



THE OFFICE OF THE INSPECTOR GENERAL

The Global Fund to Fight AIDS, Tuberculosis and Malaria

Audit of Global Fund Grants to the Republic of Namibia

Executive Summary

GF-OIG-11-006
2 October 2012

EXECUTIVE SUMMARY

Introduction

1. The mission of the Office of the Inspector General (OIG) 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 the Global Fund's programs and operations.

2. As part of its 2011 work plan, the OIG carried out an audit of Global Fund grants to Namibia which totalled USD 200.9 million, of which USD 148 million had been disbursed to two Principal Recipients.

3. The audit examined the operations of the Principal Recipients, their interactions with their Sub-recipients and implementing partners, the accomplishment of programmatic objectives, the supply chain for the goods and services purchased with the Global Fund grant funds and the oversight functions of the Country Coordination Mechanism, the Local Fund Agent and the Global Fund Secretariat.

Overall conclusion

4. While the OIG noted a number of good practices and achievements in the management of grants, the OIG identified a number of significant weaknesses in the internal control framework at the time of the audit fieldwork. Therefore, the OIG is not able to provide the Global Fund Board with reasonable assurance over the effectiveness of controls in place at the time of the audit field work to manage all the key risks impacting the Global Fund-supported programs and operations. The audit offers 48 recommendations categorised as "Critical" and 15 recommendations categorised as "Important". These categorisations are defined at paragraph 20.

Oversight and Governance

5. In 2009, the CCM underwent a reform process which resulted in development of a formal constitution and governance policies. However, there is scope to improve further by aligning the Namibia CCM guidelines with those of the Global Fund, particularly in relation to the nomination of PRs and the selection of representatives for persons affected by the diseases. The Namibia CCM could also improve by being more proactive in its grant oversight, particularly in the event of an interruption in grant implementation.

6. PricewaterhouseCoopers has been the Local Fund Agent for Namibia since the commencement of the grants in 2004. The OIG identified improvements required in the oversight provided by the LFA including documenting and following up on grant risks, consistently performing on-site reviews at PR and SR premises and ensuring that reports submitted to the Global Fund are complete and delivered on a timely basis. The Global Fund Secretariat could further strengthen its oversight by ensuring regular and effective follow-up of LFA activities and by providing the LFA with timely feedback.

Public Health Response

7. Despite strong programmatic progress, there are a number of areas for improvement in terms of program and service delivery including:

- Reducing patient waiting times and ensuring privacy during counseling and testing by expediting the restructuring and renovation of busy health facilities;
- Revising the timeline for the surveillance survey and aligning the dates in the special conditions of the grant agreement with those in the survey protocol; and
- Revising the baselines for the "number of eligible HIV positive patients starting treatment of latent TB infection" indicator in the performance framework to align with the national database.

Procurement and Supply Chain Management

8. A number of good practices were identified during the audit including coordinating and undertaking centralized procurement on behalf of SRs to attain collective bargaining and bulk purchase benefits. However, the audit also identified a number of areas where there is scope for strengthening the controls around procurement including:

- Aligning procurement processes with the grant agreement requirements, particularly by separating instructions to bidders from conditions of contract within tender documents and monitoring the quality of goods and services;
- Strengthening forecasting of procured products by ensuring that consumption data from facilities are made available to the Central Medical Stores on a timely basis; and
- Improving warehouse and inventory management, particularly by modernising and securing storage premises, segregating flammable goods and ensuring that pharmacists are recruited and deployed at health facilities.

Financial management

9. There is scope to improve and strengthen controls over expenditure. This report identifies expenditures potentially recoverable to the grants, including unsupported expenditure totalling USD 1.65 million and ineligible expenditure totalling USD 0.58 million. In addition, there is a need to ensure that training expenses are paid in accordance with established guidelines and thus optimize the use of grant funds.

Events Subsequent to the Audit

10. Significant steps have been reported by all parties in response to the draft recommendations submitted by the OIG to Namibia. Actions that are underway or have been completed include the following.

- i. The Ministry of Health and Social Services
 - is spearheading the development of a sustainability strategy for donor-funded programs, with a particular focus on HIV, TB and Malaria programs;
 - is working closely with the Global Fund Secretariat to conduct an independent verification of NASOMA; and
 - has provided additional details on the undocumented and potentially ineligible expenses identified.
 - ii. Tenders will no longer be run by the Central Medical Stores. The tender board of Namibia's decision of 29 June 2012 has also prescribed improved ways of procuring clinical supplies and pharmaceuticals.
 - iii. The LFA has made a number of improvements to their oversight, including aligning the LFA methodology to risks and committing to performing reviews on site.
11. After the OIG shared the report with the CCM and Principal Recipients, the PRs provided additional information and clarifications that could not be verified since the audit fieldwork on which this report was based took place twelve months ago. The OIG agreed with the PRs that the Global Fund Secretariat should request the LFA to verify further information and documentation provided; and amounts indicated to be refunded in Annex 3 would be adjusted, if appropriate.