 130,792 as unsupported and USD 16,741 as ineligible.

202. In reviewing expenditure reports from one SR, the PR had found that a first disbursement of USD 66,550 was inadequately supported. At the time of the audit, Care had engaged a forensic auditor to examine this finding further.

203. Some routine aspects of financial management had not been as closely controlled as appropriate and the OIG's review of budget management showed budget overruns in the purchase of computers. The program purchased 13 laptop computers against a budget provision of 6 units, resulting in an 82 percent budgetary over-expenditure of USD 9,138.

Recommendation 21 –Significant
CARE Kenya should take steps to ensure improved budget management.

Procurement and Supply Chain Management

Background

204. In July 2004 a contract was signed between the Ministry of Finance and the Procurement and Supply Chain Management Consortium (PSCMC). The Consortium consists of four organizations with the following respective roles:

i. Kenya Medical Supplies Agency (KEMSA) for the legal framework and premises;
ii. Crown Agents to manage the secretariat of the consortium;
iii. Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ; now GIZ) for financial management and procurement services; and
iv. John Snow, Inc. (JSI) for logistics management.

205. The initial contract signed was terminated by mutual consent on 6 June 2006, four months before its expiry date, and a new contract entered into on the same day to run for a period of two years to 5 June 2008. This contract was subsequently extended three times until 8 December 2010. In the latest extension to the contract, it was anticipated that by 8 June 2010, KEMSA would take over procurement activities; this had not occurred by late 2010. The Crown Agents, JSI and GTZ only played an advisory role, with no additional costs incurred by these partners between July and December 2010.

206. The objectives of the Consortium at the time of set up were to:

i. Ensure speedy procurement of commodities;
ii. Ensure procurement of quality products;
iii. Establish a transparent, accountable process consistent with GOK procurement regulations; and
iv. Build PSM capacity in KEMSA.

207. The OIG assessed the performance of the Consortium against these objectives and examined the extent of compliance with grant agreements, legislative requirements, contract provisions, quality assurance, warehousing and distribution and maintenance of books of accounts.

Achievements of the Consortium

208. By 30 June 2010, PSCMC had received USD 101,725,850 from the PR and the Ministry of Health, and had spent USD 98,075,962 on behalf of the PR and the programs. The program funds denominated in USD were maintained in an interest bearing account. The interest rates offered by the offshore account where the Global Fund resources were banked were better than local rates. The account also had no ledger fees.

209. The Consortium established a Secretariat to coordinate the procurement and supply chain activities. Operations were streamlined, with the responsibilities of each member clearly laid out. Despite being a consortium, they worked as one unit. A systematic filing system had been developed for every procurement. The filing of documents followed the various stages of the procurement process, including the contract management clearly divided by phase.

210. The Consortium followed good procurement practice:

i. The Invitation for Bids or advertisements were properly drafted and advertised in daily newspapers with wide circulation. The Consortium allowed a bidding period that was in line with the selected method of procurement;

ii. The Consortium indicated in the tender document the dates of expiry of the bid security that was acceptable. This was going an “extra mile” on the part of the Consortium as most procuring organizations do not indicate the expiry dates which may become a point of contention between the purchaser and the suppliers;
iii. For all tenders reviewed by the OIG, the issue of tender documents to vendors was on a timely basis;
iv. The Consortium only purchased products that were in line with the Global Fund Quality Assurance Policy. In one of case the PSCMC purchased ACTs that were classified as Cii[18] products, however, approval was sought from the Global Fund; and
v. For the majority of procurements reviewed, the PSCMC compared the recommended unit price with historical prices and that of internationally recognized market leaders.

Compliance

Grant agreement

211. The Global Fund procurement guidelines require that procurement is conducted in a competitive and transparent manner and in accordance with international pharmaceutical procurement guidelines as outlined in interagency guidelines. This is in line with the national procurement laws. However, the selection of the PSCMC itself was through sole sourcing by the Ministry of Finance PMU.

212. The OIG conducted a review of the operations of the PSCMC to determine the extent to which it was complying with the grant agreement. The following was noted:
i. Grant funds should be maintained in an interest bearing account. However, the PSCMC maintained a KES Account that was not interest bearing;
ii. The books of accounts were not properly maintained. Financial information was not readily available and the Consortium had to hire additional staff to update the financial records at the time of the audit;
iii. The condition that Global Fund grant funds be audited on an annual basis was not met. There were no arrangements in place to have the Consortium audited throughout the period they received and spent program funds; and
iv. The OIG noted income incidental to grant funds (e.g., interest and the sale of tender documents), that was not accounted for as grant funds nor reported to the PR as required under article 11(c) of the grant agreement.

Procurement Act

213. Compliance with appropriate laws and authorities including national legislation is essential. The Consortium’s contract was developed in accordance with the Kenyan Public Procurement and Disposal of Assets Authority (PPDA Act). This Act came into operation in October 2005, one year after the initial Consortium contract was signed. In June 2006, the initial contract was terminated and the new contract signed became subject to the PPDA Act.

214. Contrary to the national law[19], there was no evidence of the approval of sole sourcing by the Ministerial Tender Committee or documentary evidence to demonstrate

[18] The product is manufactured at a GMP compliant manufacturing site as certified by WHO or a stringent regulatory authority. Global Fund Secretariat approval is required.
[19] Provisions of Section 29(3) (a) and (b) of the PPDA Act which was to be applied retroactively for a period of one year.

that the PR had justified the direct procurement. Section 47 of the PPDA Act provides that an amendment to a contract resulting from the use of open tendering or an alternative procurement procedure under part VI is only effective if the amendment has been approved in writing by the tender committee of the procuring entity.

215. Section 3(1) of the PPDA Act defines a contractor as a person who enters into a procurement contract with a procuring entity (in this case the principal recipient). Section 31(1) of the Act provides that a procurement contract may be awarded only if the contracted person has the legal capacity to enter into a contract for procurement. The OIG noted that the PSCMC was not a registered legal entity with the ability to sue or be sued, implying that contracts the PSCMC had entered into could not be enforced in a court of law.

216. The regulations which form part of the PPDA Act came into operation on 1 January 2007. They prohibit the following scenarios:

i. The procurement agent providing both procurement and contract management services as was the case with the Consortium [Regulation 19(5)]; and
ii. The roles of the Accounting Officer, the Tender Committee and the Procurement Unit, cannot be contracted out to a Procurement agent [Regulation 19(6)]. The current contract allows the Consortium to enter into and sign contracts with the vendors directly, even though the signing of contracts with the vendors should be one of the roles of the Accounting Officer.

Recommendation 22 –Significant

(i) The procurement agency contract should be aligned with the provisions of the grant agreement, namely, (i) The procurement agent should maintain up to date books of account and supporting records based on international accounting principles; (ii) Annual audits should be carried out on the PSCMC and its successor; and (iii) All income should be accounted for and spent in compliance with the Global Fund's requirements and approval.

(ii) Compliance of the procurement agency contract with Kenya's PPDA Act is crucial as the basis on which services are rendered. For the contractual relationship to continue within the law, the procurement agent should be properly registered; with the Global Fund Secretariat's Legal Counsel confirming the compliance of subsequent service providers within the Government of Kenya's legal framework.

The contract

217. The OIG reviewed the procurement contract between the PSCMC consortium and the Ministry of Finance and identified a number of contractual shortcomings.

218. The contract provided for a procurement management fee of 5% of the estimated value of the procurements, without specifying what this was meant to cover and how the percentage was derived. The contract did not specify the applicable Incoterm, i.e., whether the fee would be charged on Freight On Board (FOB), Carriage and Insurance Paid (CIP) or Delivered Duty Paid (DDP). Without this definition, the OIG could not ascertain the reasonableness of the fees charged. The PSCMC opted for CIP which results in maximum income. At the time of audit, some USD 1.5 million had been paid in PSCMC costs and USD 7.1m in PSCMC management fees drawn from the grants account.

219. The contract included neither a provision for review of the procurement management fee nor for any review and increase if required. The procurement

management fee had increased from 2% in 2004 to 5% in 2006 with no recorded justification for this increase.

220. The fees payable for services rendered were a fixed rate plus all reimbursable costs. All Consortium costs were covered by the Global Fund grants, viz. some USD 1.5 million in addition to the application of a fee of 3%. The rate was originally 2% and was increased to 3%. This contrasted with the original procurement contract, where a management fee of 2% had been agreed for rendering similar services.

221. The Consortium was paid in advance, rather than on the basis of completed contracts. This explains that a management fee of USD 7.1m had been drawn against a receipt of USD 101m in procurement funds. The reimbursable costs were also paid in advance based on estimates instead of being paid on the basis of the actual expenditure incurred.

222. The PSCMC was required to submit regular financial and procurement progress reports but the content of these reports was not defined. The reports that were submitted lacked basic management information such as details on disbursements to date by grant; amounts spent and committed; procurements in progress and pending by grant; and constraints in service delivery.

223. There were potential conflicts of interest arising from other roles that members of the Consortium were involved in. For example, Crown Agents was also involved in providing pre-shipment inspection services of goods. KEMSA had oversight of inspection and receipt of the goods procured by the Consortium. In these cases, the Consortium was the purchaser, inspector and distributor in the procurement chain which removes many checks and balances throughout the process.

224. The OIG found that significant sums of money had been disbursed in advance to the Crown Agents account without any guarantee in place. Some form of guarantee or an escrow account to which the PR and Consortium were signatories would provide appropriate protection of grant funds.

225. The contract provided for access to information for audit purposes but did not state when or how often the PSCMU should be audited. In consequence, the Consortium was not audited at all during the six years it managed grant funds. There was also no procurement review of the operations of the Consortium. This was a missed opportunity to strengthen the operations of the Consortium over time.

Recommendation 23 – High
To safeguard the Global Fund's interests and ensure acceptable practice, the procurement agent's contract should be reviewed in the light of the OIG's findings, and re-negotiated to ensure adequate justification of contractual responsibilities and obligations, including the application of management fees and reporting responsibilities. Proposed changes should be submitted to the Global Fund Secretariat for approval.

Procurement Software

226. The Consortium used procurement software called Public Procurement and Logistics Software (P-ProLog) for the Global Fund-financed procurements. This software was developed in 1998 by GTZ for World Bank-financed procurements and modified for procurements implemented under GOK procurement regulations and guidelines.

227. The system consists of nine modules. For each procurement process that is initiated in the system, the user must choose the applicable procurement procedures in order for the procurement to be recorded in the system. The system also generates a procurement schedule for all the major milestones of the procurement process from advertising to contract signing. During implementation of the procurement process the system keeps a log of the dates on which the various milestones were actually performed. This feature is a very good internal monitoring tool for internal assessment and identifying delays.

228. The system, however, had the following weaknesses:

i. The system could not be used to pool procurements across grants. For example, if the procurement of LLINs in Round 7 and Round 9 was to be initiated using the software, it would generate two separate tenders with different reference numbers, which would compel the PSCMC to advertise two tenders for the same product at the same time;
ii. During an evaluation process, the evaluation module could not map specifications set forth in the tender document against specifications offered by the vendors. The system only captured areas of non-compliance of the proposed product, making it impossible to determine the extent of compliance of the proposed product against the requirements (specifications) of the end user;
iii. The system was not able to capture key approvals required by the PPDA Act. For example, the system could not capture the names of the evaluation committee. It was also not able to capture dates on which the various committees (tender opening, technical evaluation committee, and financial evaluation committee) were appointed and the appointing authority;
iv. The system could not be used for drafting bidding documents, evaluation reports and contracts. Each document was drafted separately;
v. The software was developed for procurement of goods only. It could only generate price schedules and could not generate bills of quantities for civil works and financial submission forms for consultancy services; and
vi. The system could not be used beyond the stage of contract signing and receipt of goods, e.g., for logistics management.

Recommendation 24 - High
When programming the new Enterprise Resource Planning (ERP) system, KEMSA should ensure that all shortcomings identified in the review of P-ProLog software are corrected to ensure that the new system allows for seamless integration with the warehousing inventory management system.

Procurement process

229. The timely delivery of program inputs was one of the objectives of the Consortium. One of the challenges noted in program implementation across the three disease components was a delay in procurement and distribution. This affected the timely implementation of the programs. The process undertaken by the Consortium was not independently reviewed, which was a missed opportunity to understand and address the concerns raised about the tardy procurement processes.

<u>Preparation of specifications</u>

230. For all procurements reviewed, the instruction to initiate the procurement process was on file. However, most of the instructions did not have specifications attached. SRs did not always propose specifications at the time of initiating procurement or in a timely manner, which caused delays in the procurement process. It also shifted the burden of

developing specifications to the PSCMC, which acknowledged that they were not necessarily experts in the area of pharmaceuticals.

231. For some of the procurements, specifications appeared to favor a specific vendor(s). For example, the tender GFATM Rd2Ph2-06/07-ONT-002-Supply of HIV Test Kits included specific specifications in the tender document that favored one particular supplier. The OIG noted that even though one bidder's specifications met NASCOP's standards and the kit was registered and approved for use in Kenya by the same organization, the bidder's test kits could not pass PSCMC's technical evaluation since the parameters of these specifications were set higher than national standards.

232. MTC approval was not sought as required by GOK procurement regulations and guidelines[20] for tenders where products were divided into lots. The regulations required review and approval of MTC even though procurements were divided into lots. Examples of tenders where this approval would have been important were the tenders for Rapid test kits, viz. Tender No. GFATM Rd2Ph2-06/07-ONT-002-Supply of HIV Test Kits (Lot 1) and Tender No. GFATM Rd2 Ph1-04/05-OIT-003-Supply of HIV Test Kits (Lot 1).

Drafting of the tender documents

233. The tender documents, i.e., the instructions to bidders and the general conditions of the contract tend to be standard documents with specific procurement requirements highlighted on the tender data sheet and in the special conditions of contract.

234. The OIG's review of the tender documents showed that when changes were made to different clauses during drafting, the main text of the tender documents was amended rather than the data sheet and special conditions. Because the tender documents tend to be bulky documents, this raises the risk of having inappropriate clauses in the tender documents, which may be missed during management review of the documents. This may expose the Ministry to misunderstandings by bidders. Streamlining the amendment of tender documents would also make internal review less time consuming.

235. The tender documents limit the payment terms to only one type of payment. However, vendors should be given other payment options such as payment by letter of credit.

236. Only samples from suppliers that qualify under the Global Fund's Quality Assurance Policy for pharmaceuticals are accepted during the evaluation process. This requirement is not clearly stated in the tender document. It is important that the vendors are informed in the tender document that any sample that is not from such a supplier will lead to disqualification of the vendor's submission. Informing the vendors in advance ensures transparency and credibility in the tender process.

237. The post-qualification criteria for determining the vendor's capacity to perform were unclear, with the assessment in line with the performance requirements of the contracts. Most of the contracts were framework contracts, with orders placed according to the requirements of the SR and typically spread over 12 to 24 months. The post-qualification criteria should therefore have been limited to the estimated value of the largest call down order and not the total contract sum. For example, in the tender to supply HIV test kits (GF ATM-04/05-OIT-003), the minimum turnover requirement was USD 10 million for a contract of USD 4m with some call down orders as low as

[20] (Regulation 10(2)(g))

USD 500,000. Setting a high turnover requirement when the suppliers would not be required to utilize that capacity is not good practice.

238. Similarly, tender number GFATM Rd2 Ph2-06/07-OIT-001 for the supply of condoms published a bid document which set the turnover requirements at a level that was too high for any local supplier to meet. The lowest bidder was eliminated for not meeting the turnover requirements. The successful bidder was selected despite having quoted the experience of their sister company in China. It did not have the requisite capacity and relied on the audited accounts of the sister company. The delivery of the product was then staggered well beyond the time periods identified in the tender and the PSCMC agreed to the vendors request to delay delivery by preparing and signing an amendment to the contract. The lowest bidder may have qualified if the allowances made for the successful bidder had been available to all bidders.

239. The tender document did not mention the criteria for evaluating joint venture bids. Transparency in evaluation would be enhanced if these criteria were clearly laid out in the tender document. This would also have encouraged local firms to partner with foreign firms. The importance of having criteria for evaluating joint ventures was seen in a tender for the supply of HIV Rapid Test Kits (Tender No. GF ATM-04/05-OIT-003) in which the criteria was not defined. This raises questions about the bid evaluation.

<u>Clarifications to Tender Documents</u>

240. The OIG found several email exchanges between vendors and personnel of the PSCMC seeking clarification on aspects of the tender process. PSCMC personnel responded by email to individual bidders on the issues raised. This creates a risk that some bidders may get an unfair advantage or PSCMC staff may provide conflicting information to bidders. The vendors should seek clarification officially, and answers to clarifications should be communicated officially to all the vendors at the same time.

<u>Tender committees</u>

241. The appointing authority of the Tender Opening Committee is the SR's Accounting Officer[21]. S/he should also be the appointing authority for the financial evaluation committee as per the GOK regulations and procedures[22]. Currently the Chair of the PSCMC serves as the appointing authority for these two committees, which is in contravention of national law[20].

242. The PSCMC does not maintain a bid receipt register. In the absence of a bid receipt register, the OIG could not get assurance that all the bids that were recorded in the minutes of bid opening as being received before the deadline for submission were actually received on time.

243. In the tender for supply of HIV/AIDS STI and OI drug kits (No. GFATM-RD2PH1-04/05-ONT-006), the evaluation committee referred to in the evaluation report was different in composition from that appointed by the accounting officer. The change of evaluation committees without following due process may compromise the evaluation process.

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21 As set out in Section 60(1) of the PPDA Act

22 (Regulation 19(6))

Bid receipt and evaluation

244. External intervention is not encouraged during bidding processes since it can result in giving some bidders unfair advantage. However, it was seen in the tenders for ARVs Tender No. GFATM Rd2Ph2-06/07-RNT-003 and Tender No. GFATM-Rd2 Ph2 04/05-ONT-021. In the latter, the OIG found on file correspondence from the SR to the Ministerial Tender Committee with regard to the quality of products supplied by one supplier in the past. In the former, the PSCMC requested the manufacturer to confirm its official representative in the country despite the fact that the manufacturer had issued manufacturers authorization forms to two vendors who knew that they were bidding for the same tender.

245. The Accounting Officer appointed a permanent evaluation committee for all Global Fund financed procurements related to DOMC. This is not in line with the GOK regulations since having permanent committees increases the risk of vendors compromising and influencing the evaluation team.

Contracting

246. Several of the Contracts resulting from the procurements that were reviewed, were signed with the vendors before receipt of a performance guarantee, e.g., the tender for ARVs GF ATM-Rd2 Ph2-06/07-003 and the tender for supply of medical equipment GF ATM-Rd5 Ph1 06/07-002.

Recommendation 25 (High)
The procurement process should be strengthened. Specifically:

- *(i) Programs should ensure that specifications are developed and submitted together with the instruction to initiate a procurement process to avoid delays in drafting tender documents. When requirements are broken into lots, specifications/items should not be aggregated but provided by lot to allow suppliers that can provide some lots (and not all the items of the lot) to bid.*

- *(ii) The Procurement Agent should consider streamlining the process of drafting tender documents. Personnel should only edit sections of the tender document that are designated for that purpose and not be given the authority to amend any section of the document. The Tender document should also give vendors an opportunity to select a payment term that suits them. Therefore there should be payment options in the tender document. The post qualification criteria should be in line with the actual performance requirements of the tender.*

- *(iii) A bid receipt register that captures time of submission of bids should be maintained. Transparency in evaluation will be enhanced by clearly defining bid evaluation criteria for joint ventures and strictly following the criteria laid out in the tender document. The criteria should then be applied to joint venture bids that are submitted for consideration. All vendors should be advised to submit requests for clarification as set out in the tender document. The practice of responding to individual clarifications should stop.*

- *(iv) Appointment of the Tender Opening Committee and Finance Evaluation Team should be in line with the PPDA Act and regulations. Evaluation Committees should not be changed without official communication from the appointing authority.*

(v) *The Evaluation Team and the Procurement Agent should perform their respective roles based on information provided in the submissions without relying on external information to arrive at a decision. Evaluations should be made on the basis of information requested in the bid documents. Evaluation teams should be ad-hoc committees and not permanent committees and should be constituted only when the need arises.*

(vi) *Contracts should only be signed with the vendors after they have submitted a performance guarantee. This will protect the PSCMC from vendors that sign contracts to secure business, only to abandon them for better contracts elsewhere. Amounts due to suppliers should be paid on a timely basis.*

Quality Assurance

247. Quality assurance is an important element in the Global Fund's grant requirements and needs to be ensured in contractual arrangements in the country. The OIG's review confirmed that tender documents stipulated that only quality-assured products under the World Health Organization's pre-qualification scheme, or products registered by stringently-regulated authorities, were given consideration where the procurement of pharmaceuticals such as anti-retroviral products (ARVs) and ACTs is involved. With procurement of HIV test kits, only kits pre-qualified under the WHO Bulk Procurement Scheme were purchased; and in the purchase of long-lasting insecticide-treated bed nets, only nets approved by the WHO Pesticide Evaluation Scheme were accepted for purchase.

248. In the sample of tenders reviewed by the OIG, vendors proposing products that did not comply with the Global Fund Quality Assurance Policy (QAP) had been disqualified. Once contracts were placed with a vendor, a pre-shipment inspection was conducted to ensure that the product complied with basic quality-related aspects such as packaging, quantity, etc.

249. Pre-shipment inspection of products was carried out by Crown Agents in the consortium partnership; and examination and approval of goods received was carried out by warehouse officers who were KEMSA staff. These arrangements, with KEMSA the chair of the PSCMC consortium, present a risk of potential conflicts of interest, as referred to above in relation to the procurement contract.

250. The SOPs were in conflict with the Government of Kenya procurement regulations. Regulation 17 states "17(1) A procuring entity shall establish an inspection and acceptance committee. 17(2) The inspection and acceptance committee shall be composed of a chairman and at least two members appointed by the Accounting Officer or the head of the procuring entity on the recommendation of the procurement unit". The regulations require that the procuring entity which is the Ministry of Health appoints a Receipt and Inspection Committee. However, the Consortium's SOPs predefine a committee led by KEMSA.

251. The OIG found an absence of appropriate sampling and testing of products after goods were released in the warehouse or distributed to facilities as required by the Global Fund QAP. There was no provision for it in the SOPs. The LFA reports confirmed this finding, in addition to the failure to quarantine goods received as required by the standard operating procedures. Products were not being marked with the appropriate stickers resulting in the possibility that they could be distributed before the QA team released them.

Recommendation 26 – Significant

(i) The existing procurement arrangements require review, with a view to establishing greater separation of roles to ensure the integrity of the procurement processes applied and to avoid potential conflict of interest.

(ii) Procedures need to be established to ensure proper quarantine of received goods and the regular sampling and testing of goods in store, in accordance with standard operating procedures and the Global Fund's Quality Assurance Policy.

(iii) Regular sampling and testing as required by the Global Fund Quality Assurance Policy needs to be implemented.

Warehousing, Distribution and Logistics

Warehousing

252. KEMSA operates two warehouses in Nairobi and seven other warehouses in various provinces in the Country. All the premises that the OIG visited during the review were well organized, the supplies were properly stacked, and the premises were clean. All areas were well marked and there were no obstructions in the warehouse preventing movement of warehouse equipment. The OIG was able to see a temperature log for the cold room at Embakasi. It was properly kept and temperatures were recorded every day.

253. During its audit review of a sample of products, the OIG was unable to confirm that stock counts were carried out at the central warehouses on a regular basis in accordance with the Standard Operating Procedures (SOPs) for warehousing. The OIG visited the Kisumu warehouse and noted that stock records could not be reconciled to physical stock counts. There was no evidence seen of investigations of stock differences noted. Physical count records on the bin cards for condoms differed from the last records on bin card daily update as illustrated below.

Date of physical count	Quantity at physical count	Previous bin card record	Variance
30/01/07	3,686,400	3,715,200	(28,800)
03/07/07	13,198,100	13,325,300	(127,200)
04/07/08	25,573,000	25,455,600	117,400
12/02/09	4,482,000	4,970,000	(488,000)

Table 18 – Stock discrepancies identified by the OIG

Distribution

254. Products are distributed using either in-house vehicles or contracted firms. The distribution of ARVs was specifically outsourced to a commercial company, G4S, an international security solutions group with transport and logistics resources, although the services provided by G4S were never subjected to competition by the consortium. The OIG noted that the PSCMC had no basis of comparison for the rates charged by the firm because they had not tested the market to determine whether other firms could provide the same service at more competitive rates. In areas where G4S could not provide the required service, Kenya Airways and East African Couriers were contracted to make deliveries.

255. The distribution of ACTs and other related drugs was integrated with the KEMSA distribution of essential medicines. HIV test kits were initially delivered by G4S but at the time of audit, delivery had been taken over by the Supply Chain Management System (SCMS). The OIG noted that there had been delays in supplies of HIV test kits leading to

stock outs, with district hospitals in Kericho, Uasin Gishu, Trans-Nzoia, and Buret districts affected. At all district facilities visited during the audit, the OIG received reports of intermittent delivery of test kits.

256. While goods are dispatched and delivered to the various facilities, there was no system in place to monitor the progress of the transporters during the delivery process, or to monitor the overall performance of the transporting companies. A project undertaken by KEMSA and Safaricom to have portable tracking devices provided to delivery trucks may help to address this weakness.

257. The OIG noted that not much distribution-related planning was undertaken by the Consortium. For example, when the condoms were purchased, the vendor delivered the condoms to Nairobi and the Consortium had to enter into a separate arrangement with vendor's clearing agent to deliver the condoms to the other provincial warehouses. Similarly, condoms were delivered from Mombasa to Nairobi and then returned to Mombasa for storage in the Mombasa regional warehouse. The Consortium could have made arrangements to have delivery effected to provincial level in the first place.

Recommendation 27 – High

(i) The services being rendered by G4S need to be subjected to competition. A tender needs to be floated and a vendor(s) offering the best value for money selected to provide the service.

(ii) Physical stock verifications should be periodically undertaken and compared to stock records. All variances should be investigated.

(iii) The Consortium should take steps to ensure that supplies of vital items are readily available at all times in the health facilities.

Logistics management

258. The Nairobi warehouses utilized Navision software in addition to a manual stock record system, while the rest of the warehouses used the manual system. The Nairobi warehouses were linked but at the time of audit, the system was unstable. KEMSA was in the process of implementing an ERP system.

259. In an attempt to carry out reconciliations of bed nets (LLINs), selected ARVs and ACTs purchased and distributed, the OIG found that the PSCMC was unable to provide an up to date stock position. The OIG was informed that the current stock position was in the Navision system but could not be readily accessed because the officer-in-charge was absent on vacation. The migration of data to the new ERP system further increased the risk of incompleteness of records and the OIG was unable to obtain satisfactory manual records.

260. For all the products selected as a sample by the OIG, there was no complete manual record available for review. For bed nets directly delivered to different warehouses in the country, there was no information at headquarters to confirm that all the nets had been satisfactorily received by the consortium, even though payment records in the finance department indicated that the supply of nets had been paid for in entirety. This indicates the need for improved records and communications between all the warehouses managed by the PSCMC so as to avoid payment without positive confirmation of delivery. PSCMC staff asserted that they tracked products based on batch numbers. Stock (bin) cards did not, however, include this information.

261. Documentation used by the various warehouses in the dispatch of goods to final users was neither standardized nor consistent. In the case of LLIN bed nets, the documents used for issuing stock in the Mombasa warehouse were different from those used by warehouses in Kisumu and Eldoret. The documents used in Mombasa could be used for both receipt and issue of products. Dispatch documents used in Kisumu and Eldoret were internal requisition documents only and did not record details of vehicles used or times of dispatch.

262. The PSCMC could not produce evidence of delivery of bed nets to the districts other than a distribution schedule. The OIG sought to reconcile the quantities of LLINs purchased and payments made with deliveries to the facilities but were unable to confirm delivery of some 500,000 LLINs. None of the facilities visited by the OIG had received any HIV test kits from the PSCMC or KEMSA.

263. The OIG found that the PSCMC stated that there were no expiries and hardly any expired stock at the central warehouses. Reports by the local fund agent recorded that 21 of the 29 facilities had expired drugs. The facilities claimed that most of the expired drugs had been delivered with a shelf life of approximately five to six months. The PSCMC staff informed the OIG that they were not involved in collecting expired products from the facilities because there was no budget line for reverse logistics and disposal.

264. The fact that the PSCMC is not involved in reverse logistics represents a weakness in the system, since the only institution capable of verifying the source of expired drugs is not involved in their disposal.

265. There had been no system in place to identify and move products from one facility to another in order to address shortages and avoid expiries. The PSCMC is not responsible for products once they are delivered to the premises of the facility. This implies that if the PCSMC cannot deliver products for any reason, there was no mechanism in place to identify facilities with products that are not being consumed and to redistribute the stock. In the LFA report redistribution was only found in Imenti North constituency in Central Meru District, where the district pharmacist had to re-distribute the products to avert expiry.

266. The facility reporting in the Logistics Management Information System (LMIS) did not distinguish between damaged and expired stock. Facilities record damaged stock and expired stock in the same record fields and it is not possible to distinguish reliably between the two categories.

267. The OIG also noted that district stores did not maintain proper stores records to ensure an adequate level of accountability for stock items supplied by the Consortium. The OIG identified the following weaknesses in record keeping:

i. No stock records for condoms, including supplier's invoices and bin cards, were available for audit in Kericho and Trans-Nzoia districts. (Bin cards were available which matched with invoices from the Consortium in Buret and Uasin Gishu districts);
ii. No stock records, supplier's invoices or bin cards were available for HIV test kits in Uasin Gishu district;
iii. No stock records, supplier's invoices or bin cards were available for nets in Uasin Gishu, Kericho and Trans-Nzoia districts;
iv. No stock records, supplier's invoices or bin cards were available in Uasin Gishu district for ACTs or artemether-lumefantrine;

v. No stock records, supplier's invoices or bin cards were available for anti-TB drugs in Uasin Gishu district; and
vi. In Kisumu, the opening stock balance for condoms, dated 10/07/2006 at 1,446,000, could not be verified because the previous records could not be traced.

268. By contrast, ARV stock records were adequately maintained in all the districts, because of a management information system put in place in collaboration between USAID and Management Sciences for Health (MSH).

Recommendation 28 –Significant

(i) The Procurement Agent needs to significantly improve stock procedures and controls to ensure the completeness, accuracy and reliability of stocks and stock records; and institute regular stock checks and counts. Warehouses should provide delivery information and confirmation of receipt of goods from suppliers; every effort should be made to have all warehouses operating an effective electronic system for managing inventory, supported by all stakeholders.

(ii) The Procurement Agent should institute improved and reliable stock records as a matter of priority. Stock recording arrangements should be modified to incorporate accurate and reliable records of delivery and to facilitate a distinction between damaged and expired stock.

Financial record-keeping

269. The Consortium did not maintain proper books of account by grant to record and report on the status of the funds held on behalf of the program. This was evidenced by the following:
i. At the time of the audit, there were no fund accountability statements by grant;
ii. Under the Round 2 Phase 1 grants, one bank account was maintained for amounts advanced to the Consortium for Malaria, TB and HIV. However, the books of accounts maintained could not separate the balances by grant;
iii. There were no reconciliations of the amounts transferred to the Consortium for specific procurements and the amounts finally paid on contracts. Balances were not paid to the relevant parties;
iv. The records maintained did not enable the auditors to re-compute the management fees charged by the Consortium.
v. The Consortium did not provide the OIG with a list of costs reimbursed;
vi. There were no sub-ledgers to support the charge for reimbursables to specific grants. The basis of charges to grants could not be established;
vii. A review of the schedule of reimbursements showed some costs that were claimed as reimbursables that were not in line with the contract, e.g., the payment of salaries charged under Round 2; and
viii. There was no closure report for the procurements undertaken for closed grants, e.g., Round 2. The grant closed in September 2008 but the Consortium was still effecting payments in May 2010.

270. Because proper books of accounts were not prepared, the OIG could not provide assurance that the bank balances held were reasonable and the basis of reports submitted to the PR could not be ascertained. Similarly, the OIG could not provide assurance that the fees computed and charged by the Consortium were reasonable or that costs reimbursed were reasonable and in line with the contract.

271. The Consortium earned the following income incidental to program funds:

i. Bank interest amounting to USD 793,949 from the funds managed on behalf of the programs. At the time of the audit, the accrued interest income had not been recorded in the financial records of the Consortium or reported to the PR. However, the Consortium has secured the PR's approval to spend USD 249,000 from the interest income. The balance of funds should be refunded to the Global Fund through the PR. SRs should be informed of interest income balances (USD 544,949) so they can seek approval to spend these funds for program activities or refund them; and
ii. Sale of tender documents amounting to USD 87,000. The accountant could not provide comprehensive information to support the reasonableness of the use of the bid sale income. These funds were spent without the approval of the CCM/Global Fund and should be refunded.

272. The PSCMC utilized an amount of USD 1,078,040 of HIV Round 2 grants to purchase Malaria commodities. These funds had not been returned by the Malaria program whereas Malaria Round 2, which received the funds, had already been closed. The OIG did not obtain information on how this gap in the HIV budget was filled.

273. There were notable delays in effecting payments to suppliers. These ranged from eight to ten months, e.g.:

Contract Number	Date of payment request	Date of actual payment	Amount USD
R2 P2-06/07-OIT-001-L1/CPR14	8/11/08	14/09/09	214,320
	14/09/09	02/05/10	37,720

Table 19: Illustration of delays in processing supplier payments

274. The OIG was provided with a list of commitments at the end of the Round 2 Phase 2 grant, amounting to USD 17,703,748. These commitments related to condoms, HIV test kits, ARVS, CD4 reagents, OI drugs, etc. The OIG sought additional information from the PSMC, which was not readily available. The grant term ended on 30 November 2008.

275. The financial records of the Consortium had not been audited by an independent auditor since it started transacting on behalf of the Global Fund. There had also not been any procurement audit undertaken to ensure that the services provided complied with the contract and resulted in value for money.

Recommendation 29 - High
The Procurement Agent should update its financial records. The records should be audited and closed for grants that have expired.

The future

276. One of the objectives of the Consortium at the time of set up was to build PSM capacity in KEMSA. In fact, the Consortium's initial two year proposal provided for:

i. An immediate response in months 0-6 of the term where, in parallel with the Kenya Medical Supplies Agency (KEMSA) procurement and distribution system, the PSCMC was to establish a dedicated Global Fund Project Management Unit;
ii. A phase of capacity building in months 7-18, where it was envisaged that KEMSA's technical partners would lead the procurement unit, with KEMSA taking the lead role towards the end of this second phase; and

iii. Sustainable service delivery by KEMSA, in which the Agency would take responsibility for the supply chain management of commodities required under the Global Fund grants. The technical partners would then withdraw from the procurement unit and remain available for technical support and to fill any capacity gaps.

277. However, the subsequent contracts signed did not give capacity building KEMSA as much prominence. As a result there was no clear plan on how capacity building would happen and how the processes would transition to KEMSA. Although the Consortium was set up at KEMSA premises, it was run independently of the KEMSA structures with little opportunity for capacity building at the operational level. The involvement of KEMSA was only evidenced at the managerial level. At the time of the audit, the operations of KEMSA and the Consortium were running parallel to each other. However, there were initiatives underway to mainstream the PCSMC activities within KEMSA's organization structure.

278. Three advisors had been hired to build capacity in the area of procurement and KEMSA was recruiting a Director for Procurement and four Divisional Managers ((i)Donor Funded Projects, (ii) Pharmaceuticals, (iii) Non-Pharmaceuticals, and (iv) Contract & Equipment). USAID was funding the redefinition of staff job descriptions.

279. A large number of capacity building activities for KEMSA are funded by other donors. KEMSA had received a grant of USD 7,000 from the World Bank to prepare new SOPs. Danida was funding a project in KEMSA to strengthen its capacity to use the pull mechanism. The World Bank was planning to fund the purchase of drugs using KEMSA's existing structures and also to build capacity to change from a Push to Pull system. KEMSA was working with Safaricom to track supplies to ensure that they were delivered to sites (USAID and Work Bank were funding this project). An ERP had been acquired to integrate all the functions of procurement, contract management and distribution.

280. At the time of the audit, KEMSA had been proposed to undertake PSM services for Round 9. The recommendations listed in this section would go a long way towards strengthening the way in which grant PSM happens in Kenya. KEMSA would need to be assessed as a standalone entity and a decision made on whether it is able to provide the services required. If not, other options should be considered while KEMSA builds the requisite capacity.

Grant Oversight

281. The performance of the grants in Kenya is related to the effectiveness of the oversight structures in place to identify and resolve challenges to the programs. The three oversight structures in place to provide oversight were the CCM, the LFA and the Secretariat.

Country Coordinating Mechanism (CCM)

282. The CCM has the responsibility to design and submit proposals to the Global Fund for funding. The CCM also selects and appoints Principal Recipients with whom the Global Fund signs grant agreements. By submitting proposals, and witnessing grant agreements, the CCM takes responsibility for oversight of in-country grant implementation and is expected to carry out this role by reviewing periodic programmatic and financial reports to confirm that progress is made and that data of reliable quality are reported to the Global Fund.

283. Grants are implemented in accordance with a structure put in place by the CCM. In the case of Kenya, the grant operating environment is relatively complex, characterized by:

i. A long chain of responsibility and accountability for grant implementation, involving the PR, the Treasury, the Divisions under the Ministry of Public Health and Sanitation, and the Districts;
ii. Responsibility for procuring program commodities outsourced by the Treasury to a procurement agent which does not report to the implementing Ministry (although programmatic success relies on the Ministry);
iii. Outsourcing the financial management of CSOs to an FMA while the ultimate decision making concerning funding lay with another entity, viz. NACC;
iv. Two Ministries being responsible for health matters and two institutions undertaking related work, viz. NASCOP and NACC;
v. Multiple steps in the process of funds transfer before resources are available to implementers, leading to delays in grant implementation;
vi. A need for greater clarity on the responsibilities for programmatic and financial accountability at all levels especially at SR and SSR level; and
vii. A need for more clearly defined structures for oversight of the program activities of civil society organizations funded through the Ministry of Finance.

284. These challenges have been prevalent with the Kenya grants since their inception. While some have been addressed, others remained at the time of the audit and affected the environment within which the grants were implemented and the effectiveness of the programs over the years. The CCM would be expected to steer the programs through the various challenges.

285. Since 2006, the CCM has made several recommendations for improvement of grant performance, for example, that the oversight of grants be transferred from the Ministry of Health to a PMU at the Ministry of Finance. Day-to-day grant management was delegated from the Ministry of Health headquarters. The following key recommendations were implemented after the Hatib Report on Kenya Global Fund Governance Architecture and Related Structures and Processes:

i. The administrative support unit at the Ministry of Health was disbanded and its responsibilities delegated to implementing divisions;
ii. Additional staff were recruited to address capacity gaps at the Treasury's program management unit; and

iii. The Kenya CCM Governance Manual was revised.

286. The OIG observed that recommendations in the Hatib report on the need for sufficient orientation of key stakeholders and CCM members (the last orientation workshop had been held in 2007); to address mistrust among different groups in the CCM; and on the need to put in place transition arrangements for the fund management agent and the Consortium all remained to be implemented. These have affected the effectiveness of the programs over time.

287. The Kenya CCM Governance Manual did not charge the CCM with evaluating the performance of programs at the end of Phase I, nor did it ensure linkages and consistency between Global Fund assistance and other development and health assistance programs in support of national priorities.

288. The Kenya CCM Governance Manual provides for the monitoring of grants as a key function of the CCM. The OIG was unable to identify any evidence that any monitoring activities had been undertaken by the CCM. The CCM did not have guidelines to support program monitoring.

289. The CCM's sub-committees, the Inter Agency Coordination Committees, were chaired by the respective heads of divisions for malaria, tuberculosis and the National AIDS Control Council. These committees were not sufficiently independent and therefore not well placed to objectively review grant performance.

290. At the time of the audit, most of the members of the CCM were involved in program implementation. This situation presents a high risk of conflict of interest in discharging oversight responsibilities, which in turn may affect program performance. The CCM did not have an effective conflict of interest policy. The current policy provided only that it is expected (rather than required) that a member who has a conflict of interest will leave the meeting during the relevant discussion. The policy lacks guidance on what may constitute a conflict of interest and what should be done if the policy is violated.

291. Evidence of conflict of interest was apparent in the selection of sub-recipients for the Round 7 HIV grant under Care International, in which three out of five members of the committee were beneficiaries of the process and therefore prima facie conflicted.

Recommendation 30 – High

(i) The Kenya CCM governance manual should be revised to include all the roles and responsibilities required by the Global Fund.

(ii) In consultation with the Global Fund Secretariat, the CCM should put in place an independent and objective oversight body or investigate alternative solutions to review program performance and make appropriate recommendations to the CCM. (The oversight body should carry out monitoring visits to review program performance at the point of service delivery.)

(iii) The CCM should put in place a fully comprehensive and clearly elaborated conflict of interest policy in line with the CCM guidelines for CCM as issued by the Global Fund.

Local Fund Agent (LFA)

292. In reviewing the performance of local fund agents in Kenya, the OIG noted that in 2007 and 2008, there had been significant delays of two to four months in the review of monthly progress (PUDR) reports by the LFA, well beyond the ten days required by the Global Fund. However, at the end of 2008, as an outcome of the Global Fund's LFA re-tendering process, there had been a change in LFA and in-country partners reported an improvement in the interaction with the LFA after this appointment.

KPMG

293. The scope of the OIG's review of the work of the LFA was limited with regard to KPMG. The OIG was not provided access to the staff or documentation of the former LFA. The OIG noted significant delays in the review of PUDR reports by the LFA. In each of the cases reviewed, delays of up to four months were noted.

294. The OIG audit findings contrast with the generally positive outcome of KPMG's review of the Ministry of Health:

i. The Ministry of Health disbursed funds to districts (USD 137,593 from NASCOP and USD 1,703,739 from DOMC) without any work plans. There was no evidence that these funds were accounted for;
ii. The PR regularly transferred funds to the Procurement Consortium, without receiving any reconciliation or accountability, and
iii. USD 228,571 was used for a women's conference that was not related to grant programs. There was no evidence that this was reported to the Global Fund.

295. There were no proper books of accounts maintained by NASCOP for the Round 2 grant. Although the grant had been closed in November 2008, by July 2010 the general ledger (the principal record of accounts) had only been posted up to June 2006. The LFA had signed off on PUDRs despite these circumstances.

296. The OIG observed some issues that should reasonably have been brought to attention of the Global Fund Secretariat by KPMG:

i. The failure by SRs (NACC, and DOMC) to maintain proper books of account;
ii. The PR regularly transferred funds to the Procurement Consortium, without receiving any reconciliation or accountability, and
iii. Appropriateness of indicators, e.g., the fact that the CSOs' activities were not aligned to the performance framework.

PWC

297. The LFA at the time of the audit, PricewaterhouseCoopers, utilized customized software for the verification of implementation and assessment of Principal Recipients. These automated audit working papers facilitate standardization and consistent application of review procedures which are in line with relevant professional practice. The LFA has attended CCM meetings and provided feedback to the Global Fund on key issues discussed.

298. Nonetheless, PwC also showed delays in the processing of PUDRs of up to 45 working days, which affected timely disbursement of funds.

Global Fund Secretariat

299. The oversight work of the Global Fund Secretariat in Kenya was coordinated by the Fund Portfolio Manager. The FPM interacts with country structures including the CCM, the LFA, CPs and other stakeholders to facilitate smooth program implementation. Since the Global Fund, by design, has no direct in-country presence, the FPM relies greatly on the work of the LFA and feedback from other in-country stakeholders to make grant management decisions.

300. Implementers stated that the failure to access funding on a timely basis affected program implementation. The OIG identified a number of cases where the principal recipient had submitted a PUDR progress report to the LFA, who had submitted the same to the Global Fund with a recommendation for disbursement but where there had been no follow up communication to the country on a disbursement decision. On 9 October 2009 the Director of Country Programs wrote to the principal recipient advising that the Round 2 undisbursed funds would no longer be available to the PR since the grant period had ended.

	Date of submission and approval		
Grant	**By PR**	**By LFA**	**PUDR amount (USD)**
Round 2 HIV	01 Aug 2008	13 Oct 2008	26,549,683
Round 2 Malaria	27 Jul 2005	26 Aug 2005	0
Round 2 TB	10 Jul 2008	20 Dec 2008	0
Round 5 TB	Not dated	01 Aug 2007	818,999

Table 20: Summary of cases where documentation of a decision not to disburse funds could not be confirmed by the OIG

301. Although the OIG confirmed that funds had been disbursed to the country within one month of Secretariat's recommendation for disbursement, there had been significant delays between the time LFA reports were submitted and the date of the Secretariat's approval and recommendation. This is illustrated below:

	Date of approval and submission		Delay (months)
Grant	**LFA**	**FPM**	
Round 7 HIV	12 Mar 2010	Not processed	-
Round 4 Malaria	17 Aug 2005	16 Jan 2006	6
Round 4 Malaria	07 Jul 2006	15 Nov 2006	4
Round 6 TB	08 Jul 2009	03 Dec 2009	5

Table 21: Summary of selected cases of internal delay in the processing of funding decisions

302. The preparation and approval of procurement and supply chain management (PSM) plans, overseen by the Global Fund Secretariat, is a key element in effective grant program arrangements and in the achievement of program objectives. In reviewing the extent of oversight exercised over Kenya grants, the OIG noted that:

i. No PSM plans had been prepared for grants to the Ministry of Finance as Principal Recipient under Round 5, Phase 1 and Round 6 Phase 1 for TB;
ii. There was no evidence of LFA review of PSM Plans for the HIV Round 7 grant;
iii. For grants under Round 2, Phases 1 and 2, for HIV, TB and malaria, and under Round 4, Phases 1 and 2 for malaria, there was no evidence that the Portfolio Support and Policy Team had reviewed PSM Plans and made recommendations to the LFA for approval; and

iv. For all the grants, except at the start of Round 2 Phase 1, the OIG could find no evidence of formal approval of PSM Plans by the Global Fund Secretariat.

303. To address risks related to data quality and the reporting of performance targets, the Global Fund's operational policy for LFA data verification (dated April 2006) requires OSDVs to be carried out for all grants at least once a year. This policy states that all LFAs are expected to carry out selected on-site programmatic data verification for every program on a regular basis, at least annually. The OIG's audit showed that OSDVs had been requested by the Secretariat only twice (2009 and 2010) in relation to the Kenya grants reviewed.

304. Kenya reports to the Global Fund on a semiannual basis rather than quarterly. Decisions on the frequency of reporting tend to be driven by the capacity of country systems and/or the need for close monitoring. Countries that do not have strong performance and/or need more support in strengthening their systems would be expected to report more frequently than those that have stronger systems.

305. At the time of the audit in July 2010, the Round 2 grant had not been closed. The grant had expired in November 2008. There were grant balances still held by the PR and SRs and there were unresolved issues relating to this grant that prevented its being closed. This exposes grant funds to the risk of loss.

Recommendation 31 –Significant

Given the importance of its oversight to the control, monitoring and success of grant support, the Global Fund Secretariat should review its procedures and practice in the light of the OIG's findings and address the following:

i. *Ensure timely processing of disbursement requests;*
ii. *Follow-up timely preparation of PSM plans by the PR;*
iii. *Follow up regular performance of OSDVs by the LFA; and*
iv. *Enforce strict PR reporting timelines.*

Annexes

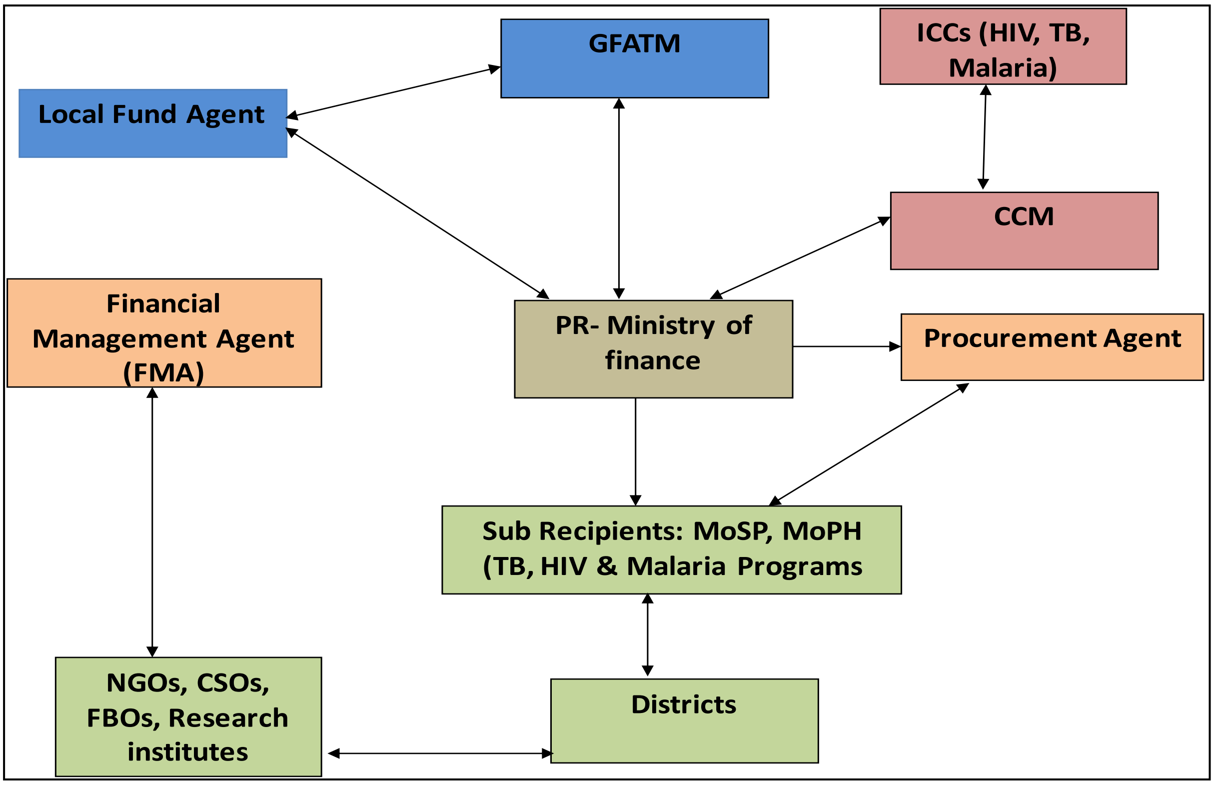
Annex 1: Abbreviations

ACT	Artemisinin-based Combination Therapy
AIDS	Acquired Immune Deficiency Syndrome
AIE	Authority to Incur Expenditure
AL	Artemether-Lumefantrine
ART	Antiretroviral Therapy
ARV	Antiretroviral
ASU	Administrative Support Unit
BCC	Behavior Change Communication
CACC	Constituency AIDS Control Committee
CCM	Country Coordinating Mechanism
CP	Conditions Precedent
CQ + SP	Chloroquine and Sulphadoxine Pyrimethamine
CRL	Central Reference Laboratory
CSO	Civil Society Organization
DASCO	District AIDS and STI Coordinators
DFID	Department For International Development
DHMTs	District Health Management Teams
DLTLD	Division of Leprosy, Tuberculosis and Lung Diseases
DOMC	Division of Malaria Control
DOTS	Directly Observed Treatment, Short-course
DR	Disbursement Request
DST	Drug Susceptibility Testing
DTC	District Technical Committees
EID	Early Infant Diagnosis
EQA	External Quality Assurance
ERP	Enterprise Resource Planning
FANC	Focused Antenatal Care
FBO	Faith-based Organization
FMA	Fund Management Agent
FTP	File Transfer Protocol
GIS	Geographical Information System
GLC	Green Light Committee
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (now GIZ)
GoK	Government of Kenya
HBC	Home-based Care
HCT	HIV Counseling and Testing
HIV	Human Immunodeficiency Virus
HIS	Health Information System
HMIS	Health Management Information System
IEC	Information, Education and Communication
IRS	Indoor Residual Spraying
ITN	Insecticide Treated Nets

JICC	Joint Inter-Agency Coordinating Committee
JSI	John Snow, Inc.
KDHS	Kenya Health and Demographic Survey
KEMRI	Kenya Medical Research Institute
KEMSA	Kenya Medical Supplies Agency
KENAO	Kenya National Audit Office
KES	Kenya Shillings
LFA	Local Fund Agent
LLINs	Long Lasting Insecticide-treated Nets
LMIS	Logistics Management Information System
M&E	Monitoring and Evaluation
MARP	Most At Risk Population
MCH	Maternal and Child Health
MDG	Millennium Development Goal
MDR	Multi-Drug Resistant
MIS	Management Information System
MOU	Memorandum of Understanding
MoF	Ministry of Finance
MoMS	Ministry of Medical Services
MoPHS	Ministry of Public Health and Sanitation
MoSP	Ministry of Special Programs
NACC	National AIDS Control Council
NASCOP	National AIDS and STIs Control Program
NGO	Non-Governmental Organization
NHIF	National Health Insurance Fund
NMCP	National Malaria Control Program
NSSF	National Social Security Fund
OI	Opportunistic Infection
OIG	Office of the Inspector General
OPN	Operational Policy Note
OSDV	On Site Data Verification
PCR	Polymerase Chain Reaction
PHMT	Provincial Health Management Teams
PLWHA	Persons Living with HIV/AIDS
PR	Principal Recipient
PMTCT	Prevention of Mother to Child Transmission
PMU	Program Management Unit
PPDA	Public Procurement and Disposal of Assets Authority
PSM	Procurement and Supply Chain Management
PSMC	Procurement and Supply Chain Management Consortium
PUDR	Progress Update and Disbursement Request
QA	Quality Assurance
RDT	Rapid Diagnostic Test Kits
SOPs	Standard Operating Procedures
SR	Sub-Recipient
TB	Tuberculosis

TNA	Training Needs Assessment
ToT	Training of Trainers
UN	United Nations
UNDP	United Nations Development Program
USD	United States Dollars
VAT	Value Added Tax
VCT	Voluntary Counseling and Testing
WHO	World Health Organization

Annex 2: Organogram of Implementation Arrangements



Annex 3: Expenses not in compliance with the Grant Agreement and/or missing documentation

A number of expenses were not in compliance with the grant agreement and/or were missing supporting documentation. Based on our analysis, the PR should recover and credit USD 3,253,161 to the grant account. Details of these amounts are contained in the relevant sections of the report above. The table below provides a summary by recipient.

Entity	Particulars	Ineligible (USD)	Unsupported (USD)
Ministry of Finance	Unrecorded interest income	40,820	
	Subtotal MOF	***40,820***	
Division of Malaria Control	Irregular payment for training activities		33,986
	Unsupported expenditure in relation to Round 2		450,041
	Subtotal DoMC		***484,027***
NASCOP	Payment to women's conference	212,616	
	Disbursements to districts		96,596
	Unsupported expenditure		192,305
	Round 2 end of grant balances	20,000	
	Funds lent to Malaria program but not recovered	1,078,040	
	Subtotal NASCOP	***1,310,656***	***288,901***
DLTLD	Unsupported payment to cover foreign exchange difference		32,484
	Subtotal DLTLD	**-**	***32,484***
NACC (FMA)	Round 2 end of grant balances	344,910	
	Subtotal FMA	***344,910***	
NACC (SSRs)	End of Round 2 balances	119,414	
	Subtotal NACC	***119,414***	**-**
Procurement Consortium	Interest on grant funds		544,949
	Proceeds from sale of bid documents		87,000
	Subtotal Procurement Consortium		***631,949***
	Totals by Type	**1,815,800**	**1,437,361**

Overall Total	**3,253,161**

Annex 4: Overall Comments from Director, Grant Management

8 March 2012

John Parsons
Inspector General
Office of the Inspector General
The Global Fund
Chemin de Blandonnet 8
1214 Vernier
Switzerland

Country Audit of the Global Fund Grants in Kenya

The Secretariat would like to thank the Office of the Inspector General (OIG) for its collaboration during the audit of the grants in Kenya. This letter provides a brief summary of the contextual background, key achievements and also highlights specific actions the Secretariat and Kenyan Coordinating Mechanism (KCM) and the Principal Recipients (PRs) have taken or will take to address key risks in the Global Fund Portfolio.

The Secretariat, the Local Fund Agent (LFA) and Principal Recipients have already started implementing recommendations in the key areas requiring special attention; this includes financial management, procurement and sub-recipient management and oversight. The Secretariat will continue working closely with CCM Kenya and the LFA to monitor the implementation of agreed upon audit recommendations.

A. Contextual background

Kenya's portfolio of approved Global Fund grants is currently valued at US$ 479 million. This included the recently signed Round 10 grants valued at US$ 153.6 million. To date the Global Fund's investments has contributed significantly to the total results reported to date such as:

- Distribution of 6.6 million long lasting insecticide treated nets
- Provision of anti-retroviral treatment for 423,362 people
- New smear-positive pulmonary cases TB cases treated 42,167

B. Summary of key recommendations and actions by the Secretariat

Challenges and key risks identified by the OIG	Secretariat comments and measures to address the identified risks
Need to improve the effectiveness of the CCM's oversight structures.	The Country Coordinating Mechanism (CCM) for Global Fund grants in Kenya has been undergoing reforms since the beginning of 2010. The Kenya Coordinating Mechanism (KCM) reform was informed by the need to improve oversight of the Global Fund Kenya grants, address the poor coordination of proposal development, improve transparency in decision making, improve communication with stakeholders and strengthen engagement of CCM constituencies. The new CCM referred as Kenya Coordinating Mechanism (KCM) comprises

Challenges and key risks identified by the OIG	Secretariat comments and measures to address the identified risks
	two tier committees: a) The National Oversight Committee (NOC) which provides overall leadership and accountability for the Global Fund grants; and b) Three Interagency Coordinating Committee (ICC),one for each disease programme. The NOC provides overall leadership and ensures accountability of the Global Fund grants while the ICCs undertake technical proposal development, harmonisation and oversight tasks and make recommendations to the NOC. The KCM secretariat and the ICC secretariat support these structures to implement their roles. The reformed CCM structures have been operational for about one year and the grant oversight committee has been active during the period. The KCM has already started enhancing the KCM secretariat human resource capacity and seconded a senior KCM coordinator. The recently approved CCM funding should result in further institutional strengthening and better routine oversight of the Portfolio. The Secretariat will continue to monitor the implementation of the recommendations contained in the reports above.
Need to strengthen the institutional arrangements for the implementation of grants by the Government PR (PMU of MOF).	As confirmed by the OIG report, Ministry of Finance (MoF) has plans to deploy additional technical staff at the PMU to strengthen grants oversight and monitoring. The additional staff funded under HIV/AIDS SSF, Malaria R 10 and the TB SSF include 3 programme officers, 3 finance officers, 1 procurement officer and 1 internal auditor. The staff once recruited will be monitoring and overseeing grant implementation and compliance by the implementing partners and contractors. In order to address the issue of timeliness of finalizing the external audit reports the audits of the FMA and PSCMC have been outsourced to a private audit firm by the Kenya National Audit Office (KENAO) in line with the requirements in the Public Audit Act. The on-going reforms in KENAO are expected to reduce the time taken to conduct and finalize audits. The PMU will be strengthened through two additional finance officers and one accounts assistant to prepare and submit financial reports to KENAO on a timely manner for audit. In addition, the internal auditor to be recruited by the PR will be expected to work closely with the external auditors and programs during the external audit process and ensure that any pending items are followed up before issuance of the final external audit reports. The Secretariat will be following up on both the timeliness and the outcomes of the PR audits.

Challenges and key risks identified by the OIG	Secretariat comments and measures to address the identified risks
Need to improve the Civil Society SR selection, appraisal, contracting and management.	Based on the Care Kenya's experience in Round 7 HIV/AIDS Phase 1 and on the results of the OIG debriefing – in the second Phase of the Round 7 HIV/AIDS Grant, as well as the newly signed AMREF and Kenya Red Cross Round 10 grants - the process of selection of PR - was substantially modified. The SRs are longer allocated by the CCM. Instead, the PR specifies the targets and services and seeks competitively proposals from interested SRs. These are appraised by competitively procured consultants based on agreed upon criteria. During the SRs selection process the PR is expected to provide regular update to the KCM through the specific disease Interagency Coordinating Committee (ICC). The sub-recipient (SR) work plans are collected by the PR and shared with the Secretariat through the LFA. The SR strengthening needs are assessed and this information feeds into the training plans. Training curriculum and other training materials are developed for building capacity of CSOs to implement high quality community based interventions. To gauge and to mitigate the significant risk of loss of grant value (through incompetence or fraud) the LFA will be conducting random spot-checks of SRs.
Accountability challenges under the Procurement Consortium and the need to ensure adherence to the provisions of the Grant Agreement by KEMSA.	As reported in the final draft, the procurement function shifted from PSCMC to KEMSA. This national procurement and supply chain management agency maintains up to date accurate books of accounts in line with international financial reporting standards (IFRS) and generally accepted accounting principles and is audited annually by KENAO and other organizations nominated by development partners specific to their support areas. KEMSA has a strong finance directorate with qualified accountants and internal Audit department to enforce controls and enhance corporate governance. In addition, KEMSA has functional board of directors and committees (including audit committee). The Secretariat will be following up on the incidental incomes to grant funds to ensure that these are accounted for and reported in line with program grant agreements. The Secretariat will be following up on both the KEMSA audit external and internal audit reports and the outcomes through the LFA on a regular basis.
Need to strengthen financial management-	A full time senior accountant was recently posted to the Ministry of Finance PMU to enhance the capacity of the finance section of the Unit. Cash books are now maintained

Challenges and key risks identified by the OIG	Secretariat comments and measures to address the identified risks
improve overall control environment, ensure accounting practices, prevent irregular expenditure and use of personal accounts.	for all the grants, the bank reconciliations are being prepared on a monthly basis and are up to date. Bank reconciliations are reviewed and approved by the senior accountant. The PR (Ministry of Finance) has two permanent accountants dedicated to the programme Capacity enhancement under Round 10 Malaria, HIV/AIDS SSF, and TB SSF grants, will allow the finance section to review the expenditures of the SRs, FMA and the procurement agent on a monthly basis to ensure that they are done as per the budget, and are in compliance with GF requirements and Government of Kenya Financial Regulations and Procedures. Production of monthly financial statements is being done on a timely basis – and the OIG has verified that this recommendation has been fully implemented.
Recovery of funds: ineligible and unsupported expenditure (US$3,253,161)	**Ineligible and unsupported expenditures:** The Secretariat has taken note of the OIG comments on ineligible and unsupported expenditure.. To facilitate the follow up and recovery the Secretariat will engage the LFA to carry out a review of unresolved recoveries with the KCM. KCM National Oversight Committee met on 29 February 2012 and one of the decision point was preparation of comprehensive response to the OIG on the outstanding ineligible and inadequately supported expenditures.

The Secretariat thanks the Office of the Inspector General for the completion of this report and is looking forward to a constructive engagement on matters raised in the letter.

Yours sincerely,

Mark Eldon-Edington
Division Head
Grant Management Division

Annex 5: Kenya Coordinating Mechanism Action Plan and Response to Audit Report

Introduction

The country responses are in two sections: Section 1 is the management action plan outlining action already taken and those to be taken in implementing the recommendations of OIG. Section 2 outlines the response to the factual accuracy of the report proposes corrections to be made in specific parts of the OIG report.

Section 1: Management Action Plan

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
	Ministry of Finance – Principal Recipient				
Institutional arrangements	**Recommendation 1 - High** (i) The PR should improve the effectiveness of grant oversight. Consideration could be given to human resources capacity of the PMU. PR should monitor activities contracted out to service providers such as the FMA.	The MoF is already undertaking several measures aimed at improving its overall oversight and monitoring responsibilities on the implementing partners. These measures are: (i) Additional 9 technical staff will be deployed at the PMU to strengthen oversight and monitoring. The additional staff funded under HIV R7, Malaria R 10 and the TB SSF include 3 programme officers, 3 finance officers, 1 procurement officers and 1 auditor. The staff will monitor and oversee grant implementation and compliance by the implementing partners and contracted service providers (SRs, FMA and PSCM/KEMSA) (Refer to **PRMoF/001)**	National Global Fund Coordinator	May 2012	OIG has verified that this recommendation has been fully implemented
		(ii) The PR is preparing a monitoring plan which shall define the entities to be visited, the dates of the visits and the nature of work to be done and the persons to conduct the monitoring Monthly reports shall be generated from the visits to the implementing entities i.e., FMA, KEMSA, and SRs and discussed by PR management for appropriate	National Global Fund Coordinator	May 2012	

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
		action. (See attached template **PRMoF/002**)).			
		(iii) KEMSA is now required to update the PR on a monthly basis on the status of procurements.	National Global Fund Coordinator	On-going	
		(iv) The FMA submits monthly returns to the PR for review. Before release of funds to the FMA, the PR assesses the rate of absorption of funds by the CSOs.	National Global Fund Coordinator	On-going	
		(v) Field visits shall be conducted to the districts where the SRs have disbursed funds.	National Global Fund Coordinator	May 2012	
Institutional arrangements	(ii) The PR should work with KENAO to speed finalization of audit reports. Consideration might be given to inviting the KENAO to outsource the audit of the Global Fund supported programs.	MoF is working with KENAO to address the issue of ensuring that audit reports are finalized and submitted in time: The following actions have been taken or are underway: (i) Audit of the FMA and PSCMC has been outsourced to Delloite and Touche, a private audit firm.(see attachment **PRMoF/003**)	National Global Fund Coordinator	Completed	
		(i) There are major reforms going on in KENAO and this is expected to reduce the time taken to conduct and finalize audits. For instance following the ongoing reforms, KENAO has resolved the issue of backlog in finalizing audit. The PR will engage KENAO to fast track audits for the Global Fund grants.	National Global Fund Coordinator	30 November 2011	
		(ii) The PMU will be strengthened through 3 additional finance officers and one accounts assistant to prepare and submit financial reports to KENAO on a timely manner for audit.	National Global Fund Coordinator	May 2012	
Financial management	**Recommendation 2 – High** (i) The Ministry of Finance should take	(i) A full time senior accountant was recently posted to the PMU to enhance the capacity the finance section of the unit	GF Accountant	Completed	OIG has verified

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
	steps to improve the quality of its financial record keeping in relation to Global Fund grants,	(ii) Cash books are now maintained for all the grants	Senior Accountant	Completed	that this recommendation has been fully implemented
		(iii) For all the grants, the bank reconciliations are being prepared on a monthly basis and are up to date. Bank reconciliations are reviewed and approved by the senior accountant.	Senior Accountant	On-going	
		(iv) The PR has two permanent accountants attached to the program and is recruiting additional staff members to strengthen the unit.	Senior Accountant	On-going	
		(v) With the planned capacity enhancement under Round 10 Malaria, Round 7 HIV, and TB grants, the finance section shall be reviewing the expenditures of the SRs, FMA and the procurement agent on a monthly basis to ensure that they are done as per the budget, and are in compliance with GF requirements and Government of Kenya Financial regulations.	Senior Accountant	On-going	
		(vi) Production of monthly financial statements is being done on a timely basis	Senior Accountant	On-going	
Financial management	(ii) Unrecorded interest income (US$ 492,787) should be deposited in the program bank account, recorded in the program books of accounts and authority sought to spend the funds.	Response: The interest of USD492,787 was recorded in the cashbook and reported in the PUDR on a semi- annual basis and therefore the PR gets authority to utilize the same from the GF. The interest is credited to the PR's grant specific bank accounts on a monthly basis.	Global Fund Programme Accountant	Completed	OIG has verified that this recommendation has been fully implemented
		For the interest of USD 40,820 erroneously deposited in the World Bank account, the amount was reversed and credited to the respective PR accounts (see attachment **PRMoF/004**).	Global Fund Programme Accountant	Completed	
	Division of Malaria Control				
Governance	**Recommendation 3 –**	The PR will take the following actions to implement this		1st week of	

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
	Significant The PR should set targets and monitor the time taken by KEMSA to undertake procurements. Contracts with suppliers should contain punitive actions for delayed delivery.	recommendation: In the immediate term, the PR will implement actions 1 and 2 while in the medium term it will implement action 3. i. PR will start receiving monthly progress reports on procurement from KEMSA starting from end of October 2011	GF National Coordinator	every month beginning November 2011 May 2012	
		ii. Punitive action is currently included in all procurement contracts. A report of punitive action will be included in the monthly reports.	GF National Coordinator	1st week of every month beginning November 2011	
		iii. The PR will recruit a procurement officer to lead the monitoring of procurement under Round 10 HIV and AIDS grant. This officer will develop a comprehensive monitoring plan.	GF National Coordinator	August 2012	
Quality of service delivery	**Recommendation 4 – High** To improve the quality of service delivery overall, the DOMC needs to take action to: (i) Expedite the availability of malaria diagnosis in under-served areas, to ensure that all suspected cases are tested, and also consider waiving the fee for laboratory diagnosis of malaria;	The DOMC acknowledges the need to scale up malaria diagnosis especially in malaria endemic areas. In this regard, GF Round 10 has funds for the procurement of RDTs meant to stock health facilities, which do not have functional laboratories. In year 1, 7,674,874 RDT tests costing US$ 4,604,924.67 will be procured. While in year 2, 10,179,579 RDT tests costing UD$6,107,711.36 will be procured. Negotiation for Round 10 Malaria grant has been completed. The scale up of malaria diagnosis will be accelerated once Round 10 grant becomes active. With regard to user fees, the current ksh40/= being charged for laboratory tests is below the recommended ksh50/= as per the attached service charter. However, testing for malaria with RDTS from the procurement planned under Round 10 grant will be free of charge. (see attachment **DOMC/001**)	Head DOMC	Jan 2012- Dec 2013	OIG has verified that this recommendation has been fully implemented

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
	(ii) Establish or enhance external quality assurance arrangements for malaria diagnosis	An external quality assurance plan is being developed and will link peripheral laboratories with district, provincial and national reference laboratories. This will be done in a phased approach starting from January 2012. This will be supported by PMI through Walter reed project.	Case Management Focal Point	January 2012 – December 2012	
	(iii) Increase the level of supportive supervision and post-training mentoring, to ensure compliance with recommended treatment guidelines for both the public and private sector	The DHMTs and DOMC have the responsibility for carrying out supportive supervision. To enhance supervision and overall coordination of the Malaria Programme, the Government has posted Malaria Coordinators to the regions and districts. To enhance supportive supervision and post training mentoring, CDOMC will start with training of the Provincial and district malaria coordinators to support supervision and post training mentoring. The training will take place as follows: • Training of provincial malaria coordinators (PMCC) • Training of the district malaria coordinators (DMCC) After the training, the PMCC and DMCC will develop action plans for supportive supervision and post training mentoring.	Head DOMC Head DOMC	31/01/2012 30/06/2012	
	(iv) Address administrative bottlenecks to allow municipal facilities to access free medicines from the Government of Kenya, to help move to universal access to cost-effective malaria treatment	The main bottleneck has been lack of AL consumption data from the municipal health facilities which has been accessing AL making it difficult for DOMC to track drug consumption. Partly, this has been due to non-involvement of the municipalities in the planning process and management of AL. In this regard DOMC will involve the municipal health authorities in all stages of drug management – planning, forecasting, quantification and monitoring. The municipalities to with health facilities are 8 countrywide.	Head DOMC	Starting 1/01/2012	

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
	(v) Improve the sensitivity of the early warning system by ensuring that input data uses confirmed cases, and combine interpretation with meteorological data to improve the precision of the early warning system.	Since the OIG audit was done, the following has been done: • Parasite site confirmed data is currently in use. RDTS were distributed to all sentinel sites in the epidemic prone districts in March 2011 with the revised data collection forms. • Health facilities report back through the Logistics Management Information Systems (LMIS) along with anti-malarials on monthly basis. • Districts were trained on how to set Thresholds on malaria for the districts and health facilities. Overall this data forms an integral part of disease surveillance/epidemic monitoring. The following further actions will be undertaken to strengthen the early warning system. (i) Review of data from sentinel sites and monthly reports based on confirmed cases (ii) Monthly compilation of data from the 2 meteorological stations i.e. Kitale and Kapsabet to link the meteorological data with epidemiological data.	EPR Focal point EPR Focal point	15th Dec 2011 15th Dec 2011	
Monitoring and Evaluation	**Recommendation 5 (Significant)** The DOMC should consider the need to strengthen health facility reporting to ensure timeliness and completeness of programmatic data by (i) Synchronising the data collected at the different data collection sites within a facility in	DOMC and HMIS will work together to develop procedures of data aggregation at the health facility level. These procedures will be disseminated to the health facilities through the on-going rollout of the District Management Information System (DHIS). The procedures will be developed by end of January 2012.	DOMC Focal point M&E	31/01/2012	

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
	order to improve accuracy of reporting				
	(ii) Instituting and/or scaling up regular data verification/data quality audits for the central HMIS data through all data collection points	The protocols for Data Quality Assurance (DQA) are in place. DOMC and HMIS will use these protocols to conduct malaria programme DQA and provide a report (see attachment **DOMC/002**).	DOMC M&E focal point	30/06/2012	OIG has verified that this recommendation has been fully implemented
	(iii) Strengthening feed-back mechanisms at all levels	Under Round 4 Grant, annual grant reviews were undertaken with participation from National and District level. These meetings facilitated feedback between the National and lower levels of service delivery. Attendance was also from CSOs and other partners. During supportive supervision immediate feedback is given at the facility district and provincial levels. Building on this experience, DOMC will strengthen feedback mechanisms by analysing the M&E reports and identifying specific challenges and developing solutions for improving the programme. This will be fed back to the national and district level DHMTs. Therefore, with regard to the report of June to December 2011, DOMC plans to hold feedback meetings for DHMTs in malaria endemic areas.	DOMC M&E focal point	April 2012	
	(iv) Undertaking support supervision and/or refresher training to address new HMIS reporting forms and	Since the audit in July 2010, HMIS has rolled out District Health Information Software (DHIS) to the districts. DOMC works together with HMIS in the refresher trainings. The following actions are being implemented: • DOMC and HMIS are currently revising the indicators and this	M&E focal point	31st Jan 2011	

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
	newly recruited staff in both public and private sectors.	will be completed by January 2012 • This will followed by revision of reporting tools to be completed by June 30th 2012 • DOMC has trained 54 district and provincial staff on M&E in malaria program of which data collection tools were discussed. The current supervision checklist addresses adherence to the malaria policy on treatment. • The newly recruited staff in public and private sector will be trained on HMIS through on the job training.	M&E focal point M&E focal point	30th June 2012 Completed	
Financial Management	**Recommendation 6 – High** The DOMC should assign a dedicated accountant to ensure accurate and timely recording in the books of account. The DOMC in conjunction with MOPHS should ensure appropriate internal audit coverage of Global Fund program activities.	DOMC has engaged 2 accountants since July 2010. One is dedicated to the Global Fund programme. The accountants are responsible for ensuring that financial records are effectively managed. (see attachment **DOMC/003**) The internal audit of MOPHS will develop an audit programme for GF funds covering the period January to December 2012.The audit reports will be submitted and discussed by the Ministerial Audit Committee.	Internal Auditor MOPHS	Completed 30 November 2011	OIG has verified that this recommendation has been fully implemented
Financial Management	**Recommendation 7 – Significant** (i) The PR should refund unsupported expenditure to the Global Fund ensure that expenditure supporting documents are	The process to recover the funds has commenced. Kshs1,458,000 has already been refunded, Kshs435,000 has been accounted for and Kshs2,549,000 has been demanded from the officers concerned. See attached schedule annex 1.			

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
	securely preserved. The practice of loaning out grant funds to other programs should stop. Expenses which are not supported and those that are ineligible (US$ 450,041) should be refunded to the Global Fund.				
	(ii) Management should ensure that improved control arrangements are established over imprest advances and that advances are accounted for within 48 hours of the activity in accordance with Government regulations.	Since the audit in July 2010, the DOMC has taken the following actions to strengthen financial controls: • Designated roles within the accounting unit of DOMC have been outlined • Currently 2 accountants are posted to DOMC • There is a senior accountant at departmental level providing oversight to the divisions including DOMC. • An imprest register is already in use. ((see attachment **DOMC/004**))	Accountant	Completed	OIG has verified that this recommendation has been fully implemented
Financial Management	**Recommendation 8 – Significant** The Management at DOMC should improve procurement practice by:	The Disease Prevention and Control Department (DDPC) engaged in March 2011 a senior procurement officer to support all programmes including DOMC to adhere to the procurement procedures. This will	Head DDPC	Completed	

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
	(i) Ensuring competitive bidding for all procurements.	improve competitive bidding among other areas. (see attachment **DOMC/005**)			
	(ii) DOMC should hasten the formation of procurement committee to oversee all procurement done.	A procurement committee whose membership is drawn from the various divisions and ministry headquarters was constituted November 2010. It is responsible for deliberating on all procurements below Kshs500,000.00 (see attachment **DOMC/006**)	Head DDPC	Completed	OIG has verified that this recommendation has been fully implemented
	(iii) The Management should ensure that monthly vehicle fuel analysis is carried out and irregular fuel consumption investigated on a periodic basis.	Fuel consumption analysis is being done for each vehicle attached to DOMC at headquarters. The DOMC will build on this process by undertaking the following action:			
		• DOMC will engage the MOPHS to engage a transport officer to oversee fleet management including fuel utilisation at national and district levels	Head DDPC	31st Jan 2012	
		• Districts will be required to provide fuels consumptions returns as part of the financial report	Head DOMC	30th Oct 2011	
		• Monthly fuel consumption analysis will be done based on the reports received	Transport officer	31st Jan 2012	
		• Certification of work tickets used to report will be done by senior officer at national and district level	Transport officer	31st Nov 2011	
		• Monthly fuel analysis reports will be presented to the DOMC management meetings for review	Transport officer	28th Feb 2012	
		• The reports on irregular fuel consumption will be forwarded			

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
		to the Ministerial Advisory Committee for action	Head DDPC	Quarterly	
Grant Management	**Recommendation 9 - Significant** The DOMC should provide instructions alongside funds that are provided to districts for program implementation. The DOMC should also establish improved control procedures over program funds disbursed to districts to ensure prompt reporting; management checking and oversight of financial returns against program results, to ensure that funds are spent on program activities; and effective checking and review of bank reconciliations. The PR should refund the lost monies (USD 33,986) to the grant bank account.	DOMC has taken several steps to improve financial controls since the audit in July 2010 as follows: • Funds are currently disbursed to districts with clear instructions and work plans. Districts are given specific timelines for reporting. The reporting has improved in terms timeliness. (see attachment **DOMC/007**) • Both programmatic and financial reports are now submitted to DOMC unlike in the past when financial reports were submitted to the MoPHS accounts department which made it difficult to link financial and pragmatic data • Bank reconciliations are currently being done on monthly basis (see attachment **DOMC/008**) Planned actions: DOMC will build on the action taken so far as follows: • DOMC will put in place a system for reviewing financial returns from the districts regularly. A review of the financial reports from districts for the period June to December 2011 will be done and a report of the review will be available. Financial monitoring to follow up on issues arising from the review of financial returns. A field financial monitoring report Refer to the response under recommendation 7 above • (see attachments **DOMC/009-DMOC014**) will also be available.	DOMC Accountant DOMC Accountant DDPC	28 February 2012 31 March 2012 21 Oct 2011	OIG has verified that this recommendation has been fully implemented
	National AIDS and STIs Control Programme				

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
	(NSCOP)				
Governance	**Recommendation 10 – Significant** (i) NASCOP in conjunction with the MOPHS should ensure appropriate internal coverage of Global Fund program activities to address program-specific risk and review compliance with provisions in the grant agreements,	**Response** While the program acknowledges gaps in financial management during Round 2 implementation particularly on internal controls environment, since then a number steps have been taken to improve financial management of the grant including management of risks and enhanced internal control during implementation of Round 7. The actions were taken as a follow-up to lessons learnt during implementation of Round 2 grants and subsequent audits including OIG.			
		Action 1. **Introduction of audit reviews** by auditors from the Ministry of Health internal audit team. These reviews will be done twice a year. This review facilitates compliance with financial regulations and identification of areas requiring improvements. This was introduced as part of our risk management strategy. One review was done during the last financial year. 2. An internal risk management strategy will be developed in line with the government financial regulation and corruption prevention strategy. The strategy will guide recognition, assessment, measurement, limiting and	Head of global fund unit Program Manager/ Internal audit manager.	Midterm review to be done end December 2011. To be completed by end June 2012.	

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
		monitoring of risks involved in the implementation of all grants to the program including GF.			
	Recommendation 10 – Significant (ii) NASCOP should comply with the grant agreement with regard to payment of VAT, timely submission of audit reports and banking grant funds on an interest bearing bank account.	**Response** The program concurs with the recommendations. Steps have been taken to ensure 100% compliance with regards to exemption of use Global fund grants for payment of VAT for goods and services procured under the grant as per the GoK /GF grants agreements. Further compliance with VAT exemption is now part of internal audit process.			OIG has verified that this recommendation has been fully implemented
		Action 1. To facilitate VAT exemption processes, an officer in the Permanent Secretary's office has been identified to liaise with Treasury and Kenya Revenue Authority on VAT exemption certificates in line with GoK financial management system. 2. To review internal payment vouchers approval processes to ensure compliance with VAT exemptions requirements. 3. Establish quarterly periodic reviews of all payments to ensure compliance with VAT exemptions	PS Head Internal Audit Head Internal Audit	Done End November Continuous	
	Recommendation 10 – Significant (ii) NASCOP should comply with the grant agreement with regard to	**Response** The program concurs with the recommendation on the need to ensure timely submission of audit reports which was based on the observations noted in the past during Round 2. Currently, NASCOP is up to date with our program external audit by KENAO. The audit of the financial year that ended June 2011 is			

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
	payment of VAT***, timely submission of audit reports*** and banking grant funds on an interest bearing bank account.	ongoing **Action** **1.** NASCOP has established a finance unit headed by a senior accountant. This unit will ensure timely submission of financial reports required for audit purposes.	Program Manager	End of November 2011	
	Recommendation 10 – Significant (ii) NASCOP should comply with the grant agreement with regard to payment of VAT, timely submission of audit reports and *banking grant funds on an interest bearing bank account.*	**Response** The program concurs with the observation and subsequent recommendation **Action** 1. The head of the accounting unit will liaise with the cooperative bank (the program banker) to change the Round 7 grants account status to an interest earning current account.	Head accounting unit	31st November 2011	
	Recommendation 10 – Significant (iii) The various relationships between NASCOP and other stake holders critical to program implementation should be defined in memoranda of understanding	**Response** NASCOP and NACC will consider the feasibility of a Memorandum of Understanding with stakeholders implementing HIV programmes.	Programme Manager	February 2012	
Implementation of grants activities	**Recommendation 11 - Significant** (i) There is scope for	**Response** We concur with the recommendations. And further note that forecasting and quantification of HIV commodities is a critical			

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
	NASCOP and KEMSA to improve focusing to avoid unanticipated medicine shortages in the medium to long term e.g align national guidelines and procurement projections to merge real-time clinical practice needs.	step in commodity management in order to ensure attainment of program's goal of reducing new HIV infections and improving quality of life of those living with HIV. With support from MSH (Management Sciences for Health) we have progressively built our capacity for forecasting and quantification for HIV commodities. Over the last two years, NASCOP coordinates a forum that brings together all key stakeholders involved in HIV program to develop an annual HIV forecasting and quantification plan that guides investment decisions. During these forums, the program determines its procurement needs based on targets and resources for procurement. The procurement plan is usually adjusted according to current performance, stock status and financial flows from various partners **Action** 1. Establish mechanisms for midterm review of annual forecasting and quantification of HIV commodities 2. Revise and update assumptions that guides forecasting and quantification	Program Manager Program manager	December 2011 December 2011	
	Recommendation 11 - Significant (ii) NASCOP should consider proactively engaging the private sector to enhance compliance with standard treatment guidelines for ART.	**Response** The program concurs with the recommendations. The national program has the responsibility of developing national guidelines, quality standards and service delivery models for all HIV program areas for use for profit and non-profit service providers. **Action** 1. Create awareness about existing national guidelines to all private practitioners through forums organized by various			

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
		professional associations eg (Kenya Medical Association) and business networks such as association of private health care providers eg (Kenya Association of Private Health Care providers) 2. To establish an ICT based platform for disseminating technical guidelines accessible using mobile phone technology. 3. Upload all technical guidelines to the official NASCOP website.www. nascop.or.ke	Program Manager ICT manager ICT manager	Continuous End june 2012 End of October 2011	
	Recommendation 11 - Significant (iii) There is a need to identify and address bottlenecks resulting in long lag-times between request for PCR diagnosis and submission of results to facilities	**Response** We concur with this recommendation. The delays in submission of results are partly due to challenges in transportation, lack of appropriate ICT technology and management of patient files at the facility requesting for PCR diagnosis. Currently, there are 4000 PMTCT sites and 7 labs with capacity for Early Infant Diagnosis (PCR) **Action** 1. Review current system for requisition for PCR diagnosis, sample transportation and laboratory networking 2. Develop and pilot new SOPs for requisition of PCR diagnosis and submission of results. 3. Increase number of facilities with Short Messaging System (SMS) based printers by 30% to reduce delay in submission of results between	HIV reference lab manager HIV reference lab manager Program manager	End of December 2011. March 2012 June 2012	
Implementation	**Recommendation 12 –**	**Response**			

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
of grants activities	**High** NASCOP should consider pursuing the issue of establishing a standard curriculum for training on HIV/AIDS prevention for CSOs and the private sector. To encourage use from these guidelines might usefully be co-developed by NACC and Care Kenya.	We concur with the recommendations. The program is aware of the gaps existing within the civil society groups to undertake high quality and comprehensive behaviour change communication interventions. Key issues noted in the past include lack of capacity to develop communication strategies, contradictory messages, use of ineffective communication channels, and production of low quality audiovisual materials. **Action** 1. Develop an integrated curriculum and other training materials on HIV prevention for building capacity of CSOs to implement high quality BCC interventions. 2. To disseminate electronic version of all existing BCC materials to PRs supporting CSOs implementing BCC interventions.	Program manager Program manager	December 2012 November 2011.	
Monitoring and Evaluation	**Recommendation 13 – Significant** NASCOP should strengthen reporting by health facilities and civil society organisations so as to ensure the timeliness and completeness of programmatic data. The ongoing dialogue to harmonise paper and electronic HMIS forms as	To strengthen the Monitoring and Evaluation system, the government has invested in the strengthening of the National Health Management Information System. The following are some of the key investments: a) Establishing a web-based district health information system (DHIS) b) Establishing and rolling our electronic medical records c) Development of standard HIV indicator list d) Building capacity for data collection and use for decision making at all levels of the health system. This has been done through deployment of data management assistants and trainings.			

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
	well as support supervision should be accelerated	**Action** 1. Establish 30 high volume model learning sites for integrated Electronic Medical Records 2. Establish quarterly HIV data review meetings in all provinces 3. Train all 10 PASCOs and 150 DASCOs on DHIS and new HIV data collection tools.	M & E manager M & E manager M & E manager	By June 2012 January 2012 June 2012	
Financial Management	**Recommendation 14 - High** (i) NASCOP should ensure that books of account including asset records and supporting information are maintained in a comprehensive and up to date condition. Management should ensure improved and adequate monitoring of the budget, implementation and use of funds for program activities.	NASCOP agrees with the observation and has since updated all the books of accounts including the general ledger and the cash book. Bank reconciliations are being prepared on monthly basis and reviewed by the senior accountant. The Fund Accountability statements are periodically prepared and submitted to the PR. **(i) Posting of senior accountant.** A senior accountant has been posted to the program to manage all financial transactions and maintain all books of accounts. **(ii) Establishment of an accounting unit within the Department of Disease Control**. The accounting unit is headed by a senior accountant with vast experience in management of donor grants. The establishment of the accounting unit has greatly strengthened compliance not only with financial regulations and management systems but has also enhanced efficiency in NASCOP operations. **(iii)** The electronic general ledger generates budget, actual and variance on all expenditure items. NASCOP management will review the expenditure reports on monthly basis **(iv)** A global fund fixed assets register will be developed and put in	Global Fund project Accountant Programme Manager Global Fund project	Completed December 2011	

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
		place with all the necessary Tagging of existing assets to be Complete by December 2011. **(v)** NASCOP will ask KEMSA to submit monthly reconciliations on funds advanced for procurement on behalf of NASCOP	Accountant Global fund project accountant	December 2011 December 2011	
	(ii) The PR should refund the following amounts • US$ 212,616 relating to the women's conference	A total of KES 16,000,000 ($ 212,616) was used to support a women conference under Round 2 Grant. NASCOP is preparing the necessary documentation to support the activities and expenditure	Principal Recipient	December 2011	
	• US$ 1,078,040 lent to the malaria program that was not refunded,	NASCOP agrees with this finding especially in the context of inter-project borrowing to implement activities in anticipation of disbursements. Discussions are going on between NASCOP, KEMSA and DOMC to resolve this issue.	Principal Recipient	December 2011	
	• US$ 96,596 unsupported district level expenditure	The US 96,596 was spent on Global Fund activities. NASCOP is putting the supporting documents together	Programme manager	November 2011	
	• US$ US$ 192,305 of unsupported expenditure	NASCOP is assembling relevant documents to support the expenditure.	Programme manager	December 2011	
	• Round 2 grant balances of US$ 20,000, and	The amount of USD 20,000 to be refunded to the Global Fund	Programme manager	November 2011	
	• US$ 189,021 documented as a foreign exchange	The documents are now attached (see attachment **NASCOP/001**)	Programme Manager		

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
	losses				
	Division of Leprosy, TB and Lung Diseases				
Governance	**Recommendation 15 (Requires attention)** DLTLD should comply with the grant agreement with regard to: i. Use of grant funds to pay taxes ii. Timely submission of audit reports, and iii. Remitting statutory salary taxes.	**i)** It is noted that GF Rd 2 funds were used to pay taxes. In 2008 PR developed and disseminated "Operations Manual for GF grants in Kenya" which guides grant management in line with grant agreement and national laws The PR SR has adhered to with Grant agreements on taxation in subsequent grants: KEN-506-G07-T and KEN-607-G08-T. **(Refer to DLTLD/001/1).** **ii**) SR is now adhering to submission of audit reports. Financial accounts are submitted to internal audit office before 30th September of each year e.g. In financial year 2010/2011, project financial statements were submitted on 23rd September 2011. Responses on Audit report last financial year 2009/2010 ending June 30 2010 submitted on 26th November 2011. **(Refer to DLTLD/001/2, DLTLD/001/3)** **iii)** In the early phases, there were delays in remittance of statutory salary taxes due to the need to open special accounts with the concerned bodies namely NSSF, NHIF and KRA (PAYE). Corrective measures have been taken to comply with statutory requirements as per attached remittance slips. **(DLTLD/001/4)**			OIG has verified that this recommendation has been fully implemented
Quality of service	**Recommendation 16 – High** (i) The Ministry of Public Health and Sanitation should have access to laboratories especially in remote	**i)** The country has continued expanding TB diagnostic services through procurement of equipments, recruitment of laboratory staff and renovation of laboratories. Laboratories offering TB diagnosis have been expanded from 1030 in 2009 to 1335 in 2010. The hard-to-reach regions of coast, Rift valley, North Eastern and Eastern contributed additional 72 new laboratories. Through TB SSF grant, 150 laboratories will be renovated and equipped to offer TB diagnostic services. **(Refer to DLTLD/002)**	National Laboratory coordinator	Laboratory expansion: 50 labs in 2010,50 labs in 2011 and 50 labs in 2012	OIG has verified that this recommendation has been fully implemented

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	areas in order to ensure that all patients receive confirmatory diagnosis during follow-up of smear positive cases.				
	(ii) Efforts should be made by the DLTLD to better inform public and private sector participants on treatment management requirements for MDR-TB generally; and to provide resources to achieve more extensive use of pre-treatment laboratory work-up.	**ii)** Private sector has been engaged through Kenya Association Physician against TB and Lung Disease (KAPTLD) and Management for Science in Health (MSH) in partnership with DLTLD in TB and MDRTB control. DRTB PPM TWG has been set up and initial meeting accomplished in June 2011. **(Refer to DLTLD/003)**	PPM coordinator: and DRTB coordinator	Developing of DR TB policy in private sector by November 2011 and Dissemination policy in 2011/2012	OIG has verified that this recommendation has been fully implemented
	(iii) The DLTLD should take steps to ensure that all laboratories have in place and follow SOPs for good affection control practice, such as: good ventilation, ex-hand washing; avoid	iii) Good laboratory practices forms integral strategy of TB mycobacteriology. DLTLD in partnership with partners have developed draft microscopy guidelines, bio-safety guidelines and SOPs. Regular laboratory support supervision is being undertaken and AFB refresher trainings is ongoing. **(Refer to DLTLD/005)**	National Laboratory coordinator	Printing laboratory guidelines by November 2011; AFB refresher training under TB SSF KEN-S11-G12-T in 2011-	OIG has verified that this recommendation has been fully implemented

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
	heating the slide while it is wet, and preparation of smears near a flame to reduce the risk of aerosol transmission.			2012	
Financial Management	**Recommendation 17 – Significant** (i) The DLTLD management should ensure that adequate and complete books of account are maintained to support financial transactions. The Financial Management System should support preparation of budget analysis reports to ensure that budgets are closely monitored.	**Financial Management System -** PR has developed and trained DLTLD accountant on electronic cashbook, which enables analysis of expenditure and budget analysis. Imprest registers is now being updated and monthly bank reconciliation is being presented to department's senior Accountant for independent review.	Accountant	Monthly cash analysis by 5th of preceding month with effect from November 2011 Monthly bank reconciliation by 9th of preceding month with effect from November 2011	
	(ii) All unsupported expenditures should be refunded i.e. US$	**Unsupported expenditure (Hard Copies of payment vouchers)** **i.** At the time of audit, no documentation was available showing			OIG has verified that this

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
	141,140.	receipt of funds by the PSCM. The PSCM has availed bank statement dated 12-9-2005 showing payments to Crown agent bank amounting to USD 79,512.00 being payment of staff inputs fees from TB. Transfer of Kshs. 6,034,961.80 (equivalent to USD 80,466) was effected against cheque dated 9-9-2005 via payment voucher No. 00109. **(Refer to DLTLD/006)** **ii.** The ministry through the letter dated 15th November 2005 authorized the bank to debit this amount USD 32,484 (KES 2,436,292.50). Copy of payment voucher no. 001100 to cater for the foreign exchange difference is attached. The ministry is following up with the bank on the nature of this transaction. **(Refer to DLTLD/006)** **iii.** There is factual error on the matter of Kshs 2,114,258 (USD 28,190). There was single payment Kshs. 72,114,258 as per the payment voucher **000351** of 29th December, 2005. This was internally charged into two vote heads namely 1-779-000-2211001 amounting to Kshs. 70,000,000 and 1-779-000-2640400 amounting to Kshs. 2,114,258. Therefore Kshs. 2,114,258 is not payment for exchange difference as raised by OIG rather is a payment of goods and equipment to the PSCMC. Copy of payment voucher 000351 as attached. **(Refer to DLTLD/006)**	Programme Manager	31 Dec 2011	recommendation has been fully implemented
	(iii) Management of the DLTLD should ensure that monthly vehicle fuel analysis is carried out and irregular fuel consumption investigated on a timely basis.	**Monthly vehicle fuel analysis -** DLTLD has not been doing monthly vehicle fuel analysis. In view of findings of OIG, the transport officer undertakes monthly vehicle analysis by 10th of every month	Transport officer	Monthly vehicle analysis will be undertaken by 10th of preceding month with effect from November 2011	
	National AIDS Control				

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
	Council				
Financial Management	**Recommendation 18: (High)** (i) NACC management should ensure that adequate and complete books of account are maintained to support financial transactions. The Financial Management System should support preparation of budget analysis reports to ensure that budgets closely monitored.	The NACC has since implemented a new Financial Management System (SAP Business one) During implementation of the SAP system, the budget module was found to be inadequate in handling the NACC work plan and budget. This is because our budget was programme-based whereas SAP module is expensed based.	Director/Deputy Director Finance and Administration	January 2012	OIG has verified that this recommendation has been fully implemented
	(ii) The FMA should be audited and the Round 2 grant formally closed with outstanding balances (US$ 344,910) refunded.	Two levels of audit were carried out: • KENAO audited the FMA returns as received at NACC. • An independent external audit of all funds disbursed to the sub-implementers through the FMA was carried out in concurrence with KENAO **(Refer to NACC/001)** The balance of funds in the NACC book of accounts held by the FMA was refunded to the PR via Cheques Nos: **NIC Bank** 000050 and 000002 totalling Ksh.30,95,354.35 **(Refer to NACC/002)**			OIG has verified that this recommendation has been fully implemented
Grant Management	**Recommendation 19 (Significant)** NACC should strengthen its sub grant	The issues raised happened in Round 2 which has ended and NACC is no longer dealing with the CSO's as a result of CCM reforms			

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
	management by identifying appropriately qualified CSOs to implement program activities. The M&E systems should be strengthened with each CSO provided with a work plan and targets and their performance monitored against that performance.				
	CARE International in Kenya				
Governance	**Recommendation 20 – High** Improved oversight should be instituted as a matter of priority given the lack of capacity at SR level and the risk of fraud or abuse.	**Response:** Staff capacity in phase 1 was constrained and this resulted in challenges in program management due to the rigors employed to ensure compliance to program guidelines.			
		Actions: **1)** Increased human resource capacity: In order to increase management oversight, improve capacity and provide more dedicated technical support to SRs in Phase 2 CARE has adopted a portfolio based management structure whereby the program will be managed in form of 2 portfolios, each overseeing and supporting half the number of contracted sub recipients and managing half the program budget. The following positions have been added to the program:	Health Program Director; Senior Program Manager		OIG has verified that this recommendation has been fully implemented
		▪ Recruitment of Grants Manager and Grants Coordinator	Health Programme Director and Senior	Completed	

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
			Programme Manager		
		▪ Recruitment of I Program Quality Coordinator,	Health Programme Director and Senior Programme Manager	31st December 2011	
		▪ Recruitment of 1 audit and compliance officer and maintained program **(Reference – approved Phase 2 organogram, our reference 211.1).**	Health Programme Director and Senior Programme Manager	1st December 2011	
		Response: CARE improved the capacity of the M&E function and developed tools to facilitate qualitative data collection. **Actions** **1)** The M&E function at CARE level has been strengthened through recruitment of addition of 2 M&E officers within the portfolio structure.	Senior Program Manager	Completed	
		2) The field visit tool used by staff to monitor program performance has been strengthened to include data quality aspects. A data quality audit will be performed semi annually**. (Reference – the field visit tool our reference 212.1).**		Completed	
		3) CARE has also revised and simplified data reporting tools for use at SR level (reference – 212.2) and completed an assessment of existing M&E gaps at SR level and collated an M&E Operational Manual **(Reference 212.3).**		Completed	

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
		4) CARE has planned to provide training on M&E to PR & SR program staff ▪ Training of PR programme staff ▪ Training of SR programme staff **(Reference – Training Plan, 212.4).**		March 2012 June 2012	
		Response: CARE has increased the capacity of the audit department in order to mitigate risk of fraud. **Actions:** **1)** The internal audit department now has 5 full time staff, 2 of whom are dedicated full time for the Global Fund program.	Health Program Director	Completed	
		2) CARE has established an internal Risk Management Committee responsible for advising the programme on risk management. **(Reference- ToRs for the committee and minutes of recent meetings – ref number 217.1).**	Senior Program Manager	Completed	
		3) CARE has developed a planned for regular scheduled audits at SRs level. The audit schedule for the period October 2011 to January 2012 has been completed and the report for this period will be available by April 2012. **(Reference audit schedule 215.1).**	Audit and Compliance Manager	April 2012	
Governance	**Recommendation 20 – High** Grant performance could be improved if CARE were to assume its full obligations and authority as PR in the selection and oversight of sub-	**Response:** CARE concurs with the recommendation **Actions:** **1)** Prior to the commencement of phase 2 CARE employed an assessment mechanism including components of program performance; reporting; incidences of questioned and disallowed costs which it utilized to rate phase 1 SR performance and therefore		Completed	OIG has verified that this recommendation has been fully implemented

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
	recipients with the necessary capacity to implement grant activities	rating and selection in phase 2 engagement. This has resulted in 14 SR's being dropped from the program. **2)** Continuous assessment of the SRs (coupled with ongoing capacity building outcomes for the SRs) during implementation will inform continuation or discontinuation of the SRs from phase 2 implementation. **3)** Since the Audit was carried in July 2010, CARE has provided support on organizational development and institutional strengthening to sub recipients to strengthen their capacities in program and fiduciary compliance for GFR7 as follows: ▪ Cross learning visits between SR's, providing opportunities for organizations who were experiencing challenges in particular SDA's to learn from other organizations who were implementing their work successfully. ▪ A plan for SRs capacity building covering phase 2 has been developed **(Reference Training schedule ref. 212.4).and Capacity Building Plan Ref. 218.1)**	Senior Program Manager Program Manager	On going through phase 2 On going through phase 2 Completed	
Financial Management	**Recommendation 21 – Significant** CARE Kenya should take steps to ensure improved budget management and seek reimbursement to the global fund of any tax confirmed as having been	**Response:** Budget overruns in the purchase of computers: These were approved by the Global fund after an approval for additional staffing to increase staffing capacity (Refer to number 208 GF-OIG-10-011) report). During the audit period, the PR was waiting for the official modification of the agreement which provided for purchase of 25 units at a cost of US$42,014 (see attached approved budget for the computers reference 222. 1) and had therefore proceeded to increase			OIG has verified that this recommendation has been fully implemented

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
	paid in error.	staffing and procure computers for their support. The contract negotiations were complete (February to May 2010) and the official modification was shared in July 2010. This was an effort to reduce more challenges in oversight of program rather than poor budget management as pointed out. **Action:** In future, the PR will wait for official contract amendment before taking these steps **Response:** CARE experienced delays in receiving tax waivers from the Government of Kenya. In this regard, CARE requested Global Fund Secretariat to allow implementation of activities without tax exemption on activity-by activity basis. CARE received the approval to incur taxes on the program to avoid implementation delays. CARE also continued to negotiate for a thresh-hold for incurring taxes by both CARE and SRs and submitted a budget for the period April 2009 to December 2010 **(refer to email dated October 2nd, 2009 to Victor Bumpoe, Fund Portfolio Manager, reference 223.1)** projecting the taxes that would be incurred (see attached budget reference number 223.2). However, the projected budget on expected taxes was not approved or declined, but rather CARE and GF secretariat continued to discuss the approvals on activity basis. The Threshold of incurring taxes for transactions of up to US$1,000 was approved in late 2009 (reference 223.3: Management letter from the Global fund, including Tax Thresh holds approval, dated 12th August 2010 and approval emails on	Health Programme Director		

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
		Taxation waivers/approval from Global fund. **(Refer 223.1).** CARE received approvals for tax exemption by the Government of Kenya our reference 223.4, for zero-rating goods and services in a letter dated June 24th 2010 circular number DFN 415/232/011), more than one year after CARE had signed the contract with the Global Fund. CARE started engaging the government on tax exemption in late 2008. After unsuccessful attempts to get a clear process of the tax approval process, the Ministry of Finance (PR) organized for a meeting held in 19th June 2009 **(see minutes of meetings attached our reference 223.5)** During this meeting a MEMO reference DFN 415/232/011 dated September 9th, 2008 **(Reference 223.6)** was given to CARE and which states under section B, item 4 that "The request to KRA for zero rating should be made before the service is provided based on the quotation and proforma invoices provided by the service provider. This would enable KRA to authorize the service provider to do so on zero rated basis but on a case by case basis. There is no provision for blanket exemption". After unsuccessful attempts to secure tax exemption for one year, CARE sought support from the Global Fund in a letter dated September 7th 2009 **(Reference 222.2),** where direction was sought on what to do. The reference letter serialized all efforts made to secure tax exemption to no avail. The benefits of beginning program start up activities far outweighed the cost of taxes that would be incurred as the program awaited tax exemption. This notwithstanding, CARE sought additional support from the Global fund secretariat for approvals to incur taxes for program activities during this period **(see attached email correspondences Global Fund -**			

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
		Fund Portfolio Manager our reference 223.1). In a letter dated 24th June 2010 referenced above **(our reference 223.4),** CARE received approval for tax exemptions backdating the period for these rights from 1st April 2009. However, the procedures for tax exemptions for services as guided by the referenced MEMO September 9th, 2008 **(our reference 223.6)** indicates that there cannot be retrospective approval for exemptions once services have been rendered. It is on this basis that CARE has not processed requests for refunds for tax exemption not granted earlier due to the delays in receiving the approval from the Government of Kenya. Given the Government circular reference 223.6, it is unlikely that the Government would grant retrospective approvals for taxes for activities undertaken before the approval of tax exemption in June 2010 **(reference 223.4).** As CARE made demonstrable efforts in negotiating with the Global fund on these waivers **(our references 223.1, 222.2. and 223.2)** Kenya CCM request the OIG to reverse the recommendation to refund taxes paid.			
	Kenya Medical Supplies Agency				
Compliance Grant Agreement	**Recommendation 22 - Significant** (i) The procurement agency contract should be aligned with the provisions of the grant agreement i.e. (i) The procurement agent should maintain up to date books	Currently Procurement has shifted from PSCMC to KEMSA (A LEGAL ENTITY) who is the national procurement and supply chain management agency. KEMSA maintains up to date accurate books of accounts in line with international financial reporting standards (IFRS) and generally accepted accounting principles and is audited	**KCM/PR**	**Done**	OIG has verified that this recommendation has been fully implemented

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
	of account and supporting records based on international accounting principles; (ii) Annual audits should be carried out on the PSCMC and its successor; and (iii) Ensure that all income is accounted for and spent in compliance with the Global Fund's requirements and approval. (ii) Compliance of the procurement agency contract with Kenya's PPDA Act is crucial as the basis on which services are rendered. For the contractual relationship to continue, therefore, the OIG consider that the arrangements need to be placed on a sound legal footing, with the procurement agent properly registered with a legal and effective status; and the local fund agent and the Global Fund Secretariat's Legal Counsel confirming the compliance of subsequent service providers within the Government of Kenya's legal	annually by KENAO and other organizations nominated by development partners specific to their support areas. KEMSA has a fully fledged finance directorate with qualified accountants and internal Audit department to enforce controls and enhance corporate governance Incidental incomes to grant funds shall be accounted for and reported to relevant authorities in line with grant agreements. KEMSA staffs have been trained on global fund procedures and requirements. The consortium contract lapsed on the 8th June 2011. Currently Procurement and supply chain management services have transitioned to KEMSA which is the national procurement and supply chain management agency operating within the PPDA Act. **(Refer to KEMSA/001)**			

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
	framework.				
The Contract	**Recommendation 23 - High** To safeguard the Global Fund's interests and ensure acceptable practice, the procurement agent's contract should be reviewed in the light of the OIG's findings, and re-negotiated to ensure adequate contractual justification of contractual responsibilities and obligations, including the application of management fees and reporting responsibilities. Proposed changes should be submitted to the Global Fund Secretariat for approval.	The PR has entered into a memorandum of understanding (MOU) with KEMSA. The MOU has been submitted to GF secretariat and subsequently approved. The management was justified and negotiated and agreed upon as stipulated in the MOU and clear reporting responsibilities clearly defined. **(Refer to KEMSA/002)**	**KCM/PR/ KEMSA**	**Done**	OIG has verified that this recommendation has been fully implemented
Procurement Software	**Recommendation 24- High** While programming the new ERP system, KEMSA should ensure that all shortcomings identified in the review of Prolog	The gaps in the prolog were identified and we are enhancing the new ERP System to incorporate the shortcomings identified in the prolog system. **(Refer to KEMSA/003)**	KEMSA	Sept 2011- Jan 2012.	OIG has verified that this recommendation has been fully implemented

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
	software are dealt with to ensure that the new system is better and is integrated with the warehousing inventory management system.				
Procurement Processes	**Recommendation 25 (High)** The procurement process should be strengthened. Specifically: (i) Programs should ensure that specifications are developed and submitted together with the instruction to initiate a procurement process to avoid delays in drafting tender documents. When requirements are broken into lots, specifications/items should not be aggregated but provided by lot to allow suppliers that can provide some lots and not all the items of the lot to bid. (ii) The Procurement Agent should consider streamlining the process of drafting tender documents. Personnel should only edit	The anomaly has been rectified and the current practice is for user programs to submit requests to initiate procurement complete with specifications. KEMSA has adopted the world bank standard bidding documents modified to suit GF procurement. Drafting of the tender document is the responsibility of the procurement manager. Payment terms are in line with the government standard payment terms. I.e. 100 % upon full delivery and acceptance. As far as the PSCMC can recall, DOMC tenders were over the years evaluated by different staff appointed on a tender by tender basis. However in some cases, different items for common use e.g. Indoor Residual Spraying commodities may call for appointment of the same evaluation team when specialization is limited to the team. All evaluation are done as per the criteria clearly defined in the tender document. The anomaly has been noted and KEMSA has revised the standard bid document accordingly. The PR shall ensure suppliers are paid on time in line with the contracts **(Refer to KEMSA/004/1 and KEMSA/004/2))**	KEMSA KEMSA KEMSA;PR	Done Done Done Done Done	OIG has verified that this recommendation has been fully implemented

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
	sections of the tender document that are designated for that purpose and not be given the authority to amend any section of the document. The Tender document should also give vendors an opportunity to select a payment term that suits them. Therefore there should be payment options in the tender document. The post qualification criteria should be in line with the actual performance requirements of the tender. (iii) A bid receipt register that captures time of submission of bids should be maintained. Transparency in evaluation will be enhanced by clearly defining bid evaluation criteria for joint ventures and strictly following the criteria laid out in the tender document. The criteria should then be applied to joint venture bids that are submitted for consideration. All vendors should be advised to submit				

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
	requests for clarification as set out in the tender document. The practice of responding to individual clarifications should stop. (iv) Appointment of the Tender Opening Committee and Finance Evaluation Team should be in line with the PPDA Act and regulations. Evaluation Committees should not be changed without official communication from the appointing authority. (v) The Evaluation Team and the Procurement Agent should perform their respective roles based on information provided in the submissions without relying on external information to arrive at a decision. Evaluations should be made on the basis of information requested in the bid documents. Evaluation teams should be ad-hoc committees and not permanent committees and should be constituted only				

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
	when the need arises. (vi) Contracts should only be signed with the vendors after they have submitted a performance guarantee. This will protect the PSCMC from vendors that only sign contracts just to secure business, only to abandon them for better contracts elsewhere. Amounts due to suppliers should be paid on a timely basis.				
Quality Assurance	**Recommendation 26 – Significant** (i) The existing procurement arrangements require review, with a view to establishing greater separation of roles to ensure integrity of the procurement processes applied in practice and the avoidance of potential for conflicts of interest. (ii) Procedures need to be established to ensure proper quarantine of received goods and the	The consortium contract lapsed on the 8th June 2011.KEMSA is the procurement agent and the potential conflict is no longer an issue. The procurement responsibilities are vested with the various committees in line with PPDA act. Receipt SoPs are in place with a designated quarantine areas and goods are properly labeled. Regular sampling and testing shall be done by KEMSA as required by the global fund quality assurance policy and a budget line has been created for it effective rounds 9 and 10. **(Refer to KEMSA/005)**	 KEMSA KEMSA	Done Done On going	OIG has verified that this recommendation has been fully implemented

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
	regular sampling and testing of goods in store, in accordance with standard operating procedures and the Global Fund's Quality Assurance Policy. (iii) Regular sampling and testing as required by the Global Fund Quality Assurance Policy needs to be implemented.				
Warehousing and Distribution 273-278	**Recommendation 27 – High** (i) The services being rendered by G4S need to be subjected to competition. A tender needs to be floated and a vendor/(s) offering the best value for money selected to provide the service.	Distribution services have now been contracted by KEMSA through a competitive process.	KEMSA	Done	
	ii) Physical stock verifications should be periodically undertaken and compared to stock records. All variances should be investigated. iii) The consortium should	KEMSA is strengthening its procedures to adhere strictly to the standard operating procedures on stock counts. The stock counts are managed jointly by the finance and warehouse departments. There are weekly, and monthly, semi-annual and annual stock counts carried out in a year. The physical counts include an investigation of stock differences and the updating of records.	KEMSA	Done	

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
	take steps to ensure that supplies of these vital items are readily available at all times in the health facilities.	The implementation of ERP has greatly improved inventory management and accuracy. Currently at the central warehouses in Nairobi, manual bin cards are reconciled to physical stocks on a daily basis. KEMSA has taken over distribution of these commodities and has built capacity to respond adequately to the needs of the facilities. **(Refer to KEMSA/006 and KEMSA/007)**	KEMSA	Done	
Logistics Management	**Recommendation 28 – Significant** (i) The Procurement Agent needs to significantly improve stock procedures and controls to ensure the completeness, accuracy and reliability of stocks and stock records; and institute regular stock checks and counts. Warehouses should provide delivery information and confirmation of receipt of goods from suppliers; and every effort should be made to have all the warehouses operating an effective electronic system for managing inventory, supported by all stakeholders.	KEMSA will review all stock procedures and controls and address all areas. The interlinking of all warehouses is part of the systems upgrading currently ongoing within KEMSA. The manual bin cards, which are the official government records, are updated only after commodity receipt, verification and acceptance has been completed. When commodities are delivered directly at the regional warehouses, there is a time lag before the relevant documents are received at the central warehouses in Nairobi to complete the updating of the manual bin cards. Furthermore, KEMSA has integrated supply chain for most medical commodities to better manage commodity shelf life. The ongoing improvements (including the ERP implementation) will ensure that all the warehouses use standardized documents in all instances, which will be available in sufficient quantities. Proper distinction is in place between quarantine, released, damaged, short dated and expired stocks. These improvements have enhanced the processes of data capture, storage and reporting.	KEMSA	Done	

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
	(ii) The Procurement Agent should institute improved and reliable stock records as a matter of priority. Stock recording arrangements should be modified to incorporate accurate and reliable records of delivery and to facilitate a distinction between damaged and expired stock.	The coordination for disposal of expired commodities at facility is the responsibility of district and provincial hospitals and the respective pharmacists. However KEMSA has taken note of OIG comments for future viability informed by available resources. **(Refer to KEMSA/008 and KEMSA/009)**	KEMSA	On going	
Financial Record Keeping	**Recommendation 29 - High** The Procurement Agent should update its financial records. The records should be audited and closed for grants that have expired.	The PSCMC has since updated the books of account by Grant since the audit date. Bank statements have been obtained and reconciled. The balance of funds held by PSCMC under Rd2 Ph 2 has been transferred to the PR. KEMSA has a fully fledged finance directorate with qualified accountants who have been trained on global fund Policies and requirements to ensure that proper financial record keeping is maintained. **(Refer to KEMSA/010)**	KEMSA	Done	
	Country Coordinating Mechanism				
Grant Oversight	**Recommendation 30 – High** (i) The CCM guidelines should be revised to include all the roles and responsibilities required by the Global Fund.	Since the audit in July 2010, CCM has revised its constitution which clearly indicated its roles and responsibilities as required by Global Fund. KCM Constitution attached **(Refer to KCM/001)**	KCM Chair	Completed on 17th January 2011	OIG has verified that this recommendation has been fully implemented

Audit Area	Recommendation	Response and Action	Responsible Official	Completion Date	OIG Verified Status of Implementation
Grant Oversight	(ii) In consultation with the Global Fund Secretariat, the CCM should put in place an independent and objective oversight body or investigate alternative solutions to review program performance and make appropriate recommendations to the CCM. (The oversight body should carry out monitoring visits to review program performance at the point of service delivery)	In the new Kenya Coordinating Mechanism (KCM) structure, this issue of independent oversight has been addressed. A National Oversight Committee (NOC) has been established comprising policy level members from key stakeholders responsible for reviewing oversight reports and making decisions.	KCM Chair	Completed	OIG has verified that this recommendation has been fully implemented
		The KCM has developed an oversight plan to guide the monitoring of grants **(Refer to KCM/002 and KCM/003)**	KCM Coordinator	Completed	
		NOC will start developing KCM dashboards as reporting tool for grants by March 2012.	KCM Coordinator	March 2012	
		The NOC will commence field visits for grants from April 2012 after dashboards have been developed.	KCM Coordinator	April 2012	
Grant Oversight	(iii) The CCM should put in place a fully comprehensive and clearly elaborated conflict of interest policy in line with the CCM guidelines for CCM as issued by the Global Fund.	Since the Audit in July 2010, KCM has developed and is implementing a conflict of interest policy **(Refer to KCM/005 and KCM/005)**	KCM Chair	Completed	OIG has verified that this recommendation has been fully implemented

Section 2: Responses on factual accuracy of the report

Reference Paragraph	OIG Findings	Proposed Correction	OIG Comment
	Ministry of Finance		
Recommendation 2 – High	Unrecorded interest income (US$ 492,787) should be deposited in the program bank account, recorded in the program books of accounts and authority sought to spend the funds.	These funds are credited in the account by the bank on a monthly basis. The PR reports these funds on a semi annual basis in the PUDR as part of funds available in the country to be utilised in the next reporting period and hence gets authority to utilise the interest.	The OIG recognizes and commends the action taken by the Ministry of Finance to correctly recorded interest earnings.
	CARE International in Kenya		
222	…and the OIG noted a delay in the purchase of program motor vehicles of over 12 months, as CARE had failed to arrange timely clearance from the Global Fund to purchase the vehicles with taxes, as no exemption had been issued by the Government of Kenya.	The PR had not procured the vehicles due to delays experienced in receiving approval from Government on tax exception. In 2009, CARE wrote to the Global fund CARE identifying the challenges experienced in the pursuit of tax exemption and requesting for support in resolving the delay and allowing the PR to continue program implementation while incurring taxes owing to these delays **(reference letter to Linden Morrison, Global fund, reference 222.2).**	Comment is noted and report text has been amended appropriately.
223	…However, the OIG noted that CARE had made payments of US$10,000 for value added tax (VAT), inconsistent with the grants VAT exempt status. Utilization of funds on paying tax is contrary to the intention of the grant and reduced the availability of funds for program activities.	CARE continued to request the Global fund secretariat to waive taxes incurred on activity-by activity basis and received approval to incur taxes on the program to avoid implementation delays. CARE also continued to negotiate for a thresh-hold for incurring taxes by both CARE and SRs and submitted a budget for the period April 2009 to December 2010 (refer to email dated October 2nd, 2009 to Victor Bumpoe, Fund Portfolio Manager, reference 223.1) projecting the taxes that would be incurred (see attached budget reference number 223.2). However, the projected budget on expected taxes was not approved or declined, but rather CARE and GF secretariat continued to discuss the approvals on activity basis. The Thresh hold of incurring taxes for transactions of up to US$1,000 was approved in late 2009 **(reference 223.3: Management letter from the Global fund, including Tax Thresh holds approval, dated 12th August 2010 and approval**	Comment is noted and report text has been amended appropriately.

Reference Paragraph	OIG Findings	Proposed Correction	OIG Comment
		emails on Taxation waivers/approval from Global fund, refer 223.1). CARE received approvals for tax exemption by the Government of Kenya our reference 223.4, for zero-rating goods and services in a letter dated June 24th 2010 circular number DFN 415/232/011), more than one year after CARE had signed the contract with the Global Fund. CARE started engaging the government on tax exemption in late 2008. After unsuccessful attempts to get a clear process of the tax approval process, the Ministry of Finance (PR) organized for a meeting held in 19th June 2009 **(see minutes of meetings attached our reference 223.5)** During this meeting a MEMO reference DFN 415/232/011 dated September 9th, 2008 **(our reference 223.6)** was given to CARE and which states under section B, item 4 that "The request to KRA for zero rating should be made before the service is provided based on the quotation and proforma invoices provided by the service provider. This would enable KRA to authorize the service provider to do so on zero rated basis but on a case by case basis. There is no provision for blanket exemption". After unsuccessful attempts to secure tax exemption for one year, CARE sought support from the Global Fund in a letter dated September 7th 2009 **(reference 222.2),** where direction was sought on what to do. The reference letter serialized all efforts made to secure tax exemption to no avail. The benefits of beginning program start up activities far outweighed the cost of taxes that would be incurred as the program awaited tax exemption. This notwithstanding, CARE sought additional support from the Global fund secretariat for approvals to incur taxes for program activities during this period **(see attached email correspondences Global Fund -Fund Portfolio Manager our reference 223.1).** In a letter dated 24th June 2010 referenced above **(our reference 223.4),** CARE received approval for tax exemptions backdating the period for these rights from 1st April 2009. However,	

Reference Paragraph	OIG Findings	Proposed Correction	OIG Comment
		the procedures for tax exemptions for services as guided by the referenced MEMO September 9th, 2008 **(our reference 223.6)** indicates that there cannot be retrospective approval for exemptions once services have been rendered. It is on this basis that CARE has not processed requests for refunds for tax exemption not granted earlier due to the delays in receiving the approval from the Government of Kenya.	
292	Income incidental to program funds(Interest Income)	PSCMC would like to clarify that the total interest earned has been USD 720,240.82 (attached as annex 2 of this response) and not USD 979,000 as reported.	Comment is noted and report text has been amended appropriately.
293	Advance payments	The currency of contract was Kenya Shilling and not USD as highlighted in the report. Also, no advance payment was made to this supplier. The contract was entered into on 28 February 2005 and paid for on 23 August 2005 after the supplier fulfilled their obligations. We have attached the contract copy and payment documents as Annex 3.	At the time of the audit, the OIG observed that the Consortium was not able to provide a basis for charging / drawing the advance in question. No amendment has been made to the report with regard to this comment.

Annex 6: Progress made in Refunding Program Funds by the Division of Malaria Control

Date	Ref. Check	Amount (KSH)	Description / Payee	Status	Due date
21/10/2009	1885	476,000	name withheld	Demand letter written to officer for recovery of money	31-Dec-11
21/10/2009	1886	470,000	name withheld	Refunded on 16th September 2010 400,000/- 11th Dec 2010 45,000/- and 25th Jan 2011 25,000/-.	
21/10/2009	1887	496,000	name withheld	Refunded on 12th August 2010	
28/10/2009	1889	492,000	name withheld	Refunded on 13th August 2010	
11/10/2009	1905	482,000	name withheld	Demand letter written to officer for recovery of money	31-Dec-11
11/10/2009	1906	475,000	name withheld	Demand letter written to officer for recovery of money	31-Dec-11
16/10/2010	1953	435,000	name withheld	Accounted for	
28/10/2009	surrendered	492,000	name withheld	Demand letter written to officer for recovery of money	31 Dec 2011
28/10/2009	surrendered	492,000	name withheld	Demand letter written to officer for recovery of money	31 Dec 2011
28/10/2009	surrendered	132,000	name withheld	Demand letter written to officer for recovery of money	31 Dec 2011
Total		4,442,000			