



THE OFFICE OF THE INSPECTOR GENERAL



The Global Fund to Fight AIDS, Tuberculosis and Malaria

Audit of Global Fund Grants to the Republic of Ghana

Report

GF-OIG-10-018
29 October 2012

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EXECUTIVE SUMMARY

Introduction

1. The mission of the Office of the Inspector General is to provide the Global Fund with independent and objective assurance over the design and effectiveness of controls in place to manage the key risks impacting Global Fund-supported programs and operations.

2. As part of its 2010 work plan, the OIG carried out an audit of Global Fund grants to Ghana from 01 November to 09 December 2010. The audit covered grants totaling USD 351 million, of which USD 270 million had been disbursed.¹ The Principal Recipients were:

- The Ministry of Health/Ghana Health Service;
- AngloGold Ashanti (Ghana) Malaria Control Limited;
- The Adventist Development and Relief Agency of Ghana;
- The Planned Parenthood Association of Ghana; and
- The Ghana AIDS Commission.

Overall conclusion

3. Ghana has made solid strides in its response to HIV/AIDS, Tuberculosis and Malaria and the PRs' capacity to manage Global Fund grants has grown from 2003 to 2010. Nonetheless, there are still key areas in which the PRs need to strengthen their capacity to implement the Global Fund-supported grant programs.

4. The OIG has identified areas for improvement in the internal controls particularly around financial management, but also in grant oversight, procurement and service delivery. This report makes recommendations for their mitigation, 15 of which are classified as critical and require immediate action by management, while an additional 15 are rated important. A letter to management lists further desirable areas for improvement that do not form part of the body of this report.

5. Based on the findings in this audit, the OIG is not able to provide the Global Fund Board with reasonable assurance that at the time of the audit oversight arrangements ensured that grant funds disbursed had been used for the purpose intended and that value for money had been secured in Global Fund investments.

6. Annex 4 in the report identifies an amount of USD 6,497,987 that relates to expenditures that were found not to be in the approved budget at the date of the audit. Annex 5 identifies an amount of USD 3,309,850 that relates to expenditures which exceeded the approved budget. Annex 6 identifies further amounts relating to financial discrepancies. While these expenditures were used for program purposes, they had not been included in the approved budgets and had not been approved by the Global Fund Secretariat.

7. Issues arising from the audit have been referred to the Investigations Unit of the OIG, which is undertaking further work in Ghana.

Oversight

While the Country Coordinating Mechanism was constituted in line with Global Fund requirements, it should strengthen its Principal Recipient selection process and oversee the selection of competent Sub-Recipients. There was scope for improvement in the way in which the Global Fund Secretariat managed the Local Fund Agent. The Local Fund Agent should ensure that its approach is risk-based and that accurate data for decision making are available to the Secretariat.

¹ Amounts as at 1 November 2010.

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Financial Management

8. There was extensive scope for improvement in financial management. In particular, the Ghana Health Service needed to pay greater attention to improving controls in the areas of bank and cash management, budgetary controls, the need to ensure approval from the Global Fund for changes in the workplan and budget, and related areas of compliance with the grant agreements.

Procurement and Supply Chain management

9. All procurement for Global Fund-supported activities was undertaken by the Ministry of Health/Ghana Health Service. Only WHO and Global Fund pre-qualified drugs and bed nets meeting the WHOPEP recommendations criteria were procured. There was scope for improvement in the quantification of procurement needs and in the attention paid to procurement regulations and specifications. Medical storage conditions and information management should be improved to avoid drug expiry.

Service Delivery and Monitoring & Evaluation

10. The quality of public health programming in Ghana was generally strong. However, the Global Fund and Ghana could better align reporting indicators and ensure higher quality of data. Ongoing training of health personnel should take place to ensure adherence to national standards, particularly for malaria diagnosis and treatment. Condoms should be made more widely available through additional outlets.

Events Subsequent to the Audit

11. Following the preliminary audit findings and draft recommendations shared with the auditees, the Global Fund Secretariat and the CCM/PRs in Ghana proactively took the following steps to address the findings. These have not yet been validated by the OIG.

CCM

- In response to the CCM request, a Tax Waiver for the Global Fund grants was granted by the Parliament of the Republic of Ghana on 21 March 2011. The PRs are currently computing all VAT payments made within the validity period of the exemption to request a refund from the Ghana Revenue Authority in collaboration with the CCM.

MOH/GHS

- At the request of the Global Fund Secretariat, the LFA now reviews the procurement process documentation within Malaria and HIV programs (from tendering and supplier section to payment of invoices);
- The PR has started using the accounting software. The Deputy Financial Controller (a chartered accountant) has been seconded to the program;
- Separate bank accounts have been opened for six of seven grants to prevent comingling of funds;
- All interest earned on bank deposits is now reported in the PUDRs; and
- The HIV, TB and malaria performance frameworks are either in the course of negotiation or have already been updated, in large part taking into account alignment of Global Fund with national M&E frameworks.

Adventist Development and Relief Agency of Ghana

- Interests earned on accounts and income generated activities (mainly from sale of condoms) are now reported in the PU/DRs.

Planned Parenthood Association of Ghana

- According to the Global Fund Secretariat, a significant reprogramming has been done for the Phase 2 of the Round 8 HIV portfolio (including the PPAG grant) to streamline funds for PMTCT treatment and MARPS services.

AngloGold Ashanti (Ghana) Malaria Control Limited

- According to the Global Fund Secretariat, a Tax Waiver was granted to AngloGold Ashanti by the Parliament of the Republic of Ghana on 22 December 2010. Subsequently, the Global Fund Secretariat made a special request to the GF Board to obtain an exceptional approval of the extension of the program by 1 year (end date of Phase 1 from 31 December 2011 to 31 December 2012 and end date of the entire program from 31 December 2014 to 31 December 2015). Approval from the Board was obtained in May 2011. A revised performance framework and budget were prepared and finalized to accommodate the change in timing of grant implementation.

12. A summary of recommendations was provided to each PR and SR to facilitate timely implementation of the OIG recommendations pending the issue of the final report. The comments received from each entity and the actions initiated, where applicable, were incorporated into the final report.

MESSAGE FROM THE GENERAL MANAGER OF THE GLOBAL FUND



10 YEARS
OF IMPACT

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Our ref: OGM/GJ/JK/2012.10.25-GHANA

25 October 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 Global Fund grants to the Republic of Ghana.

The audit was carried out from 1 November to 9 December 2010 and covered grants totalling US \$351 million, of which US \$270 million had been disbursed.

Ghana has made solid strides in its response to HIV/AIDS, Tuberculosis and Malaria; the capacity of Principal Recipients in the country to manage Global Fund grants has grown from 2003 to 2010. However, there are still key areas in which the Principal Recipients need to strengthen their capacity to implement Global Fund-supported programs.

The Office of the Inspector General has identified areas for improvement in the internal controls, particularly in relation to financial management, but also in grant oversight, procurement and service delivery.

The audit report makes 31 recommendations, 15 of which are classified as critical and require immediate action. A letter to management lists further desirable areas for improvement that do not form part of the body of this report. Many concrete actions have been taken by the Principal Recipients and the Country Coordinating Mechanism to implement them.

The report identifies an amount of USD 6.5 million that relates to expenditures that were not in the approved budget at the date of the audit, and an amount of USD 3.3 million that relates to expenditures which exceeded the approved budget. While these expenditures were used for program purposes, they had not been pre-approved by the Global Fund. They did appear in the regular program reporting to the Global Fund and some were explicitly taken into account in subsequent funding decisions, so the Fund was aware of their existence.

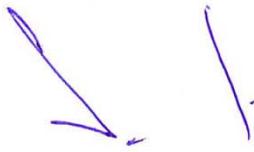
The Office of the Inspector General has recommended that the Secretariat make the final determination on any amounts owed to the Global Fund.

The Secretariat welcomes this approach and, as recommended in the audit report, will work with the Country Coordinating Mechanism and the Principal Recipients to determine whether amounts documented as unbudgeted and budget overruns should be recovered, while ensuring that the budgetary control system is being further improved.

The fact that most of the expenditures not included in or exceeding the approved budgets were used for program purposes will be considered and reflected in the Secretariat's final decision on the amount that should be reimbursed by one or more Principal Recipient(s).

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



MESSAGE FROM THE COUNTRY COORDINATING MECHANISM



CCM Ghana
Country Coordinating Mechanism Of The Global Fund
To Fight AIDS, Tuberculosis And Malaria

PMB CT 380,
Cantonments
Accra, Ghana
West Africa.

Our Ref: CCM/GN/A3/003

Your Ref:

October 19, 2012

Mr. John Parsons
Inspector General
The GFATM
Chemin de Blandonet 8
1214 Vernier
Geneva- Switzerland

MESSAGE FROM THE COUNTRY COORDINATING MECHANISM GHANA

Subject: CCM GHANA FINAL COMMENTS ON OIG AUDIT REPORT ON
GLOBAL FUND GRANTS TO GHANA - GF-OIG-10-018

Dear Mr. Parsons,

The Country Coordinating Mechanism, Ghana, acknowledges with thanks receipt of the final version of the OIG's audit report on the Global Fund grants of USD351 million to Ghana which was carried out from 1st November to 9th December 2010. The CCM Ghana further acknowledges with thanks the candid and honest discussions that transpired during and after the audit which culminated in this final report.

In accepting the report the CCM Ghana respectfully requests the OIG to consider incorporating our clarifications and comments in Annexes 4 and 5 into the final report.

The CCM Ghana wishes to assure the OIG that the recommendations addressed in this report will serve as guide to all partners engaged in GF grant implementation in the future. The CCM Ghana will on its part endeavor to ensure that these recommendations and procedures are followed to the letter to ensure that the full benefits of Global Fund grants to Ghana are realized.

The CCM Ghana is sincerely grateful to the Inspector General, the Ghana Audit Team from the Global Fund and all those who contributed to the successful completion of this final audit report on Global Fund grants to Ghana.

Yours sincerely,

Dr Derek Aryee
Chairman, CCM Ghana

Cc: Hon of Minister of Health
All CCM Members
All PRs

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Audit of Global Fund Grants to Ghana

AUDIT OVERVIEW

Audit Objectives

13. The objectives of this audit were to assess the adequacy and effectiveness of the controls in place to ensure:

- Achievement of value for money from funds spent;
- Accomplishment of programmatic objectives including quality of service;
- Compliance with Global Fund grant agreements, related policies and procedures, and relevant laws and regulations;
- Safeguarding of grant assets against loss, misuse or abuse; and that
- Risks were effectively managed.

In undertaking this audit an important focus was to identify opportunities to strengthen grant management.

14. The audit looked at the operations of the Principal Recipients (PRs), their interactions with their Sub-recipients (SRs) and implementing partners (IPs), the supply chain for the goods and services purchased with the Global Fund Grant funds, and the oversight functions of the Country Coordination Mechanism (CCM), the Local Fund Agent (LFA) and the Global Fund Secretariat.

Audit Scope

15. The audit covered all Global Fund grants to Ghana (further detail can be found in Annex 2).

Round	Component	Grant Number	Grant Amount (USD)	Disbursed (USD)	Undisbursed (USD)	Grant status
Ministry of Health/Ghana Health Service						
1	HIV/AIDS	GHN-102-G01-H-0	14,170,222	14,170,222	-	Closed
1	Tuberculosis	GHN-102-G02-T-	5,687,055	5,685,493	1,562	Closed
2	Malaria	GHN-202-G03-M-	8,849,491	8,849,491	-	Closed
4	Malaria	GHN-405-G04-M	111,556,235	87,900,666	23,655,569	RCC
5	Tuberculosis	GHN-506-G05-T	31,471,784	30,275,755	1,196,029	Phase II
5	HIV/AIDS	GHN-506-G06-H	97,098,678	88,444,709	8,653,969	Phase II
8	Malaria	GHN-809-G07-M	2,288,504	2,288,504	-	Phase I
8	HIV/AIDS	GHN-809-G11-H	27,994,442	16,278,881	11,715,561	Phase I
Sub Total			299,116,411	253,893,721	45,222,690	
AngloGold Ashanti (Ghana) Malaria Control Limited						
8	Malaria	GHN-809-G08-M	30,500,500	6,395,068	24,105,432	Phase I
Adventist Development and Relief Agency of Ghana						
8	HIV/AIDS	GHN-809-G09-H	4,746,831	1,479,958	3,266,873	Phase I
Planned Parenthood Association of Ghana						
8	HIV/AIDS	GHN-809-G10-H	2,835,231	1,554,868	1,280,363	Phase I
Ghana AIDS Commission						
8	HIV/AIDS	GHN-809-G12-H	13,774,466	6,419,944	7,354,522	Phase I
GRAND TOTAL			350,973,43	269,743,55	81,229,880	

Table 1: Source - the Global Fund website as at 1 November 2010

16. In order to ensure achievement of the audit objectives, the OIG deployed a multi-skilled team including financial auditors, a procurement and supply chain management specialist, and a public health specialist. The OIG followed a risk-based audit approach.

17. At the time of the audit, Ghana had four new PRs that were still in their first year of grant implementation. The scope of the audit was limited with regard to the new PRs and did not cover public health and procurement and supply management.

Prioritization of Audit Recommendations

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

a. **Critical:** There are material concerns, fundamental control weaknesses 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.

b. **Important:** 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.

c. **Desirable:** 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.

Letter to Management

19. The implementation of all audit recommendations is essential in mitigating risk and strengthening the internal control environment in which the programs operate. Audit findings deemed 'desirable' have been reported separately in a Letter to Management. Though these findings and recommendations do not warrant immediate action, their implementation would help to strengthen the overall control environment for Global Fund-supported programs.

Events Subsequent to the Audit

20. Following the preliminary audit findings and draft recommendations shared with the auditees, the Global Fund Secretariat and the CCM/PRs in Ghana proactively took a number of steps to manage the risks identified. These have not yet been verified by the OIG.

MOH/GHS

- At the request of the Global Fund Secretariat, the LFA now reviews the procurement process documentation within Malaria and HIV programs (from tendering and supplier section to payment of invoices);
- The PR has started using the accounting software. The Deputy Financial Controller (a chartered accountant) has been seconded to the program;
- Separate bank accounts have been opened for six of seven grants to prevent comingling of funds;
- All interest earned on bank deposits is now reported in the PUDRs; and

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- The HIV and malaria performance frameworks are either in the course of negotiation or have already been updated, in large part taking into account alignment of Global Fund with national M&E frameworks.

Adventist Development and Relief Agency of Ghana

- Interests earned on accounts and income generated activities (mainly from sale of condoms) are now reported in the PU/DRs.

Planned Parenthood Association of Ghana

- During the audit period, the financial reports (fund accountability statements) provided by the SRs and zonal offices did not provide a comparison of actual expenditure against the approved budgets. There was no evidence that financial returns from the SR were checked at the PR level. According to the Global Fund Secretariat, a significant reprogramming has been done for the Phase 2 of the Round 8 HIV portfolio (including the PPAG grant) to streamline funds for ARV/PMTCT treatment. Due to the scale of reprogramming PPAG will no longer have SRs and will implement the grant within its own structure, subject to final approval by the Board.

AngloGold Ashanti (Ghana) Malaria Control Limited

- At the time of the audit, AngloGold Ashanti had not yet implemented the program because it had not obtained tax exempt status. According to the Global Fund Secretariat, a Tax Waiver was granted by the Parliament of the Republic of Ghana on 22 December 2010. Subsequently, the Global Fund Secretariat made a special request to the GF Board to obtain an exceptional approval of the extension of the program by 1 year (end date of Phase 1 from 31 December 2011 to 31 December 2012 and end date of the entire program from 31 December 2014 to 31 December 2015). Approval from the Board was obtained in May 2011. A revised performance framework and budget were prepared and finalized to accommodate the change in timing of grant implementation.

21. A summary of recommendations was provided to each PR and SR to facilitate timely implementation of the OIG recommendations pending the issue of the final report. The comments received from each entity and the actions initiated, where applicable, were incorporated into the final report.

22. Issues arising from the audit have been referred to the Investigations Unit of the OIG, which is undertaking further work in Ghana.

OVERSIGHT AND GOVERNANCE

The Ghana Country Coordinating Mechanism was constituted and is functioning in line with Global Fund requirements. Going forward, it should strengthen its Principal Recipient selection process and consider overseeing the selection of competent Sub-Recipients. There is scope for improvement in the way in which the Global Fund Secretariat manages the Local Fund Agent and ensures continuity of grant management in light of staffing changes. The Local Fund Agent needs to ensure that its approach is risk-based and that accurate data for decision-making are available to the Secretariat.

23. The Country Coordinating Mechanism (CCM) is responsible for overseeing the Global Fund-supported programs in Ghana. The Local Fund Agent (LFA) provides independent assurance to the Global Fund Secretariat regarding program progress and financial accountability. The Global Fund Secretariat monitors program effectiveness and makes decisions on funding based on performance.

Country Coordinating Mechanism (CCM)

24. At the time of the audit, the Ghana CCM comprised the following 26 voting members, in line with Global Fund guidelines:

- Government (8 members);
- Multilateral and bilateral development partners (5 members);
- Academic/education sector (2 members);
- NGOs/community-based organizations (4 members);
- People living with the diseases (2 members);
- Religious/faith-based organizations (1 member); and
- Private sector (4 members).

25. However, the following CCM processes were in need of strengthening.

- According to the Global Fund guidelines, CCMs should have transparent and documented processes for nominating PRs. While the Ghana CCM launched a PR selection process and developed a PR selection matrix for Round 8, the ratings used for evaluation were limited (Yes/No) and did not provide clear and precise information regarding the proposals received;
- The final draft for the Round 10 Proposal was submitted to CCM members only one day before the deadline for submission to the Global Fund;
- Sub-Recipients were typically selected by PRs without transparent, documented selection criteria; and
- The CCM Secretariat managed the CCM's daily operations, including arranging meetings and distributing documents. However, there are concerns about the financial sustainability of the CCM Secretariat given that its support from the Global Fund did not cover rental costs. The CCM did not have alternative funding sources. At the time of the review, the CCM had contacted the Ministry of Water Resources, Works and Housing for office space.

Recommendation 1 (Critical)

The Global Fund Secretariat should ensure that the CCM:

- a. *Strengthens the PR selection process by defining appropriate rankings of agreed upon criteria to guide the evaluation of proposals. Draft proposals should be submitted to the CCM with enough time for review and adoption;*

- b. *Develops SR assessment and selection guidelines to ensure that the selection process across all PRs is appropriately guided and undertaken in a transparent manner. SRs selected by the PRs should have the minimum capacity required to implement the Global Fund grants; and*
- c. *Develops a fundraising strategy for funding the operations of its Secretariat and shares the CCM budget and expenses with its members at each meeting.*

Local Fund Agent (LFA)

26. The LFA is a crucial part of the Global Fund's system of oversight and risk management, functioning as the 'eyes and ears' of the Global Fund. PricewaterhouseCoopers (PwC) has been the LFA since the inception of the grants.

27. As requested by the Global Fund Secretariat, the LFA was required to undertake reviews from a risk-based standpoint, looking at grant risk and country risk characteristics and materiality. At the time of the audit, the LFA had not undertaken risk assessments at the country or grant level. This may lead to significant shortcomings in grant management and implementation remaining undetected.

28. The OIG requested the LFA's plan for periodic reviews in order to validate whether such reviews were comprehensive and covered areas identified as high risk. For example, while procurement was identified as a high risk area in Ghana, the LFA had not undertaken procurement related work. No such plan was provided the OIG.

29. A number of findings documented below should reasonably have been identified by the LFA and reported to the Global Fund Secretariat. These included:

- Differences between actual and reported expenses;
- Variances in actual and reported cash balances;
- Expenditure not in the budget;
- Significant budget overruns;
- Instances of non-compliance with the grant agreement;
- Incomplete information regarding the use of accounting software;
- Shortcomings related to training documents;
- Inconsistencies between actual advances to regions and supporting documents; and
- Inappropriate procurement tendering systems.

The evidence provided to the OIG showed that these matters had not been documented consistently.

Recommendation 2 (Critical)

The Global Fund Secretariat should develop clearer instructions for all LFAs to use in reviewing PUDRs, to ascertain that the work done sufficiently covers all program areas and risks during the periodic reviews. This review plan should include, but not be limited to:

- a. *Analyses to be undertaken, such as budgeted versus actual expenditures for the period and by budget line;*
- b. *Mandatory tests to be performed and areas to be covered by the LFA in high risk areas e.g. procurement; and*
- c. *Sampling methodology linked to the country risk profile to ensure sufficient samples are selected in high-risk areas.*

Recommendation 3 (Critical)

The Global Fund Secretariat should ensure that the LFA undertakes its periodic review based on a risk approach, guided by an updated risk assessment that should also guide the design of activities and tests to be undertaken for verification of implementation and capacity assessments.

Recommendation 4 (Critical)

The Global Fund Secretariat should:

- a. Monitor the compliance of PRs with grant agreements, conditions and other Global Fund requirements and ensure regular monitoring of these matters by the LFA;*
- b. Ensure consistency and agreement between documentation on PR compliance; and*
- c. Ensure that adherence to compliance matters is consistently reflected in disbursement decisions.*

Global Fund Secretariat

30. The role of the Global Fund Secretariat is to undertake performance-based management of grants to Ghana, oversee grant implementation and to ensure adherence to the provisions of the grant agreements.

31. Pursuant to the Global Fund model, the Secretariat relied substantially on LFA feedback for oversight. This meant that the quality of information reported by the LFA directly affected the grant management decisions of the Fund Portfolio Manager (FPM).

32. The OIG had difficulties obtaining grant-related documents and explanations, especially in relation to grants from earlier rounds, as the current FPM did not have the historical background on this portfolio. An adequate hand-over from previous FPMs had not taken place.

Recommendation 5 (Important)

The Global Fund Secretariat should:

- a. Establish a standardized process by which grant portfolios are handed over to new FPMs; and*
- b. Ensure that all grant documents are readily available and properly completed.*

MINISTRY OF HEALTH/GHANA HEALTH SERVICE

There is scope for the Ghana Health Service to strengthen its financial management practices. In particular, it should take urgent steps to strengthen the way it manages cash and bank accounts, makes advances to staff and regions and the controls it puts in place to ensure adherence to the budgets approved in its Global Fund grant agreements.

Background

33. The Ghana Health Service (GHS) is a public service body established under Act 525 of 1996. It is an autonomous executive agency responsible for implementation of national policies under the control of the Minister of Health through its governing council, the Ghana Health Service Council. The mandate of GHS is to provide and prudently manage comprehensive and accessible health services, with a special emphasis on primary health care at regional, district and sub-district levels, in accordance with approved national policies. GHS oversees the operations of three national disease programs, namely the National AIDS Control Program (NACP), the National Malaria Control Program (NMCP) and the National Tuberculosis Control Program (NTCP).

Grant Management

Bank & Cash management

34. Though GHS acquired accounting software in 2008, it was not in use at the time of the audit. The PR maintained the books of account in Microsoft Excel. Maintaining manual books of account increases the risk of errors in recording, processing and reporting transactions as well as a lack of “checks and balances” in the processing of data. This may result in errors going undetected. The audit showed that PR financial records showed erroneous data, multiple cashbooks in place of one and reconciled differences between reported expenditures and cashbook figures.

35. The program lacked a general ledger, which made financial report generation difficult.

36. GHS commingled the funds for the different programs in one bank account. The financial system was unable to separate the fund balances by program. Table 2 below shows unexplained and reconciled differences between expenditures recorded in the cashbook and those reported in EFRs/PUDRs to the Global Fund.

37. The cash balances reported to the Global Fund in the PUDRs from Rounds 1, 2, 4 and 5 did not agree with the cash balances per the bank statements. This arose from:

- Commingling the funds for all six grants in one bank account without an accounting system that could separate receipts, expenses and fund balances by grant accounting code;
- Misstatement of expenditure in the PUDRs when compared to the cashbook; and
- Timing differences for disbursements from the Global Fund. The PR recognized disbursements in the PUDR cash balances upon receiving notification from the Global Fund. However, the disbursements were recorded in the cash book when the funds were received in the bank account.

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Grant Details	Expenses per EFR/PUDR * USD	Expenses per financial records USD	Difference Over/(Under) USD
Round 1 HIV	13,152,427	13,047,788	104,639 ²
Round 1 Tuberculosis	5,767,633	5,568,200	199,433 ³
Round 2 Malaria	8,879,876	8,851,914	27,962
Round 4 Malaria	42,737,782	42,655,408	82,374
Round 5 Tuberculosis	23,945,993	23,902,926	43,067
Round 5 HIV	64,787,499	64,693,609	(93,890)

Table 2: Un-reconciled differences between PUDRs/EFR and PR's financial records

38. The OIG also noted interest earnings of USD 56,895 under the Tuberculosis program (Round 5) and USD 11,742 under the HIV program (in a shared account). These amounts were not reported to the Global Fund.

Recommendation 6 (Critical)

The Global Fund Secretariat should ensure that the MOH/GHS:

- Starts using the accounting software immediately. Expenses should be recorded and tracked against relevant budget lines and service delivery areas in the approved budget and work plan;*
- Ensures that the PUDRs and EFRs are properly reconciled with the Program financial records before submitting them to the Global Fund;*
- Maintains separate bank accounts for its programs and grants. Alternatively a financial management system that separates income, expenditure and fund balances by accounting code should be put in place;*
- Records and reports all interest arising from program accounts. Such funds should only be spent on program activities and with the requisite approval.*

Recommendation 7 (Critical)

The Global Fund Secretariat should determine whether the amounts documented as excess expenditure amounts reported in the PUDRs for the grants that have already been closed should be recovered. For the grants that are still being implemented, variances should be adjusted appropriately.

Budgetary Control and Reporting

39. The PR and its SRs did not consistently comply with approved work plans and budgets and did not consistently obtain Global Fund approval for expenditure outside of the approved budget. The accounting system used did not record expenditure against budget lines. As a result, the OIG identified expenditures totaling USD 6,497,987 which were not in the approved budget and USD 3,309,850 which exceeded the approved budget (see Annex 4 and Annex 5 for details.)

40. Within the amounts which exceeded the approved budget above, the OIG noted that the total construction budget for the refurbishment of 177 VCT centers for Phase 2 (including equipment) was USD 4,275,000; this was based on an average of USD 20,000 per center.

² The variance of USD 104,639 is the difference between the total amount of expenditures as per the cashbook and the total amount of expenditures as reported to the Global Fund in the grant close-out report.

³ The variance of USD 199,433 is the difference between the total amount of expenditures as per the cashbook and the total amount of expenditures as reported to the Global Fund in the grant close-out report.

Audit of Global Fund Grants to Ghana

The OIG selected four centers for testing and found that the expenditure on these centers amounted to USD 1,875,407.

Recommendation 8 (Critical)

The Global Fund Secretariat should ensure that MoH/GHS:

- a. Strengthens the budgetary control system by using accounting software that is able to record and track expenditure by budget line and ensure a periodic budget monitoring;*
- b. Follows the Global Fund policies relating to seeking approval for budget overruns.*

Recommendation 9 (Critical)

The Global Fund Secretariat should:

- a. Ensure that approved detailed grant budgets and workplans are signed and dated by the PR and the Global Fund Secretariat and an image/PDF format are sent to the CCM after signature.*
- b. Determine whether the amounts documented as unbudgeted and budget overruns should be recovered.*

The accounting function

41. Advances made by NACP and NTCP to the regions and districts were not consistently recorded, monitored and reviewed. Controls that required strengthening included:

- The financial management system maintained could not track the status of accountabilities for advances effected. It was impossible for the PR to determine amounts unspent at any one point and to claim and follow up outstanding balances with the SRs;
- There was no mechanism in place to identify and follow up long outstanding advances;
- There was no evidence seen that accountabilities for advances received were reviewed prior to being cleared as was seen in the expenditure support documents received from the Central Finance Unit;
- There were no linkages between the financial reports submitted alongside accountabilities and the program results reported;
- The financial reports did not provide a breakdown of the advances made, the amounts accounted for and the outstanding balances and/or cash balances returned;
- Regions were not provided with a format for accounting for advances. As a result, all regions used different formats; and
- Supporting documents were not always attached to payment vouchers.

42. Training-related accountabilities provided by the districts showed that improvements were needed in:

- Terms of reference that detailed the financial aspects of the trainings, including budget estimates by category of expense, training objectives and durations, numbers and qualifications of participants and numbers and qualifications of trainers, facilitators, monitors and coordinators, etc.;
- Training attendance lists that provided information additional to the name of the payee, the amount paid, and the payee's signature, e.g., the payee's institution, title, contact and identity card number;
- Information on how training and other allowances were paid. Dates on much of the supporting documentation did not relate to the period in which the training or activity occurred; and

- Original supporting documentation. The documents provided often lacked key information such as date, purchaser, or an indication that invoices had been paid.

Recommendation 10 (Important)

In order to strengthen the management of advances, the Global Fund Secretariat should ensure that MOH/GHS:

- a. Establishes a system to track advances made to the regions and districts and ensure that all funds transferred for activities have been accounted for;*
- b. Compares financial results from regions with programmatic ones to ensure that funds have been used effectively;*
- c. Develops and disseminates an advances accountability template. This should provide information on the amount advances, amounts accounted for, balances outstanding as well as any cash balances returned;*
- d. Develops a training plan for approval by the Global Fund Secretariat before any advance payment is issued. Such a plan should include budget estimates by expenditure category, training objectives and duration, number and qualifications of participants and number and qualifications of trainers, facilitators, monitors and coordinators etc.; and*
- e. Ensures all training related accountabilities contain comprehensively completed attendance lists.*

43. There were instances of inter-grant borrowing of funds. For example, between June and September 2009, USD 1,112,921 was borrowed from the HIV/AIDS program to pay expenses of the malaria program. This amount was refunded to HIV/AIDS program on 19 May 2010. There were also some instances where refunds had not been effected for inter-grant borrowings (adding to USD 37,561 that were owed to the Malaria program).

Recommendation 11 (Important)

The Global Fund Secretariat should ensure that inter-grant borrowing ceases and all unpaid balances refunded.

Compliance with Grant Agreement

44. The grant agreements specify that PRs should comply with the terms and conditions of the agreements as well as with the laws and regulations of Ghana. In addition to the budget-related observations above, the OIG noted instances of non-compliance pertaining to non-reported interest income and VAT payments (despite having VAT-free status).

Recommendation 12 (Important)

The Global Fund Secretariat should ensure that MoH/GHS complies with all clauses and conditions specified in the grant agreements.

SR Management

45. The basis for selection of non-governmental and community-based organizations as SRs was not clear and OIG cannot give assurance that SRs were selected transparently. The PR informed the OIG that meetings were held to evaluate the organizations. However no minutes of such meetings were available. There was no documentary evidence to indicate that SR capacities were assessed before they were selected.

Recommendation 13 (Important)

The Global Fund Secretariat should ensure that MoH/GHS develops a tool for evaluating SR capacity and consistently assesses SR capacity prior to selection (Implementing entities, PLHIV Association).

ADVENTIST DEVELOPMENT AND RELIEF AGENCY OF GHANA

The Adventist Development and Relief Agency has scope for better harmonizing the overhead charges it allows among its Sub-Recipients and for ensuring that interest income is consistently credited to the grant program.

Background

46. The Adventist Development and Relief Agency of Ghana (ADRA Ghana) is one of the PRs under the Round 8 HIV program. The approved grant amount for this PR is USD 4,746,831.

47. ADRA Ghana is involved in stigma reduction, behavioral change communication and distribution of condoms, as well as strengthening civil society and institutional capacity building.

Grant Management

Compliance with Grant Agreement

48. The grant agreement requires PRs to comply with the grant agreement and the laws and regulations of Ghana. The conditions stipulated in the grant agreement ensure that the control environment is adequate to safeguard Global Fund investments. The OIG's review of PR compliance with the grant agreement identified the following:

- The grant agreement stipulates that any interest generated from grant funds should be accounted for and used solely for program purposes. However, ADRA Ghana was not tracking the interest income generated by its SRs and SSRs; and
- The grant agreement stipulates that the PR should inform the Global Fund of any audit or investigation pertaining to the operations of the PR or SRs. ADRA Ghana has carried out investigations on three of its SRs, but has not informed the Global Fund.

Recommendation 14 (Important)

The Global Fund Secretariat should ensure that ADRA Ghana complies with the conditions stipulated in the grant agreement. This will strengthen the control environment within which Global Fund programs are implemented. Specifically, ADRA should capture and report all interest generated from program funds, including by its SRs and SSRs. Such funds should be used for program activities with the requisite approvals obtained. The Global Fund should be informed of all investigations undertaken.

49. ADRA Ghana applied different overhead cost rates to its SRs. The overhead applied for five of the SRs ranged from 6% to 11% of their total expenditure. The overhead rates for CRS and CERPHERG were significantly higher at 19% and 37% respectively. The Global Fund has a new policy in place relating to payment of overhead.

Recommendation 15 (Critical)

The Global Fund Secretariat should ensure that ADRA Ghana standardizes the overhead rate among its SRs and ensures that the payment of overheads is aligned to Global Fund policy on overheads. SRs that do not qualify for overhead costs should be encouraged to charge actual program-related costs. These should be within the budget and reasonable.

PLANNED PARENTHOOD ASSOCIATION OF GHANA

The Planned Parenthood Association of Ghana has scope for greater consistency in the use of its accounting system, ensuring that it is optimally set up, and in managing the financial reporting of its Sub-Recipients.

Background

50. Planned Parenthood Association of Ghana (PPAG) was established in 1967 and is currently the country's main provider of family planning and comprehensive sexual and reproductive health (SRH) services. Among the services provided in its clinics and through outreach visits, PPAG provides family planning services, maternal and child health services, infertility management, post-abortion care and voluntary counseling and testing. The approved grant amount for this PR was USD 2,835,231.

Grant Management

Financial Management

51. A review of advances showed that these were recorded as expenditure. There was no independent record maintained to monitor whether advances were accounted for (e.g., advances made to hotels for conference facilities). The accounting system could not provide balances of outstanding advances held by SRs.

52. The draft program operational manual stated that AccPac accounting software was used to track expenditure and prepare reports. However, financial data were maintained in Excel worksheets and financial reports generated in Excel. This creates the risk of errors in recording, processing and reporting transactions as well as a lack of checks and balances in the processing of data.

Recommendation 16 (Important)

The Global Fund Secretariat should ensure that PPAG utilizes its accounting system. Provision should be made for the accounting system to record advances and monitor accountabilities submitted.

GHANA AIDS COMMISSION

The Ghana AIDS Commission has scope for strengthening the work performed by its internal audit department to provide assurance that grant funds are well used and comply with the grant agreements. Going forward, it can improve the systems currently in place for the selection and management of Sub-Recipients.

Background

53. Ghana Aids Commission (GAC) was established in 2002 to spearhead interventions in the fight against HIV/AIDS. It is a supra-ministerial and multi-sectorial body established by Act 613 of 2002 to direct and coordinate the programs and activities of all relevant stakeholders, including ministries, departments, agencies, the private sector, development partners, NGOs, community-based organizations and civil society. The approved grant amount for this PR was USD 13,774,466.

Grant Management

Governance and Oversight

54. GAC's internal audit department was responsible for reviewing headquarters operations and its eight SRs. It had only one staff member until October 2010 when one additional staff member was appointed. As a result, during the first nine month of grant implementation, the internal audit department only carried out one SR review. A review of the SR report revealed that the review did not encompass key aspects, e.g. compliance with the grant agreement, the budget, work plan, etc.

Recommendation 17 (Important)

The Global Fund Secretariat should ensure that GAC establishes an annual internal audit work plan that focuses on Global Fund supported program-specific risks. Resultant reports should be shared with key stakeholders like the LFA and the CCM.

Compliance with Grant Agreement

55. The OIG's review of PR compliance with the grant agreement showed the following:

- The grant agreement included a special condition which required the PR to obtain a waiver for indirect taxes and duties by no later than 01 December 2009. However, the OIG noted that program funds totaling USD 82,671 were used to pay value-added tax; and
- Contrary to the grant agreements, the agreements with the SRs omitted an important clause relating to money laundering and terrorism.

Recommendation 18 (Important)

The Global Fund Secretariat should:

- a. *Ensure that GAC complies with all provisions of the Grant Agreement; and*
- b. *Determines whether any monies paid in taxes and duties should be recovered from the PR.*

SR Management

56. The GAC did not undertake a transparent process for the identification of its SRs. GAC selected three SRs (WAPCAS, Ghana Education Service and Family Health International)

due to their prior working relationship with GAC. There was a three-month delay in contracting two additional SRs, viz. ILO and GTZ. This contributed to the slow start in grant implementation.

57. One SR (FHI) charged management fees of 23% of actual incurred grant-related expenditures, in addition to charging all direct and indirect costs to the program. The SR contract is for USD 1,381,031, translating to a projected overhead fee of USD 317,637. The rates chargeable as overheads should be controlled in order to maximize the effective use of grant funds.

Recommendations 19 (Important)

The Global Fund Secretariat should ensure that GAC:

- a. Standardizes the overhead rate among its SRs and ensures that the payment of overheads is aligned to Global Fund policy on overheads. SRs that do not qualify for overhead costs should be encouraged to charge actual program-related costs. These should be within the budget and reasonable.*
- b. Carries out SR selection in a documented and transparent manner. The timely appointment of SRs will ensure that programs are implemented in a timely manner.*

ANGLOGOLD ASHANTI (GHANA) MALARIA CONTROL LIMITED⁴

At the time of the audit, AngloGold Ashanti Malaria Control Limited had not been able to obtain tax exempt status and as a result had not begun implementation of the program. Moving forward it should explore alternative avenues for procurement and redraft its workplan in a manner that will allow it to begin implementing.

Background

58. AngloGold Ashanti (Ghana) Malaria Control Limited (AAMCL), a not-for-profit subsidiary of AngloGold Ashanti (Ghana) Limited (AGA), is PR for the indoor residual spraying (IRS) component of the Round 8 malaria program. AAMCL signed a grant for USD 30,500,500.

Grant Management

Legal Status of AngloGold Ashanti as an Implementer

59. AngloGold Ashanti established AAMCL as a special purpose vehicle for the implementation of the Round 8 malaria grant program. AAMCL would be the PR, with AGA's existing Obuasi Malaria Control Centre as the implementing unit. The rationale for setting up a new entity was to separate the malaria activities from the core functions of AGA and thereby avoid complex processes associated with AGA operations in order to ensure efficiency and timely reporting. The Global Fund has requested the LFA to assess AAMCL as a new entity and not based on AGA's capacity and proven track record in management.

Challenges faced by AngloGold Ashanti

60. The Grant Agreement strongly encourages AAMCL to obtain tax and import duty exemptions on the purchase of any goods or services using grant funds. The Grant Agreement also has a specific Condition Precedent to the Second Disbursement that requires "the delivery by the Principal Recipient to the Global Fund of the written confirmation of the indirect tax and import duty exemption status for the Program expenditures."

61. AAMCL's Round 8 budget calls for the purchase of USD 15.9 million in pesticides for Phase 1 and USD 77.8 million over the full five-year grant term. If the VAT exemption is not granted, this alone would result in an expense of USD 2,385,000 for the first two years of implementation and USD 11,670,000 over all five years. Additional taxes and duties would accrue on the purchase of vehicles and other equipment. No money was budgeted for taxes or duties and this would severely reduce the amount of funding available for program activities.

62. AGA has instructed AAMCL to spend no funds on the program until the exemption is granted due to difficulties in obtaining refunds from the government. At the time of the audit, this exemption had not been received. This resulted in a delay in the start of program activities. AAMCL had the option to procure through the MOH in order to benefit from its tax status but opted not to take this option.

63. By Ghanaian law the import and tax exemptions must be granted by an act of Parliament. However, the process for obtaining this exemption has proven longer than

⁴ Kindly see the Executive Summary ("Events subsequent to the audit") for an update on the findings described below. Recommendation 18 has been addressed following a Global Fund Board decision on this in May 2011.

expected. At the time of audit, one year had passed without receiving tax exemption, which delayed program start.

64. There was a change in government between the time that AngloGold Ashanti was nominated as PR and the time that it was to begin implementation. The mining industry has been under government review and a proposal made to increase mining taxes from 3 to 5 percent, suggesting that the climate has not been favorable for AGA to receive tax exemptions.

Recommendation 20 (Important)

The Global Fund Secretariat should ensure that AAMCL develops a revised work plan to reflect the delays in grant implementation and to link the targets with the new timelines.

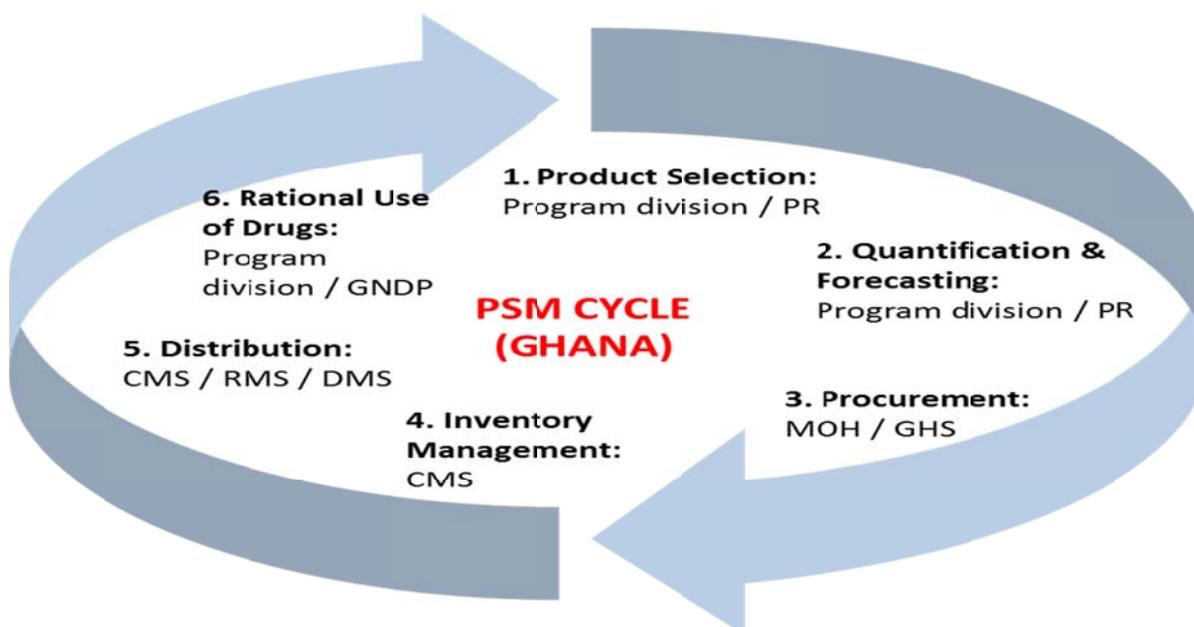
PROCUREMENT AND SUPPLY CHAIN MANAGEMENT

All procurement for Global Fund-supported activities was undertaken by the Ministry of Health/Ghana Health Service. Only WHO pre-qualified drugs and WHOPEs bed nets were procured. There was scope for improvement in the quantification of procurement needs and in the attention paid to procurement regulations and specifications. Medical storage conditions and information management should be improved to avoid drug expiry.

Background

65. The audit covered the procurement activities of the MoH/GHS only. All PRs other than AAMCL procure through the MoH to capture tax savings. AAMCL had not had any procurement at the time of the audit.

66. The following graphic depicts the procurement and supply management (PSM) cycle in Ghana, along with the entities responsible for each function:



Graph 1: PSM Cycle

67. All drug and commodity procurement activities by the PRs are governed by the Public Procurement Law, Act 663 of 2003, and Global Fund policy under the grant agreements. The PRs are responsible for finalizing technical specifications, quantification, and distribution processes for all drugs and commodities in coordination with the procurement units of MoH and GHS, the Central Medical Store and Regional Medical Stores.

Product Selection

68. Only authorized drugs from Ghana’s National Essential Drugs List (EDL), the WHO model EDL and Ghana’s Standard Treatment Guidelines (STG) were procured. Drug regimens and specifications for Antiretrovirals (ARVs) were selected by a technical working group (TWG) comprising experts from NACP, MoH and FDB. Only WHO Pesticide Evaluation Scheme (WHOPES) approved bed nets were procured.

Audit of Global Fund Grants to Ghana

69. In 2003, Ghana initiated ARV therapy for people living with HIV/AIDS at two sites. The program was to scale up to ten more sites by the end of 2005. The following ARVs had Africa Regional Intellectual Property Organization (ARIPO) patents valid in Ghana: Epivir (Lamivudine), Retrovir (Zidovudine), Combivir (Lamivudine/Zidovudine) and Ziagen (Abacavir).

70. This meant that generic versions of these drugs generally could not be sold or made available in Ghana without violating these patents, making the planning expansion costly. Ghana's Patent Act 657 of 2003 included provisions to override patents for government use and to enforce compulsory licensing. In November 2005, Ghana took advantage of these provisions to import generics from sources outside Ghana.

71. There was no committee responsible for reviewing the suitability of technical specifications in areas like Pharmacopoeia standards, packaging specifications or quality assurance mechanisms to be followed for pharmaceuticals. In consequence some of the specifications were too restrictive and appeared to favor specific suppliers. For example, the restrictive standards governing LLIN procurement from 2003-2005 resulted in one bidder's winning all lots. After technical specifications were changed in 2007, three other firms won the different lots.

Recommendation 21 (Critical)

The Global Fund Secretariat should ensure that the MoH/GHS establishes a technical specification committee including subject experts like pharmacologists, drug regulatory authorities, packaging experts and textile experts to ensure that the products procured meet International Pharmacopoeia standards and Global Fund policy requirements. Such a committee should ensure that the specifications are broad enough to allow fair competition.

Quantification & Forecasting

72. Principal Recipients undertook the quantification of Global Fund-supported pharmaceuticals. The e-LMIS software intended to capture ARV consumption and quantification data had not been operationalized, though staff had been trained to use it.

73. Quantification was undertaken annually based on the morbidity data from the regional health directorate. Reliable consumption data were not available at the central, regional, district or peripheral level, constraining effective forecasting. This resulted in stock-outs and expiry of products at the peripheral level. Examples of expired drugs seen in the Northern Region are provided in Table 3, which shows an improvement from 2009 to 2010.

Drugs	Quantities expired in 2009	Quantities expired in 2010
Stavudine 30mg	95,195	No expiry noticed
Nevirapine 200mg	347,724	No expiry noticed
Efavirenz 50mg	2,400	No expiry noticed
Nevirapine 20ml	21 bottles	40 bottles
Lamivudine 200ml	n/a	155 bottles

Table 3: Status of Drug Supplies in the Northern Region

74. Approved PSM plans were not available during the audit, meaning a comparison between forecast and actual procurements could not be made.

Recommendation 22 (Critical)

The Global Fund Secretariat should ensure that for procurement done by the MoH/GHS with grant funds:

- a. *There is a consistent and robust methodology for quantification based on a combination of consumption and morbidity. The system needs to be evaluated for its efficiency and effectiveness, especially where multiple sources provide funding for the same product category; and*
- b. *The e-LMIS software intended to capture ARV consumption and quantification data is operationalized and monitored to ensure effective implementation.*

Procurement Policies

75. After the PR has done the relevant quantification, procurement is divided between MoH and GHS depending on the product category. The procurement of pharmaceuticals for NACP and NMCP is centralized and carried out by the procurement units of MOH and GHS. The procurement of drugs for NTCP has been outsourced to the Global Drug Facility (GDF) in Geneva. The following chart describes the division of procurement responsibilities by product:

Product category	Responsible Unit
Pharmaceuticals	MoH
Long-lasting insecticidal nets (LLINs)	MoH
Other health products such as rapid diagnostic tests for malaria, test kits for HIV, laboratory consumables, CD4 machines, haematology analysers, microscopes, sputum containers	GHS
Other health equipment	GHS
Non-health supplies like vehicles, computers and stationery	GHS

Table 4: Division of responsibilities for procurement between MOH and GHS

76. However the OIG noted that the division of procurement activities between the MoH and GHS was not always followed. As an example, GHS has been procuring Sulphadoxine-Pyrimethamine (SP) for NMCP since 2005, although this is supposedly under the jurisdiction of MoH’s procurement unit.

77. The Public Procurement Law, Act 663 of 2003, did not provide value thresholds for allowing “single source procurement” and “restricted tendering.” There was no recommended procurement method defined for procurements in the range of GHS⁵ 200,000 (approx. USD 190,000) to GHS 1,500,000 (approx. USD 1,425,000). Out of the 43 contracts reviewed by the OIG, approximately 30% were in the value range for which no procurement method is defined by statute, resulting in different methods being applied without regard to value. 59% of the procurements reviewed followed national instead of international competitive tenders. Out of these, only 16% of contracts were awarded using the required procedure in Act 663.

Bidding process

78. For the international competitive bidding process, advertisements were placed in the national newspapers only. Other sites, such as the United Nations Development Business (UNDB) website⁶ or dgMarket⁷, were not utilized. No formal pre-bid conference to clarify queries from bidders was organized for ICB or NCB. Bidders directly contacted the procurement unit for clarifications and these clarifications were not recorded.

⁵ Ghanaian New Cedi (currency); not to be confused with the “Ghanaian Health Service”.
⁶ <http://www.devbusiness.com>
⁷ <http://www.dgmarket.com>

79. In some instances the procurement method followed was single source but was recorded as 'direct shopping' (DS)⁸. The OIG noted that contracts were being split, with drugs procured under either shopping, direct contracting or restricted tendering instead of national or international bidding. For example, five line items of ARVs valued at USD 262,740 were procured from a single supplier (MOH/2008/RT/B2.1/06/C01) through restricted tendering. These could have been procured through NCB under public procurement law.

80. The information available was in some cases insufficient to facilitate an in-depth review of the bid evaluation process. A review of the Bid Evaluation Reports (BER) revealed a lack of the following information to evidence the decisions made:

- Justification for price reasonableness;
- Previous debarment of the supplier by other agencies; or
- Post-qualification criteria (financial soundness, production capacity, etc.).

Contracting process

81. A review of the contracts signed with suppliers showed that comprehensive reviews were not consistently undertaken before contracts were signed. This was evidenced by the following:

- Some contracts had delivery schedules that differed from those in the bid conditions; and
- Some contracts were not signed and stamped by suppliers, which made it difficult to ascertain the authenticity of the documents.

Price analysis

82. The OIG used the WHO Global Price Reporting Mechanism (GPRM) data for comparison of prices at which health commodities were procured. In cases where data from GPRM were not readily available (e.g., for ACTs), Management Sciences for Health (MSH)⁹ guide data were used. The results are summarized in Table 5.

Products	Results
ARVs	The majority of ARV purchases reflected the global median price ($\pm 10\%$), with only a few outliers on either side of the spectrum. Overall, the procurement was undertaken at a price 15% lower than the global median weighted average price.
LLINs	33% of LLIN procurements showed a higher price than the average global price. However, the sample size may have been insufficient to come to a conclusion.
ACTs	Since some historical prices were not available on the GPRM, the MSH guide was used to find international reference prices. The majority of ACT purchases were at prices higher than the global median price. However, the overall difference amounts to only 4% higher than the global median weighted average price.

Table 5: Drug and Health product price comparison

Recommendation 23 (Critical)

The Global Fund Secretariat should ensure that MoH/GHS:

⁸ Quotations are sought from at least three bidders before an award decision is made.

⁹ <http://erc.msh.org/mainpage.cfm?file=1.0.htm&module=DMP&language=english>

- a. *Clearly defines the method of procurement required for purchases valued between GHS 200,000 and GHS 1,500,000;*
- b. *Provides a documented justification for single-source procurement, restricted tendering and cases in which the appropriate procurement method as defined by the thresholds is not followed;*
- c. *Ends the practice of splitting contracts to bring them under procurement thresholds. The MoH should instead consider bundling items in one contract and procuring through competitive bidding processes to obtain economies of scale and better value for money.*

Recommendation 24 (Important)

The Global Fund Secretariat should ensure that MoH/GHS:

- a. *Considers placing advertisements on websites like dgMarket or UNDB online to ensure wider circulation among potential suppliers in cases where ICB is followed;*
- b. *Writes bid evaluation reports that are more comprehensive by including templates for tender evaluation, tender checklists, debarred lists, post-qualification requirements, quality assurance, price reasonableness in bid evaluation, and supporting documents on technical and financial aspects; and*
- c. *Creates contract forms that are sufficiently comprehensive to ensure their adherence to bid conditions. Monitoring of contracts should be strengthened with respect to delivery, supply chain, payment and database management.*

Quality Assurance

83. Under the Food and Drugs Law (PNDC 305B) of 1992 as amended by the Food & Drugs (Amendment) Act 523 of 1996, the Food and Drugs Board (FDB) was the principal institution that ensured that ARVs in Ghana complied with acceptable standards of quality and safety. Its mandate included registration, surveillance, pharmacovigilance, inspection and testing of products. The MoH has established a National Quality Control Laboratory (NQCL) under the FDB.

84. The MoH procured Global Fund-supported medicines only from WHO-prequalified suppliers or manufacturers. With the exception of two suppliers, all ARVs and ACTs were procured in accordance with the Global Fund Quality Assurance Policy.

85. There was no evidence of pre- or post-shipment inspection of products. No inspection reports were available. There was also no evidence of the FDB undertaking routine testing of products as required by the grant agreement. Furthermore, the current logistics management information system (LMIS) at the CMS, RMS and the district level was unable to record batch numbers. As a result batch tracking was not possible in the event that product recalls happened. These processes should have been part of both the QA process and the regular documentation process of the procurement division.

Recommendation 25 (Critical)

The Global Fund Secretariat should ensure that MoH/GHS:

- a. *Strengthens pre- and post-shipment inspection of drugs. Random post-shipment inspections should be undertaken through FDB or independent WHO/ISO-accredited laboratories as required by the grant agreement to ensure quality of drugs and commodities; and*

- b. Establishes batch tracking up to at least the regional level. This will support the batch recall mechanism in the event that a recall of sub-standard or counterfeit medicines happens.*

Inventory Management, Storage & Distribution

Inventory management

86. Administratively, Ghana is divided into 10 regions and 170 districts. There is one regional medical store (RMS) in each region and one central medical store (CMS) for the whole country in the capital. Health products and non-health products are procured centrally, stored in the CMS, and transported to the RMS and on to the service delivery points and peripheral health facilities. CD4-count machines are procured centrally but delivered to the NACP store and redistributed to public and private institutions.

87. The inventory management software has changed several times. The M-Supply software that was in use at the time of the audit had been operational since 2008. Prior information, maintained in inventory sheets, was not available at the CMS at the time of the audit. M-Supply was unable to generate annual reports or regional reports for specific products. This complicated the monitoring process.

88. Regional Medical Stores have their own inventory management software with different data inputs that are not uniform or aligned to M-Supply. Some RMS, e.g. the Northern Region Medical Store, did not have any inventory management software. Some had software with limited functionality as well as lengthy procedures to retrieve data from the system.

89. The stock ledgers maintained by the different stores were not uniform and were not updated regularly at all regional and district-level stores. The OIG noted instances of inadequate documentation, e.g., absent receipts for supplies and inspection of goods.

90. Stocks were kept in stores for extended periods, leading to high inventory holding costs. There were large quantities of expired ARVs seen at the CMS and in three regional stores, viz. Northern, Ashanti and Eastern. The stores could not quantify or estimate the value or volume of the expired drugs. However, one CMS report¹⁰ noted that out of the total expired medicines from 2003 to 2008, 78% related to ARVs (GHS 325,113).

Storage

91. The OIG visits to the Northern, Ashanti and Eastern RMS found the following:

- A lack of adequate space, rack space and equipment for the storage of program drugs and commodities;
- Drugs and commodities not stored in an organized manner;
- Racks not labeled in any of the RMS and health facilities visited;
- Manual stock cards or tally cards used, but no stock ledgers in some of the RMS or district health facilities visited; and
- Tally cards not properly maintained, with some of the inspected cards showing irregularities and missing dates.

Distribution

92. With the exception of CD4 count machines and reagents that had a different distribution mechanism, there was a comprehensive, integrated, three-tier distribution system to move pharmaceutical products like ARVs, ACTs, Anti-TB drugs and other medical

¹⁰Disposal of unserviceable stores at the MOH CMS, Tema – Letter from Director, Procurement to the Hon. Minister (dated July 16, 2008).

supplies such as LLINs, microscopes, sputum containers and laboratory consumables from the central to the peripheral level.

93. However, there was no system for tracking the distribution of supplies at the peripheral level, which affected the program's ability to assess consumption patterns. There was no planning of distribution for drugs and commodities. RMS and peripheral health facilities had to pick up their supplies based on need. CMS and RMS use the FEFO method (First Expiry First Out) to issue drugs. However, this policy was not strictly followed. The OIG noted that 7,000 LLINs allocated to the Northern Region had been re-allocated to NGOs because the Northern Region could not collect them from CMS on time.

Recommendation 26 (Critical)

The Global Fund should ensure that the MoH/GHS:

- a. Takes urgent action to build the capacity of stores at the regional level in terms of storage space, infrastructure, human resources and training on stores and inventory management;*
- b. Integrates information from central and regional medical stores in order to maintain uniformity and to facilitate the monitoring of inventories, for example through a specialized software system for pharmaceutical supplies in all RMS. The software should be able to facilitate the exchange of information between the central level and regional stores and generate appropriate reports;*
- c. Captures consumption data at the regional level and monitor this centrally for proper forecasting and documentation; and*
- d. Establishes a tracer code for donor-funded products in the supply chain at different levels.*

Recommendation 27 (Important)

The Global Fund should ensure that the MoH/GHS:

- a. Quantifies expired medicines remaining in facilities at different levels and destroys them in a controlled manner; and*
- b. Undertakes annual physical stock checks at the regional level to generate data on stock on hand to support the forecasting process.*

PROGRAM REVIEW

The quality of public health programming in Ghana was generally strong. Going forward, the Global Fund and Ghana should ensure better alignment of reporting indicators and put in place mechanisms to ensure higher quality data. Ongoing training of health personnel should take place to ensure adherence to national standards, particularly for malaria diagnosis and treatment. Condoms should be made more widely available through additional outlets.

Monitoring and Evaluation

Background

94. There are five key stakeholders in the MoH with respect to M&E. The MoH itself is responsible for the overall governance of the health system, its policy and strategic direction and monitoring health sector performance. The GHS is the main implementing agency and provider of services, within which are the three disease programs, NMCP, NACP and NTCP.

95. The MoH medium-term development plan includes a focus on M&E, and each of the three disease programs has an M&E plan. The MoH as a whole and the GHS each have a separate Policy, Planning, Monitoring and Evaluation (PPME) Directorate and clearly delineated M&E role. Each of the disease programs has a staff member for M&E.

96. The MoH uses one M&E system, except for GHS, which is working to implement its own unified system. Within the GHS, the Centre for Health Information Management (CHIM) collects service data from all the districts and compiles the health data that are used to inform decision making at the national level. At present the GHS uses a district health information management system (DHIMS) that does not track all indicators used by each of the three programs and cannot capture their extensive data. At the time of the audit, the GHS was actively searching for funds¹¹ to help it develop a revised DHIMS 2 system to address the data needs of the disease programs and other programs such as the reproductive health program. The GHS plans to compromise between national and programmatic information needs to integrate its information systems.

97. The M&E tools and indicators used by the five stakeholders depend on the relevant level of oversight and implementation. For example, the NACP collects information on the largest number of indicators. The GHS requires the results of only some of those indicators for its health management information system (HMIS) and the MoH uses just two of them in its annual review of performance.

M&E plans

98. Global Fund grant-related indicators were not always fully aligned with national M&E frameworks. Two scenarios were observed:

- Specific grant performance frameworks were aligned with national frameworks because no additional indicators were written into any proposal or required by the Global Fund during grant negotiation. This is the case with all the NACP grant performance frameworks (Rounds 1, 5 and 8).¹²

¹¹ The Round 10 HIV proposal includes plans to strengthen the M&E system, in particular for moving to DHIMS 2, the estimated cost of which is USD 1.7 million). Currently only the US CDC is involved, but only with respect to laboratory information, not program or national needs.

¹² Emails to OIG from NACP dated 17 November 2010 and 10 December 2010, and an analysis of program and performance framework indicators by NACP for OIG dated 17 November 2010.

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- The Global Fund requested that new indicators be added to the grant performance framework during grant negotiations. This is the case for the malaria consolidated grant (Round 8, RCC and AMFm), which has seven additional indicators¹³.

99. Negotiations over M&E performance frameworks were reportedly difficult and drawn out. For example, the NMCP has been in discussions with the Global Fund for more than one year over its consolidated performance framework (RCC, Round 8 and AMFm).

100. Overall, the assumptions against which targets are set were sound and have been derived from a mix of the national development strategic plan, the national health strategic plan and the relevant disease strategic plan. Targets were reasonable and were set for all entities charged with implementing Global Fund programs.

101. Direct attribution of results to Global Fund support, however, is largely impossible since there are many other development partners contributing to the malaria and HIV programs. For example, funders for HIV/AIDS activities in health promotion, condom supply, testing and counseling include DANIDA, DFID, JICA, GIZ, World Bank, UNICEF, ILO and UNAIDS. Malaria stakeholders include the Ghana Armed Forces, PMI/USAID, CDC, World Bank, WHO, UNICEF, LABIOFAM and the AfDB.

Data Collection

102. The GHS is reviewing its data collection tools, rationalizing the indicators tracked and working towards a unified M&E system.

103. Both the GHS and MoH use data productively, using information to inform policy and other decision-making during the biannual health summits. Programs typically report trends but do not consistently report results against targets.

Data quality assurance

104. Data entry varies by type of facility and location. Generalizations as to data quality cannot be made because:

- There are wide variations in educational levels of data-entry personnel;
- There is incomplete staff understanding of the importance of data collection;
- Some facilities use the OPD register for reporting, whereas others use the pharmacy register; and
- Some districts use DHIMS, whereas others use a paper summary sheet or an Excel spread sheet.

105. Each health facility has a records department that collates data from the registers and patient-held cards completed by health professionals during consultation.

106. A data quality audit of the GHS was undertaken for the first time in 2009.¹⁴ This audit demonstrated that:

- There were two parallel reporting systems, one through the DHIMS and the other using Excel spreadsheets designed by programs and departments for sending additional data;
- M&E planning and budgeting was not comprehensive in all program areas. M&E budgets were invariably small;

¹³ Emails to OIG from NMCP dated 6 December 2010 and 10 December 2010; NMCP analysis of national indicators, proposal indicators and GF additional indicators for OIG dated 6 December 2010.

¹⁴ Agana Nsiire, Ghana 2009 Data Quality Audit Report, UNICEF, March 2010.

- There were no clearly written documents guiding procedures and channels for recording, reporting, archiving, backing up, disseminating/providing feedback, filing, storage or retrieval;
- Generally there was slow retrieval of information from computers, indicating poor directory and file organization. There was poor understanding of how long to keep documents;
- There were no written indicator definitions;
- There were no data on quality of training and services or client satisfaction;
- Adherence to standards by staff and supervision activities was generally lacking or records not readily available for inspection; and
- Except at the Centre for Health Information Management, written job specifications were lacking, though monthly duty rosters were seen in districts and facilities.

107. For all three diseases, data checks at the district level by both the responsible district-level personnel and M&E staff are a key mechanism for verifying the results reported. Given the inconsistencies found during LFA data verification, checks are neither rigorous nor regular.

108. Data checks during the audit found poorly completed forms in different facilities, especially with respect to TB records. For example, a random data check in one register of 35 MDR-TB patients found that data were entered incorrectly on eight of nine cards for newly diagnosed patients. The records showed inaccurate dates, and lacked information on whether the patient was actually observed taking the drugs, given a supply of drugs for future doses or did not take the drugs. For those patients given drugs in advance, no information was provided to explain the reason for not observing the patient take the drugs.

Program reporting

109. The GHS produces a report every six months through a process in which districts report monthly to the regional level, which sends quarterly reports to the national level. These data are used for Global Fund grant progress updates. At the time of the audit, the CCM had recently asked for GHS to report on a quarterly basis, which would be in excess of Global Fund Secretariat requirements.

110. PR reports to the Global Fund are mostly submitted on time, but programs should more consistently report results against indicators and targets. More consistent information on trends and value for money would raise the quality of reporting.

Recommendation 28 (Critical)

The Global Fund Secretariat should consider the necessity for the additional indicators, which are not aligned with national disease indicators, in the Round 8 malaria grant performance framework.

Recommendation 29 (Critical)

The Global Fund Secretariat should ensure that the three diseases programs consistently report results against indicators and targets, not only in reports for the Global Fund but also in general review reports and presentations. The disease programs should consistently provide information on trends and on value for money.

Recommendation 30 (Important)

The Global Fund Secretariat should ensure that:

- a. The three disease programs work jointly with the GHS M&E Directorate to develop a culture amongst those working in health facilities that values accurate information. The health post and health center levels should be prioritized; and*

- b. *The CCM reconsiders its requirements for reporting by PRs and align these requirements with government reporting time frames.*

Service delivery

General

111. A review of performance frameworks and annual work plans showed that most PRs were meeting service delivery targets, except:

- Where delays in finalizing the MoH PSM plans have seriously delayed the procurement and supply of commodities necessary for effective implementation; and
- The NACP's not implementing home care for the chronically ill in one service delivery area because it believed patients did not want health personnel to visit their homes due to associated stigma.

Malaria

112. Ghana has been operating a mixed system of ITN/LLIN distribution through:

- Private commercial outlets, where nets are sold at full cost to all clients;
- Public-private partnerships using an ITN voucher scheme in four regions of the country, through which pregnant women attending antenatal clinics in public sector health facilities were given vouchers to receive nets at designated private outlets at a reduced price;
- Public sector health facilities in all regions of the country, where ITNs obtained through grants or donations (including 60% of those procured with Global Fund funds), were distributed for free jointly with EPI during measles mass immunization campaigns targeting children under five years of age, or through the RCH program for health campaigns targeting pregnant women and children; and
- Child welfare or outreach clinics targeting children under five and pregnant women, where the remaining 40% of ITNs procured with Global Fund funds were sold at a heavily subsidized rate of 2 cedis per net.

113. The 2008 DHS confirmed that the above distribution strategy was not successful. Coverage was low, with only 32.6% of households having at least one ITN. Universal access to LLINs therefore became an objective for the 2008-2015 malaria strategic plan. ITN campaigns based on a hang-up approach (nets were physically hung in the house for the client) had begun in the Northern Region and were under a post-campaign evaluation during the OIG audit period. A hang-up campaign started in the Eastern Region during the audit.

114. Global Fund LLIN supplies had been seriously delayed due to delays in approving a procurement plan. A maternal health center visited in Accra had not had any bed nets for distribution for a year. Of the 40 women present for antenatal care, only three reported owning a net. All three reported sleeping under it the previous night.

115. The OIG found no evidence that nets were used for other than their intended purpose.

116. The highest reported rates of malaria were in the Northern Region. The NMCP believed that this was due to over-diagnosis and not good data collection and reporting, with health care providers assuming that most fevers are due to malaria and not using RDTs. Data for the Northern Region from July 2010 show that only 50% of fever cases were tested. The number of malaria cases reported in children under five years was 149,672, while the number of confirmed cases (by RDT) was 76,343.

117. There is an urgent need to increase the use of and confidence in RDTs, which would help reduce the inappropriate use of ACTs.

HIV/AIDS

118. Roughly 85% of women in Ghana knew that HIV could be transmitted by breastfeeding and only 49.5% of women knew that the risk of mother-to-child transmission could be reduced by taking special drugs during pregnancy.

119. HIV prevention education and information in schools was considered good. However, out-of-school youth and university students were not easily reached with IEC.

120. While the non-branded MoH-supplied condoms are randomly tested by the Food and Drugs Board, they have a reputation for breaking. A shortage of branded condoms is hampering efforts at behavioral change. NACP intends to order branded condoms going forward.

121. The lack of a finalized PSM plan has held up program implementation for all of the PRs. None of the PRs had received Global Fund-funded condoms by the end of the audit fieldwork. Some PRs had obtained condoms on credit from the GHS family planning supply.

122. Currently, public sector-supplied condoms are only available from GHS family planning clinics and from designated pharmacies. There are plans to make them more widely available under the Round 8 HIV grant. Additional outlets suggested to the OIG by stakeholders in Ghana included barbers, hairdressers, mobile telephone top-up vendors, petrol service stations and street hawkers. Having a wider variety of outlets stock condoms would contribute to HIV prevention and help demedicalize condoms.

123. The NACP will likely not achieve one of the indicators in the Round 5 performance framework, 'the number of people receiving good quality home based care.' At the time of the audit, the chronically ill were refusing home-based, palliative care by public sector service providers because of the stigma attached to being visited in their homes. Instead, the chronically ill and/or their caretakers visited their local clinic for meetings, for which they were sometimes paid an incentive to attend. The OIG was not able to see evidence of such payment. The indicator has not been changed to reflect this change in the use of the funds; there is no written agreement between the Global Fund and the NACP concerning the change. In addition, there was no baseline for the indicator.

Tuberculosis

124. The TB case detection rate increased from 59/100,000 in 2002 to 64/100,000 in 2009. The NTCP recognized the need to improve the case detection rate and made it a key focus of the Round 10 proposal. The Round 10 proposal also addressed the case fatality trend, which has stayed almost constant at 7.7% in 2002 and 7.6% in 2008.

125. MDR-TB prevalence in 2010 was 0.9%. The NTCP did not have permission to access second-line drugs from the Green Light Committee, largely due to the need to find a supra-national reference laboratory willing to work with specimens from Ghana. The South African Medical Research Council has recently agreed to do the necessary work.

126. Partnerships with private not-for-profit and for-profit health facilities were found to function well. Based on discussions with TB nurses and perusal of TB patient cards, many patients indicate that they travel to obtain an advance supply of drugs and cannot obtain them at workplace clinics.

Recommendation 31 (Critical)

The Global Fund Secretariat should ensure that:

- a. The MOH puts in place training to increase confidence in RDTs and reduce the overconsumption of ACTs;*
- b. The MOH increases its focus on reducing the stigma associated with HIV and AIDS and with TB. Lessons could be learned from other countries in the region, such as Malawi; and*
- c. The MOH makes sure that NACP targets a sufficiently wide variety of outlets for selling condoms.*

Recommendation 32 (Important)

The Global Fund Secretariat should ensure that:

- a. The MOH considers a written agreement with the NACP on reprogramming the funds and the indicator related to quality home-based care for the chronically ill; and*
- b. The MOH makes sure that the NTCP and GAC provide TB DOTS where there are workplace clinics.*

Technical/management capacity

127. Technical capacity reviewed during the audit was good, aided by PR and SR use of MoH/GHS guidelines and teaching curricula. A key challenge was staff shortages among all types of health professionals, particularly in rural areas. There was high attrition despite improved salary levels and incentive schemes. The need for a staff retention package has often been discussed but never fully implemented.

128. There was a need to strengthen some systems so that health personnel can work more efficiently and effectively. For example, improving the timeliness and process of procurement would help ensure that the right drugs and commodities are in the right place at the right time (see recommendations in the PSM section of this report).

129. The MoH sees leadership as a key factor in getting results. At the time of the audit there was a leadership development program for district and regional health managers. There were plans to extend this program to senior managers at the national level.