



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**

### **Report**

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**2 October 2012**

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## **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.

## COMMENT FROM THE GENERAL MANAGER OF THE GLOBAL FUND



10 YEARS  
OF IMPACT

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### 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 Namibia.

The audit's fieldwork was carried out from 6 June to 15 July 2011 and it covered all grants to Namibia, totalling US\$ 200.9 million.

The audit found a number of good practices and achievements in the fight against the three epidemics in the country. Over 80% of eligible patients were receiving anti-retroviral therapy in 2010. The trends in malaria morbidity and mortality have decreased by over 80% between 2001 and 2008. Pre-elimination and elimination of the disease are planned for 2016 and 2020 respectively. The mortality rate per 100,000 people was estimated at 2 in 2010, down from 52 in 2005.

In 2004, Namibia had a severe TB epidemic. Although progress has been made, it still remains extremely serious. The audit found evidence of strong programmatic performance, reflected on a treatment success rate of 85% and on the achievement of other targets in the context of a huge TB burden. With Global Fund grants, the country has managed to make tuberculosis treatment services available at all levels of health services. Namibia also has capacity today for managing multi-drug resistant TB at all district and regional referral hospitals.

The audit also identified challenges and scope for improvement. There are nomadic communities in Namibia that are difficult to reach with services for the prevention of HIV transmission from mother to child. The level of dependency on Global Fund money by some implementing organizations is high, at 100% or near that in some cases. In grant management, the report found significant weaknesses in internal controls over expenditure. In order to enhance the implementation of programs, the report presents 63 recommendations.

In addition, the audit identified ineligible and unsupported expenditures totalling US\$ 2.23 million. After the completion of the audit's fieldwork, further information and clarifications were provided in relation to these recoverable expenditures. The material will be verified by the Local Fund Agent, PricewaterhouseCoopers, and the amounts indicated to be refunded

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will be adjusted, if necessary. The Secretariat will see to it that all ineligible and unsupported amounts are reimbursed, in line with policy.

Following the audit, and the submission of its preliminary results to implementers in Namibia, significant steps have been taken by all parties to proceed with the adoption of the above mentioned recommendations.

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



**COMMENT FROM THE COUNTRY COORDINATING MECHANISM**

The OIG shared the final draft of this report with the Namibia Country Coordinating Mechanism on 2 August 2012 and requested that the CCM submit any overall final comments. Despite regular communication with the CCM on this matter over the past eight weeks, the CCM has not provided a message for inclusion in this report. However, previously the CCM had provided a response to the recommendations offered and the management action plan (Annex 4).

## Audit of Global Fund Grants to Namibia

### BACKGROUND

#### Grant Portfolio

12. At the time of the audit, the total approved funding to Namibia amounted to USD 200.9 million, of which USD 148 million (or 74%) had been disbursed.

Round	Disease	Principal Recipient	Grant Amount (USD)	Status
2	HIV/AIDS	MOHSS	151,295,230	RCC
2	TB	MOHSS	1,442,459	RCC
2	Malaria	MOHSS	7,009,212	RCC
5	TB	MOHSS	17,204,526	Phase II (ended 31 May 2011)
6	Malaria	MOHSS	13,372,741	Phase II
2	HIV/AIDS	NANASO	10,552,952	RCC
<b>Total</b>			<b>200,877,120</b>	

Table 1: Grant Portfolio as at 31 March 2011

#### Institutional Arrangements

13. The Namibia Coordination Committee on HIV/AIDS, Tuberculosis and Malaria (NaCCATuM) is responsible for overall oversight and coordination of Global Fund grants in Namibia. The Ministry of Health (MOHSS) has a Project Management Committee (PMC), composed of senior managers, which oversees the day-to-day program management and implementation.

14. The MOHSS established a Program Management Unit (PMU) in 2004 in fulfillment of a special condition under the Round 2 grants. The overall objective of the PMU was to ensure sound, transparent and effective implementation of the Global Fund Programs in Namibia.

#### Audit Timing and Approach

15. The Office of the Inspector General (OIG) as part of its 2011 work plan, conducted an audit of the Global Fund grants to Namibia. The audit field work spanned the period from 6 June to 15 July 2011.

#### Audit Objectives

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

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

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

### Audit Scope

17. The OIG audit covered all grants from the inception of the Global Fund–supported programs. It covered all entities involved in program implementation and oversight, viz. Principal Recipients (PRs), the Program Management Unit (PMU), selected Sub-Recipients (SRs), the Country Coordinating Mechanism (CCM), and the Local Fund Agent (LFA); as well as the following functional areas: (i) finance and administration; (ii) procurement and supply chain management; (iii) programmatic management and (iv) program oversight.
18. The audit included visits to selected SRs, health facilities and treatment centers, warehouses and stores in selected regions, viz. Oshana, Oshikoto, Kavango, Khomasdal and Walvis Bay. The financial review covered the period between 1 Jan 2005 and 31 May 2011 at 18 of the 38 SRs funded by MOHSS that were responsible for 68% of total SR expenditure and 45% of all SR expenditure was examined. The determination of SRs to review was based on materiality of expenses and risk profile from review of documentation at the start of the audit. The audit team also visited a total of 13 service-delivery sites of which four were district hospitals and five were health facilities as part of the programmatic review. In addition the OIG audit team carried out visits to the Central Medical Store and three regional warehouses.

### Audit Methodology

19. The audit followed a risk-based approach, i.e., audit emphasis was placed on activities where program activities are concentrated as well as those with weaker internal controls. The OIG evaluated the adequacy of the design of key internal controls and conducted substantive testing of samples in order to conclude upon the correctness and validity of transactions, as well as to obtain evidence regarding the effective and efficient operation of internal controls. The OIG deployed a multi-skilled team of 16 comprising financial auditors, public health and program specialists and procurement and supply management specialists.

### 20. Prioritization of Audit Recommendations

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:

- i. Critical*: Material concern, fundamental control weakness or non-compliance, which if not effectively managed, presents material risk and will be highly detrimental to the organization interests, significantly erode internal control, or jeopardize achievement of aims and objectives. It requires immediate attention by senior management;
  - ii. Important*: There is a control weakness or non-compliance within the system, which presents a significant risk and management attention is required to remedy the situation within a reasonable period. If this is not managed, it could adversely affect the organization's interests, weaken internal control, or undermine achievement of aims and objectives; and
  - iii. Desirable*: There is a minor control weakness or noncompliance within the system, which requires remedial action within an appropriate timescale. The adoption of good practices would improve or enhance systems, procedures and risk management for the benefit of the grant programs.
21. Please note that all recommendations rated as 'desirable' will be communicated in a separate Letter to Management and are not included in this report.

### MINISTRY OF HEALTH AND SOCIAL SERVICES (MOHSS)

22. The Ministry of Health and Social Services (MOHSS) was the Principal Recipient for five of six grants made to Namibia.

23. At the time of the audit, the MOHSS had two approved malaria grants and two approved tuberculosis grants, with a total of USD 30 million having been disbursed to the PR out of the approved grant total of USD 39 million. From the Round 2 HIV grant, USD 115 million had been disbursed out of USD 151 million.

Disease	Grant	Approved Amount (USD)	Disbursed amount (USD)	%age disbursed
Malaria	NMB-202-G03-M-00 *	7,009,212	6,448,793	92%
	NMB-607-G06-M	13,372,741	9,989,413	75%
TB	NMB-202-G02-T-00 *	1,442,459	1,442,459	100%
	NMB-506-G04-T **	17,204,526	12,592,920	73%
HIV/AIDS	NMB-202-G01-H-00 *	151,295,230	115,913,055	77%
	<b>Total</b>	<b>190,324,168</b>	<b>146,386,640</b>	<b>77%</b>

(Table 2: Summary of grants received by MOHSS)

Source: The Global Fund website as at 31 March 2011

- \* Includes RCC grants
- \*\*TB - R5 grant ended on 31<sup>st</sup> May 2011
- TB-R10 grant had been approved and at the time of the audit was pending agreement sign-off)

### HIV/AIDS GRANTS

#### Background

24. The overall prevalence of HIV in the adult population was estimated at 15% in 2007/08. In 2010, HIV prevalence was estimated 18.8% among pregnant women attending antenatal care compared to 17.8% in 2008. The highest prevalence was among the 30-39 year age-group (29.6%) and lowest among those aged 15-19 (6.6%). The prevalence of HIV in rural (19.1%) and urban (18.5%) areas is about the same. The epidemic is concentrated in three geographic areas of the Country – North-West, North and Central but a decline in prevalence was observed in – Rehoboth, Okahandja, Karasburg, Grootfontein, Keetmanshoop and Luderitz<sup>1</sup>. It is projected that the HIV prevalence will stabilize at 16% by 2012/13<sup>2</sup>.

#### Implementation of grant program activities

25. Namibia has one HIV/AIDS grant, with the MOHSS as PR under Round 2, with over 20 Sub-Recipients. The Round 2 grant ran from January 2005 until December 2009, with a no cost extension up to June, 2010 and continuation under the Rolling Continuation Channel from 2011. A second PR, the Namibia Network of AIDS Services Organizations (NANASO), was appointed under the RCC grant starting in January 2011.

<sup>1</sup>Government of Namibia, Antiretroviral Therapy Pharmaceutical Management Information System Quarterly Feedback Report: Quarter 4 FY 2010/11 –January to March 2011

<sup>2</sup>Government of Namibia, MoHSS,2008. Estimates and Projections of the Impact of HIV/AIDS in Namibia

26. The key interventions included in the grant were: 1) BCC and IEC; 2) Promotion of condom use; 3) Expansion of voluntary counseling and testing sites; 4) Expansion of PMTCT services; 5) Comprehensive curative and palliative care for PLWHA; 6) Expansion of home based care; 7) Institution of work-based programs; and 8) Comprehensive care and a supportive environment of orphans and vulnerable children.
27. The generally high level of implementation of all planned activities is reflected in the attainment of key outcome and impact targets as described in the sections that follow.

### **Quality of Service Delivery**

#### HCT

28. The introduction of the HIV rapid screening test to more clinical centers has reduced the time taken for diagnosis and resulted in increased numbers of patients tested. This increase is reflected in the number of persons counseled and tested at the end of the funding period, where the target of 560,738 was exceeded by more than 120,000 persons. In 11 of the 13 sites that were visited, testing, privacy and confidentiality standards complied with national guidelines<sup>3</sup>. For example, all sites visited had qualified counselors, kept patient records in a secure location, and, at four of these sites, displayed evidence of recent technical support supervision.
29. A lack of space limited privacy during counseling and testing at some sites such as Rundu District Hospital and Khomasdal. Sambyu Health Centre had limited space but prioritized privacy, causing some clients to wait for long periods while others met the counselor. A lack of privacy in counseling is a marker of poor service quality. Both lack of privacy and long waiting times can put patients off seeking HCT provision.

#### **Recommendation 1 (Critical)**

*The Global Fund Secretariat should require the MOHSS to produce and commit to a plan for the restructuring and renovation of busy health facilities in order to reduce patient waiting times and ensure privacy during counseling and testing.*

#### PMTCT

30. There are some mainly nomadic communities who found it difficult to reach PMTCT services. Health workers at Sambyu Health Centre and the maternity ward at Nankudu district hospital informed the OIG that it was “impossible to initiate life-saving treatment for infected infants who could not be traced although tests had been received”. Failure to address such service gaps presents challenges for the country to sustain and/or further reduce the vertical transmission of HIV. The MOHSS has planned a study to examine the specific causes of failure to follow-up on mother-baby pairs. Results from this study should inform the design of innovative strategies to bridge these service gaps.
31. The use of Polymerase Chain Reaction (PCR) diagnosis coupled with improved turnaround time for results has markedly reduced the waiting time to the initiation of treatment and contributed to the marked progress in the PMTCT intervention. However, Nkurenkuru Health Centre, an IMAI outreach site of Nankudu district hospital reported delays in turnaround for PCR samples. A follow-up visit to the Nankudu National Institute of Pathology (NIP) laboratory that services Nkurenkuru IMAI site, confirmed that such delays do occur. The laboratory in charge attributed these delays to a high volume of patients and the shortage of human resources. For instance, the technologist was transferred and has not been replaced since April 2011 yet the human resource establishment allows for a technologist, a technician and an assistant. Delayed diagnosis

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<sup>3</sup>Government of the Republic of Namibia, MoHSS National Guidelines for HIV Counseling and Testing in Namibia, March 2011

results in a delay in the initiation of life-saving treatment which could worsen the illness prognosis.

32. A related constraint for facilities without laboratories is the failure to transfer liquid blood specimens to an NIP facility in a timely manner. Specimens for some tests e.g. CD4 need to be as fresh as possible and processed within 6-24 hours of collection<sup>4</sup>. However, a review of patient registers and discussion with the in-charge of the Nkurenkuru IMAI site showed that specimens collected from clients on Friday have a higher rejection rate since processing will usually take place on Monday, which fails the minimum compliance standards. Rejection of samples delays diagnosis and/or progress monitoring since this implies the need for a repeat sample at the next visit. The rapid scale up of HIV care to peripheral sites is intended to broaden access for patients as well as decongest busy hospitals. Such scenarios of sample rejection undermine the need to provide patient access to services that are geographically nearer to them.

### **Recommendation 2 (Important)**

*The Global Fund Secretariat should ensure that:*

- a) *The National Institute of Pathology (NIP) increases the number of staff at remote locations to meet the demand for laboratory services and addresses delays in processing tests, and*
- b) *MOHSS acts upon the outcomes of the planned study to examine the causes for failure to follow-up mother-baby pairs.*

### **ART**

33. The number of eligible persons receiving ART in 2010 was estimated at slightly over 80% for adults and 60% for pediatric patients.<sup>5,6,7</sup> The scale-up of access to ART was enhanced by the ongoing roll-out of a task-shifting model. The training is based on the Integrated Management of Adult and Adolescent Illnesses module (IMAI)<sup>8</sup> which also includes a component of the Integrated Management of Childhood Illnesses. This initiative progressively equips nurses to initiate ARV at their sites with clinical support supervision from medical officers. The training also enables nurses to manage stable children and older persons whose care is decentralized from the hospitals to health centers and clinics. The decentralization of HIV services to IMAI sites has reduced congestion at hospital HAART clinics and reduced patient travel time.
34. However, the full maximization of the of HAART services is curtailed by poor treatment adherence. Frequent defaulting and late reporting for diagnosis and refills were important contributors to poor adherence. Migration and the lack of adequate wholesome nutrition were reportedly some of the individual patient level factors that limited adherence. Table 3 illustrates the level of variation in adherence and lateness for appointments at some of the sites visited<sup>9</sup>. Failing to attain at least 95% adherence contributes to the emergence of drug-resistant HIV variants that lead to regimen failure, limiting future treatment options and subsequently curtails the successful long-term

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<sup>4</sup> Namibia Institute of Pathology (NIP) Ltd 2011 NIP Laboratory Service Manual

<sup>5</sup> Government of Namibia, MoHSS, 2008 Estimates and Projections of the Impact of HIV/AIDS in Namibia

<sup>6</sup> Government of Namibia, Antiretroviral Therapy Pharmaceutical Management Information System Quarterly Feedback Report: Quarter 4 FY 2010/11 – January to March 2011

<sup>7</sup> Government of Namibia, HIV Sentinel Survey, 2010

<sup>8</sup> Republic of Namibia, Ministry of Health and Social Services, 2007 Integrated Management of Adolescent and Adult Illness (IMAI): Guidelines for Healthcare Workers at Clinics, Healthcare Centers, and District Hospital Out-patient Clinics

<sup>9</sup> The EDT report at the time of reporting presents the most objective level of reporting on adherence and lateness to appointment since it involves actual counting of pills. There are ongoing efforts to improve the accuracy of reporting by reconciling this information with that from the electronic patient management system.

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HAART treatment<sup>10</sup>. Additionally, it increases the necessity of switching clients to more expensive second line regimens.

Health Facility (Date)	Patient adherence (EDT report)			Lateness of appointment			
	>95%	75-95%	<75%	<4days	4-10 days	11-19 days	20-29 days
Andara hos (May, '11)	187 (35%)	45 (8.5%)	296 (56%)	404 (75%)	75 (14%)	35 (6%)	28 (5%)
Nankudu hos (Apr '11)	100 (61%)	40 (25%)	23 (14%)	220 (86%)	13 (5%)	12 (5%)	10 (4%)
Rundu hos (Feb '11)	238 (24%)	700 (69%)	71 (8%)	10 (63%)	3 (19%)	3 (19%)	0
Khomasdahl HC (May '11)	328 (74%)	58 (13%)	58 (13%)	433 (96%)	20 (4%)	12 (3%)	5 (1%)

- >95% adherence required for HAART treatment efficacy. Variation in >95% adherence in sites visited by OIG.
- Additionally EPMS data shows up to 14% loss to follow up for those on HAART (March, 2011)

*(Table 3: Level of variation in adherence and lateness for appointments at some of the sites visited)*

35. Pre-ART care is provided as part of the comprehensive service for persons infected with HIV. Patients who are not yet eligible for ART treatment effectively need to self-monitor. The pre-ART registers at Rundu district hospital, Nkurenkuru Health Center and Sambyu Health Centre showed that not all patients were consistent in reporting for the assessment of CD4 levels. The absence of continued monitoring means that patients, especially those with high initial CD4 levels, could miss out on the opportunity to have treatment initiated on time.

### **Recommendation 3 (Important)**

*The Global Fund Secretariat should require MOHSS to institute unique identifiers for patients to streamline management and follow-up for habitual defaulters and migrant clients.*

### **Recommendation 4 (Important)**

*The Global Fund Secretariat should require MOHSS to institute active follow-up for all pre-ART clients regardless of CD4 count.*

36. The MOHSS tried to ensure high service quality within the existing resource constraints by employing highly qualified professional cadres, and ensuring a stringent accreditation process. However, the training demand for HIV care skills remained high due to health worker attrition. Tsumeb district hospital, for example, had a particularly high attrition rate leading to comparatively lower HIV service delivery performance compared to other facilities in the Oshikoto region.

### **Recommendation 5 (Important)**

*The Global Fund Secretariat should ensure that the National Training Centre intensifies training of HIV service delivery staff.*

<sup>10</sup>Chesney M. Adherence to HAART Regimens; AIDS Patient Care and STDs. 2003 Apr;17(4):169-77.

### Monitoring and Evaluation

#### Quality of Performance Frameworks and Indicators

37. The performance framework of the Round 2 RCC grant covers all aspects of the program. It includes population-level outcome indicators to be measured through national surveys, in addition to process and output indicators. Indicators and targets have been set for all implementing entities.
38. The impact indicator #2 (“Proportion of most-at-risk populations (MARPs) – prisoners and MSMs – infected with HIV”) does not have a baseline and targets, although a special condition in the RCC grant agreement requires that these be reported to the Global Fund by October 2011. However, the timeline for implementing a Behavioral Surveillance Survey (BSS) required for measuring this indicator is planned for 2012 as outlined in the National M&E Plan. The PR has taken several steps to expedite the survey and data collection for measuring HIV prevalence amongst prisoners has already begun, while that for sex workers has been delayed. As per the revised timeline set in the Protocol (v.3) for the Integrated Biological and Behavioral Surveillance Surveys, the final results are likely to be available by July 2012. It is critical that this indicator be measured in a timely manner to assess progress towards the grant’s objectives.
39. Objective/indicator #1.1 (“Number of people reached through HIV AIDS radio and TV programs”) also does not currently have a baseline or targets and the PR is required (by the special condition to the Grant agreement) to deliver these to the Global Fund by October 2011. The performance framework states that this indicator will be measured through “special studies by MOHSS” and “field assessments of targeted segments”, the first of which is set for Year 6 of the grant (ending September 2011). However, no such studies or assessments are mentioned in the National M&E Plan. In the absence of such a plan, it will not be possible to monitor progress made in this implementing this intervention.

#### **Recommendation 6 (Critical)**

*The Global Fund Secretariat should discuss a revised timeline for the surveillance survey with the Directorate of Special Programs (DSP) and align dates in the special condition in the Grant agreement with those in the survey protocol, and also ensure that the DSP works with technical partners in deciding a method and a timeline for measuring baselines and setting targets for the relevant indicators.*

40. The baseline figure for objective/indicator 2.2, “Number of eligible HIV positive patients starting treatment of latent TB infection (INH preventive treatment)” in the performance framework is 3,383 while that in the National M&E Plan is 1,495. Both frameworks have a common definition for this indicator and draw their baseline figures from 2007 data of Electronic Program Monitoring System (EPMS)/Electronic TB Register (ETR). Conflicting baseline figures will hamper meaningful interpretation and use of future data for improving the program.

#### **Recommendation 7 (Critical)**

*Global Fund Secretariat should work with the PR’s Directorate of Special Programs (DSP) to revise the baselines for the indicator “number of eligible HIV positive patients starting treatment of latent TB infection” in the performance framework to align with the national database.*

#### Accuracy of Reported Data

41. Discrepancies were noted between the numbers found in the Electronic Program Monitoring System (EPMS) reports at facilities and those at the national level for the same facilities, as presented in the table below:

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Facility	EPMS report for March 2011			
	Facility data		National data	
	Male	Female	Male	Female
Oshivelo Hospital [Site HIV4]	64	113	55	90
Oshakati Hospital [Site HIV7]	2042	4867	2051	4849

(Table 4: Data on “number of adults on first line ARVs”, March 2011)/

42. The national program has plans to improve network infrastructure at the national data warehouse and in regional and district levels with potential for real-time sharing of data between national and sub-national levels which will eliminate these differences and enable all levels of the program to work with the same figures and make the data more usable for improving the program

### **Recommendation 8 (Critical)**

*The Global Fund should ensure that the national program regularly reconciles EPMS data between national and regional/facility levels to ensure accuracy of reported data.*

43. Errors were noted in the aggregation of data from patient registers into facility-level reports, as shown in table 3 below. While the data is far from being nationally representative, it points to the need for placing and consistently implementing checks as such errors, if widespread, can affect national aggregates significantly.

Indicator	Facility	Period	Reported Number (A)	Verified Number (B)	% reported (A/B)
# ANC clients tested for HIV	Katutura Int Hospital, Maternity Ward, PMTCT unit	Mar '11	204	164	124.4
# TB patients tested for HIV	Katutura Int Hospital, TB HIV Unit	Jan-Mar '11	150	155	96.8
# clients tested for HIV	Khomasdal Clinic	Mar '11	128	130	98.5
# clients tested for HIV	Robert Mugabe Clinic	Mar '11	152	152	100.0

(Table 5: Errors in Aggregating Data)

### **Recommendation 9 (Critical)**

*The Global Fund Secretariat should ensure that Directorate of Special Programs conducts regular and frequent supervision of health facilities to verify reported data and provide feedback to providers on the quality of data.*

### **Malaria Grants**

44. The trends in morbidity and mortality have decreased by over 80% between 2001 and 2008. Pre-elimination and elimination are planned for 2016 and 2020 respectively. The malaria mortality rate per 100,000 population was estimated at 2 in 2010; decreased from 52 in 2005<sup>11</sup>. This progress in reducing the prevalence of malaria is attributed to the consistent implementation of prevention strategies. Indoor residual spraying (IRS) with DDT has been used annually as a preventive measure since the early 1960s. For the high prevalence areas of the country, long lasting insecticide treated nets (LLIN) are distributed to pregnant women and children under five<sup>12</sup>. The potency of insecticides

<sup>11</sup>Government of Namibia, MoHSS NVDCP Annual Report 2010/2011

<sup>12</sup>Government of Namibia, MoHSS Draft Distribution Plans for LLINs, 2009

used in IRS and LLINs is regularly assessed. National guidelines prescribe Artemether-Lumefantrine (AL) as first-line and quinine as second-line treatment.

### Implementation of grant program activities

45. Namibia was awarded a Round 2 and a Round 6 malaria grant. The PR for both is the MOHSS, with the Social Marketing Association as Sub-Recipient (SR) in Round 2. The National Vector-borne Disease Control Program (NVDCP) is an implementing division under the Directorate of Special Programs in the MOHSS.

### Case management

46. Given the changing prevalence of malaria, there is emphasis on confirmatory diagnosis before treatment<sup>13</sup>. The NIP laboratory based at Onandjokwe Regional Referral Hospital was equipped with microscopes and had a dedicated section for malaria diagnosis headed by a qualified technician. Site visits at the nine facilities handling malaria cases confirmed that all suspected malaria was tested by RDT and/or microscopy. Not all clinicians treated malaria only after obtaining a confirmatory diagnosis: for example, clinicians at Rundu district hospital still prescribed AL in spite of a negative result. The OIG was told that the rationale for prescribing AL in spite of a malaria negative test is related to the difficulty of observing patient progress for those who live far from facility. Another reason provided was that some health workers have not had refresher updates on the new treatment guidelines.

47. The OIG was informed by program management staff that a number of interventions are already planned to address treatment practice gaps. For example an AL therapeutic efficacy study is planned to support evidence for behavior change campaigns among physicians. These behavior change campaigns will also include mentoring sessions using evidence of the comparability between RDT and microscopy testing results to encourage correct prescription practices. There is also an ongoing assessment of the diagnostic and treatment practices for malaria and compliance with a view to developing diagnostic and treatment guidelines.

### **Recommendation 10 (Critical)**

*The Global Fund Secretariat should ensure that the Directorate of Special Programs undertakes clinical supportive supervision and mentoring for both malaria-prone and risk-free areas to ensure diagnosis and treatment in accordance with the national guidelines. The PR should set a target and report internally on the number of supervision visits to be conducted.*

### Behavior Change Communication

48. The OIG observed that the current level of BCC interventions for malaria prevention is not commensurate with the need. For example, compared to the TB and HIV programs that have established community structures for regular support, malaria prevention campaigns are only conducted on World Malaria Day and national awareness week in November<sup>14</sup>. There is no mechanism that systematically follows up the correct use of bed nets at household level. Indeed the six sites that had distributed LLIN reported that this was the case. This inadequate IEC raises the risk of low usage of personal protection measures. For example, the usage of nets is less than ownership<sup>15</sup> which implies that the full potential of distributing nets to vulnerable groups is not realized.

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<sup>13</sup> Malaria Strategic Plan, 2010-2016: Ministry of Health and Social Services

<sup>14</sup> Government of Namibia, MoHSS, Namibia Malaria Programme Performance Review, 2011

<sup>15</sup> Government of Namibia, MoHSS in collaboration with WHO, UNICEF, Clinton Foundation and Global Fund Namibia Malaria Indicator Survey, 2009

### **Recommendation 11 (Important)**

*The Global Fund Secretariat should ensure that MOHSS strengthens the capacity of existing community level structures, including clinics, to conduct ongoing IEC and BCC for malaria prevention at household level. MOHSS should expedite the recruitment of key programmatic positions such as the IEC coordinator will ensure that this intervention receives strategic guidance.*

### **Monitoring and Evaluation**

#### Adequacy of Tools and Systems to Monitor Grant Performance

49. The M&E Systems Strengthening Tool workshop held in May 2010 identified the lack of standardized reporting systems for behavior change communication (BCC) activities as a weakness leading to possible double counting across the various partners that implement BCC activities. This activity is part of the annual M&E plan for 2010-11 but has not yet been implemented, though the national program recognizes the need to develop standard systems for BCC interventions. BCC activities are currently being carried out under the Round 6 grant and these will move to the RCC grant by 2012 (objective/indicator 4.1)

### **Recommendation 12 (Important)**

*The Global Fund Secretariat should encourage the national program to expedite the development of a standardized reporting system across all partners for the BCC intervention.*

### **Tuberculosis Grants**

50. The TB program is coordinated by the National TB and Leprosy Program (NTLP). A Senior Health Program Administrator at regional level coordinates and routinely supervises programmatic activities for districts and facilities within a region for TB, malaria and HIV. TB treatment services are offered at all levels of health service provision. A patient-centered community-based approach for DOTS was started in 2009. Diagnostic services are provided through a network of NIP laboratories housed at the 34 district hospitals. Capacity for the management of MDR-TB exists at all district and regional referral hospitals.
51. In 2004, Namibia ranked number one among countries with the most severe TB epidemics in the world. Although progress has been made since then, the TB case notification of 634/100,000 reported in 2009 is still one of the highest in the world. The average national co-infection of HIV among TB patients is 58% but there is wide regional variation. There is also an increasing case-notification of multi-drug resistant (MDR) and extensively drug resistant TB. However, the treatment success rate of 85%<sup>16</sup> and progress on set targets in the context of a very large TB burden is an indication of strong programmatic performance.
52. The MOHSS signed two grant agreements for TB with the Global Fund: Rounds 2 and 5, both implemented by the NTLP. The Round 2 grant ran from December 2004 to September 2010, while the Round 5 grant commenced in April 2006 and ended in May 2011.
53. The strong facility-based DOTS program for TB was important for areas where it was impracticable to deploy community field promoters in view of the vast distances. Factors that contributed to the functionality of facility-based DOTS were:
- i) Patients who live far were advised to stay with relatives within 5-10km of health facilities, e.g., Sambyu Health Centre;

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<sup>16</sup>Government of Namibia, MoHSS, DSP Second Medium Strategic Plan for TB and Leprosy.

- ii) Home visits were made by TB field promoters to trace defaulters, e.g., Khomasdal Health Centre, Oshakati Intermediate Hospital, Onandjokwe Regional Hospital, Oshivelo Health Centre, Tsintsabis Clinic, Dordabis Clinic, Sambyu Health Centre;
  - iii) Patients who could not come to a facility regularly were given supplies for a week to two months, monitored by treatment supporters, e.g., Onyanya Health Centre, Sambyu Health Centre, Khomasdal Health Centre, Dordabis Clinic, Onandjokwe Regional Hospital, Walvis Bay Hospital, Karibib Health Centre;
  - iv) Telephone numbers of patient supporters and/or employers were included in the patient file so that clinic attendance could be enhanced, e.g., Oshakati Intermediate Hospital, Dordabis Clinic, Rundu District Hospital, Onyanya Health Centre;
  - v) Innovation in defaulter tracing, e.g., radio announcements and police involvement as seen in Rundu District Hospital; and
  - vi) Conscientious follow up of patients by appointment date as seen in Walvis Bay.
54. The OIG confirmed functional community-based DOTS programs at Oshakati Intermediate Hospital, Khomasdal Health Centre, Dordabis Clinic, and Onandjokwe Regional Referral Hospital. At these facilities, daily documentation of patient adherence by community supporters was part of the clinical evaluation. This close monitoring of patients encouraged treatment adherence essential for sustaining the treatment success rate. In line with ensuring the sustainability of the community-based DOTS program, the MOHSS plans to employ a health extension cadre to absorb TB field promoters and community counselors.
55. However, during discussions with program management and operational staff the OIG established that there was no immediate solution for continued employment of TB field promoters. This raises the risk of interruption of the community-based DOTS program.
56. Active contact tracing is particularly relevant given the high treatment success rate. At seven of twelve treatment facilities where the OIG verified contact tracing, there was no evidence that family/close contacts of patients were screened for TB.

### **Recommendation 13 (Important)**

*The Global Fund Secretariat should require the MOHSS to clarify how it will staff TB field promoters before the Health Extension Program is fully implemented.*

### **Recommendation 14 (Important)**

*The Global Fund Secretariat should require MOHSS to ensure that health facilities properly document family contacts and institute active contact tracing for sputum positive patients.*

### **Quality of service delivery**

57. According to NTLP guidelines, most health facilities place emphasis on administrative procedures to curb the inadvertent transmission of TB to healthy individuals. For example, the OIG observed that at Nkurenkuru Health Center TB/MDRTB reviews are largely performed outdoors. Admission wards had wide windows which allowed for good ventilation and natural sunlight. Patients were encouraged to sit in the sun and fresh air for most of the day. Staff at Khomasdal and Robert Mugabe Health Centers reported that patients with chronic cough were seen first as an additional protection measure to curb spread of facility-based infection. At Khomasdal Health Centre the use of a surgical mask on a patient with a diagnosed TB was observed. However, personal staff protection measures such as the use of N95 masks were inconsistently used even when in contact with infected patients on an MDR-TB ward, e.g., Walvis Bay District Hospital.
58. The OIG observed different standards of practice for infection control at two other MDR-TB sites that were visited:

- At Oshakati Intermediary Hospital movement of patients with confirmed MDR-TB was restricted and treatment compliance was promoted by increasing accountability through group and individual incentives. For example, a patient who converted to being non-infectious was given a weekend pass;
- Walvis Bay DR treatment site had unrestricted movement of patients, which resulted in free mixing of MDR-TB patients with healthy individuals both at the facility and in the neighboring community.

### **Recommendation 15 (Critical)**

*The Global Fund Secretariat should require MOHSS to strengthen infection control for MDR-TB at Walvis Bay Hospital.*

### **Governance and Oversight**

59. The OIG noted that the level of dependency on Global Fund grants by some implementing organizations was high. Examples noted in this regard include; NASOMA - 100%, Commodity Exchange - 95%, NANASO - 90% and DAPP – 60%. Dependency on a single funding source places significant pressure and risk on Global Fund resources and brings into question the sustainability of these organizations and the activities they implement.

### **Recommendation 16 (Critical)**

*The PRs should work with NaCCATuM to build the capacity of implementing organizations in fundraising and resource mobilization to reduce reliance on Global Fund grants and ensure sustainability of the program activities.*

60. The OIG noted instances of weak oversight structures at SR level which compromised program performance and in some cases led to the termination of the Global Fund grants. The following weaknesses were noted:

- The oversight boards were not always fully constituted during the grant implementation period as required by the constitutions of the respective organizations (NASOMA, Lironga Eparu);
- Commodity Exchange did not have an oversight board;
- The oversight boards did not meet regularly to discuss progress of program implementation (NASOMA, Lironga Eparu, Council of Churches in Namibia (CCN));
- The Board members participated in Program implementation arrangements (e.g., at CCN the Board members were bank signatories); and
- There was no conflict of interest policy signed by Board members at Catholic AIDS Actions (CAA).

### **Recommendation 17 (Critical)**

*The Global Fund Secretariat should require that the PRs work with SRs to strengthen governance and oversight structures to effectively support program management and implementation. The oversight role of SRs can be strengthened by:*

- i) Ensuring that the Boards of Directors for the various SRs are fully constituted and meet regularly;*
- ii) Ensuring that the Boards of Directors review the implementation of Global Fund programs which should be evidenced in the resulting action plans from the meetings; and*
- iii) Training of SR Boards in corporate governance to appreciate their role and to develop skills for program oversight.*

61. The PR contracted Deloitte & Touche to perform quarterly internal audit reviews of the SRs. The OIG reviewed the internal audit arrangement for the SRs and noted the following:

- In some cases, very few internal audit reviews were performed: For the Ministry of Education, only two reviews took place from 2005 to March 2011; and for NASOMA the last internal audit had been conducted in 2008.
- There was no effective system for follow-up of internal audit recommendations;
- Internal audit reviews had not recorded the weak internal control environment and poor program performance that led to the termination of grants of some SRs (Lironga Eparu and Commodity Exchange); and
- There was no evidence to show that the internal audits were risk-based, and risk assessments were not performed to determine SRs and areas of high risk.

### **Recommendation 18 (Critical)**

*The Global Fund Secretariat should ensure that the MOHSS strengthens internal audit arrangements by:*

- i) Ensuring that internal audit reviews are risk-based to enable more frequent reviews of SRs with high risk;*
- ii) Putting in place a follow-up mechanism for the audit recommendations; and*
- iii) Revisiting terms of reference for internal audits to ensure in-depth review of financial systems, internal controls and programmatic aspects.*

62. The OIG noted vacant positions for key staff in the following SRs; some positions had remained vacant for an extended period of time. According to management representations, these positions remained vacant due to a delay in receipt of RCC funds:

- NASOMA: Executive Director (vacant since November 2009); and
- Ministry of Education: Program Manager (vacant from October 2010 to April 2011).

The absence of effective supervision of the program led to weak program performance as seen at the Ministry of Education.

### **Recommendation 19 (Critical)**

*The Global Fund Secretariat should require the PR to ensure that technical and administrative leadership at SRs is strengthened by recruiting staff to fill vacant key positions.*

63. The OIG noted some SRs had transactions with related parties which may lead to potential conflict of interest. There were no conflict of interest policies in these SRs to guide transactions with related parties and to ensure that value for money was obtained. In addition, the following SRs procured services from related parties without subjecting them to competition and in consequence the OIG did not obtain assurance that the best price was obtained:

- SFH was related to PSI with regard to management and formation. SFH appointed PSI as a procurement agent for LLINs without following competitive procurement procedures;
- DAAP procured technical assistance from the Humana People to People Movement (HPP) in Zimbabwe, an associated organization, without following competitive procedures. HPP was a member and co-founder of DAPP;
- In both cases (above) the transactions with related parties were not adequately supported by documentation;
- There were differences between expenditure per general ledgers maintained by SFH and the figures reported to the Principal Recipient. This was caused mainly by PSI expenses not being booked under the Global Fund general ledger.

**Recommendation 20 (Critical)**

*The Global Fund Secretariat should require the PR to ensure that any sub recipients with international affiliates have an appropriate conflict of interest policy.*

**Grant Management**

64. The OIG reviewed results reported and noted instances where SR did not achieve the set targets or where the results/activities reported could not be supported. The OIG cannot give assurance that the funds invested in these activities achieved value for money. The table below gives examples where results could not be validated or were not achieved:

<b>SR</b>	<b>Target</b>	<b>Comments</b>
<b>Catholic AIDS Actions (CAA)</b>	• Number of chronically ill persons enrolled in the community home-based care and support projects	Achieved 41%
	• Number of HIV/AIDS brochures/booklets printed and distributed.	Achieved 24%
	• Number of persons trained in providing psychosocial, nutritional or material support to OVCs	Achieved 27%
<b>Council of Churches in Namibia (CCN)</b>	<ul style="list-style-type: none"> <li>• Number of Clients tested and counseled at VCT centers</li> <li>• Number persons trained to provide HBC and support chronically ill persons</li> <li>• Number of chronically ill persons receiving HBC</li> </ul>	<p>No results</p> <p>The results did not have sufficient supporting documents</p>
<b>NASOMA</b>	• Number of condoms distributed through social marketing/free	The results did not have sufficient supporting documents

*(Table 6: Examples of where SRs did not achieve the set targets or where the results/activities reported could not be supported).*

65. CCN established and equipped three VCT centers at Eenhana, Rehoboth, and Khorixas. However, since July 2010 these VCT centers have not been functional due to lack of operational funds. There is no evidence the SR had any plan to get the centers operational.

**Recommendation 21 (Critical)**

*The Global Fund Secretariat should ensure that the PR:*

- i) Verifies that all activities in the approved work plan of the SRs are implemented and planned targets met;*
- ii) Verifies that all targets reported by the SRs are adequately supported; and*
- iii) Works with CCN to ensure that all VCT centers resume providing services.*

66. The OIG noted that in some cases Conditions Precedent (CPs) in SR grant agreements had not been fulfilled by the respective Sub-recipient. This was observed in the Ministry of Education’s HIV Management Unit (HAMU) and National Social Marketing Association (NASOMA). The following CPs were still pending at the time of the audit:

<b>SR</b>	<b>Pending CP</b>
Ministry of Education’s HIV Management Unit (HAMU)	<ul style="list-style-type: none"> <li>• HAMU to provide PMU with detailed distribution plan for all IEC materials and develop an appropriate monitoring system - December 2010.</li> <li>• Provide documentation that bursaries are awarded in line with existing MOE guidelines and criteria to OVCs - December 2010.</li> </ul>

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	<ul style="list-style-type: none"> <li>• MOE/HAMU to provide the PR/PMU with a plan on how the school feeding program can become more effective in terms of delivery and monitoring- December 2010.</li> <li>• MOE/HAMU to identify schools where those learners most in need can benefit from the school feeding program and the impact can be monitored- December 2010</li> </ul>
NASOMA	<ul style="list-style-type: none"> <li>• Evidence of a mechanism or system to monitor that proceeds from the sale of condoms will be invested in the Project.</li> <li>• Fill all budgeted positions funded by the grant by the end of Quarter 2</li> </ul>

*(Table 7: Conditions Precedent still pending)*

The risks that were to be addressed by the CPs may materialize and affect program performance.

### **Recommendation 22 (Critical)**

*The Secretariat should ensure that the Principal Recipient actively follows up fulfillment of all Conditions included in agreements with sub recipients. Disbursement of funds by the PMU Secretariat should be tied to fulfillment of the conditions.*

67. The OIG noted the following weaknesses in the management and monitoring of the activities of sub-sub-recipients or implementing partners by the SRs:

- A significant proportion of program activities was implemented by the Council of Christian Churches in Namibia (CCN) member institutions (SSRs). However, the SR did not provide member churches and institutions with reporting tools or guidelines. In addition, there was no evidence of the monitoring of activities of the SSRs. SSRs reported programmatic results late and in some incidences no financial reports were submitted to the SR. In addition, some reported program results could not be verified and expenditure amounting to NAD 3,469,370 (USD 533,749) was not supported.
- There was no grant management manual to guide management of implementing partners at Namibia Red Cross Society.

### **Recommendation 23 (Critical)**

*The Global Fund Secretariat should ensure that, prior making disbursements to sub recipients, the PR verifies that the sub recipients used grant funds on the intended activities and that supporting documentation is filed.*

68. The OIG noted that there were inter-grant borrowings between Sub-Recipients especially in the MOHSS, as follows:

<b>Date of loan</b>	<b>Date repaid</b>	<b>Description</b>	<b>Amount (NAD)</b>
13 Sept 07	-	Loan to Malaria from Case Management	650,000
01 Sept 09	-	Loan to the Principal Recipient from Case Management	20,000,000
27 Mar 06	27 Dec 06	MOHSS – Condoms SR borrowing from Case Management	100,0000
29 Mar 06	12 Jul 06	MOHSS – PMTCT borrowing from Case Management	100,0000
11 Mar 09	12 May 09	Loan to National Tuberculosis Control Program	1,330,000
30 Oct 09	-	Loan to Lironga Eparu from Case Management	100,000
29 Mar 06	29 Dec 06	Case Management borrowing from MOHSS Condoms	100,000

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25 Mar 09	12 May 09	Malaria R6 program borrowing from MOHSS Condoms.	200,000
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*(Table 8: Inter-grant borrowing results in funds drawn from intended program use and may lead to delays in program implementation.)*

### **Recommendation 24 (Critical)**

*The Global Fund Secretariat should ensure that inter-grant lending (borrowing) stops. MOHSS should settle the outstanding un-refunded balances.*

69. The OIG noted that some SRs, viz. NASOMA, SFH and DAPP, carry out activities funded by various donors. Controls relating to these activities are not well defined. For example, there no was joint work plan indicating activities funded by each party, and reporting to the respective donors does not distinguish between contributions. This creates a risk of duplication of funding and double-counting.

### **Recommendation 25 (Critical)**

*The Global Fund Secretariat should ensure that the PR develops and implements guidelines for activities jointly funded by more than one donor. Such guidelines should provide for:*

- *Preparation of joint work plans and budgets indicating contribution per donor; and*
- *Disclosure of financial contribution per donor in programmatic reports.*

70. The OIG noted the following weaknesses in the management and monitoring of the Bursary program and School feeding program implemented by the Ministry of Education:

- **Student Bursary Scheme:** In Round 2 of the HIV grant, the Ministry of Education (HAMU) awarded student bursaries in collaboration with the National Student Financial Assistance scheme. The OIG was not provided with information on the criteria and procedure followed by the committee that selected the final beneficiaries for the bursary scheme. Furthermore, there was no evidence of monitoring or follow-up on the students on the scheme to ensure that the program was achieving the set objectives. The OIG cannot provide assurance that the bursaries were awarded to eligible students and that the bursary program was achieving the intended objectives.
- **School Feeding Program:** In Round 2, the MOE implemented a School Feeding Program targeting OVCs. The OIG was not provided with the program performance reports. The OIG also noted that the OVC database held at the head office was not updated with the details of all the students benefitting from the Namibia School Feeding program to ensure that records held at headquarters reconciled with reports received from the schools in the regions.

### **Recommendation 26 (Critical)**

*The Global Fund Secretariat should require MOHSS to work with the Ministry of Education to strengthen management and monitoring of the Student Bursary Scheme and the School Feeding Program, in particular,*

- (i) Bursaries should be awarded based on documented criteria; and*
- (ii) Performance reports of the School Feeding Program should be prepared and the OVC database should be updated and reconciled to school records.*

71. All Sub-Recipients applied for registration to claim value added tax (VAT) exemption. Some organizations were unsuccessful (e.g., NANASO and CCN) and some SRs (SFH and NASOMA) experienced delays in receiving their VAT refunds.

### **Recommendation 27 (Important)**

*The Global Fund Secretariat, together with the PR and the Government of Namibia, should ensure that VAT refunds are credited to the grants where tax exempt status is in place.*

**National Social Marketing Association (NASOMA)**

72. The National Social Marketing Program (NASOMA) was launched in 2000 to distribute high quality male and female condoms and implement behavior change communication strategies as outlined in the medium term plan of the government of Namibia. NASOMA is an SR of NANASO and previously was an SR of MOHSS.

73. The OIG noted the following internal control weaknesses and capacity gaps at NASOMA:

i) The SR did not implement or could not provide evidence to support the implementation of a number of activities. The table below provides examples:

<b>Activity</b>	<b>Status</b>
200 HIV/AIDS work place policies implemented/designed (training materials)	Activity was not implemented
Design and implement HIV/AIDS work place policy leaflets	Activity was not implemented
Training of 191 Work Place Program Peer Educators	No evidence of activity being carried out
Procure 102 female and male demonstration models	Only 13 models were procured
Procure 60 vending machines	No evidence of procurement
Procure video vans	Activity was not implemented

(Table 9: Examples of unsupported activities)

ii) The OIG noted a difference of three million condoms between the number of condoms distributed reported to the PR and the number of condoms distributed/sold per NASOMA’s MIS reports for the period January 2005 to May 2011. The OIG cannot give assurance that the amounts reported to the PR were accurate.

iii) There was no policy or operations manual to guide the social marketing program, which was the main activity of the organization. Staff did not have guidelines for condom forecasting, storage, distribution, promotion and marketing, reporting, and quality assurance.

iv) Female condoms had been out of stock since January 2010.

v) There was no evidence that trade marks for the male condom Senses and Cool Ryder had been registered, although program funds had been used to promote these brands. The brands could be lost to the private sector.

vi) Social marketing condoms were funded by the Global Fund and the German development bank Kreditanstalt für Wiederaufbau (KfW). However, there was no mechanism to separate the condoms procured and distributed in relation to Global Fund grants and condoms funded by other donors such as KfW. The OIG cannot provide assurance that condoms funded by both donors are fully accounted for.

vii) At the time of the OIG review, stock worth NAD 347,472 was reported as expired. The OIG was not provided with evidence of approval and supervision of destruction of the expired stock. Further, there are no records to show expiry dates for the following inventory:

<b>Brand</b>	<b>Quantity</b>	<b>Value (NAD)</b>	<b>Value (USD)</b>
Cool Ryder	6,696	13,392	2,060
Senses	41,760	334,080	51,397
<b>Total</b>		<b>347,472</b>	<b>53,457</b>

- viii)* The segregation of duties in the logistics management of condoms was inadequate and increased the risk of fraud. The sales supervisor, who was also a salesman and the store keeper, approved dispatches, issued and received condoms, approved free issues, approved salesman reconciliations, and approved and supervised disposal of expired products. The finance assistant carried out M&E, led the peer educators and maintained the books of account.
- ix)* Management of the SR could not account for all the condoms procured. The OIG noted that there were no records for condoms procured (e.g., delivery note, bin cards and invoices), making it difficult to reconcile sales income to quantity sold and expenditure on procurement to quantity of condoms delivered.
- x)* The OIG was not provided with supporting documents for expenditure worth NAD 1,895,188 (USD 291,567). The OIG cannot provide assurance that best value for money was obtained from this expenditure.
- xi)* The OIG noted the following inconsistencies in the financial records, which raises questions on the integrity of the financial information:
- The sales income for the period April 2009 to March 2010 per MIS reports of NAD 7,982,056 did not reconcile to income per trial balance of NAD 3,780,915. Management could not explain the difference of NAD 4,201,252 (USD 646,346).
  - The trial balance and general ledger for the period January 2007 to March 2008 was missing.
  - For some ledgers, the OIG noted differences between the opening and closing balances from one period to another.
- xii)* Value Added Tax amounting to NAD 511,381 (USD 78,674) charged to the grants had been outstanding from the Receiver of Revenue since 2008. This constitutes expenditure outside the approved work plan, which should be refunded.
- xiii)* NASOMA incurred NAD 3,746,532 (USD 576,390) on vehicle running costs for the period January 2006 to December 2010. The vehicle running costs constituted over 11% of total expenditure. The OIG observed the following weaknesses in the controls over vehicle running costs:
- Vehicle log books were maintained but there was no evidence of analysis of mileage and maintenance rates.
  - At the time of the audit, three of four Global Fund-supported program vehicles were grounded. Management informed the OIG that the organization did not have funds for the repair of the vehicles; in addition, the vehicles were not insured.
- xiv)* There was no effective board oversight, which led to weak program performance as noted above.
- The board of trustees was not fully constituted. At the time of the audit in July 2011, the Board had four members instead of seven as required by the constitution.
  - There were no Board meeting minutes for 2010 and 2011, or any other evidence that meetings were held during this period.
- xv)* The OIG reviewed the management structure and staffing of the NASOMA and noted the following gaps that contributed to weak program performance:
- The position of executive director had been vacant since November 2009. The roles and responsibilities of the executive director were distributed between the finance manager and finance assistant.
  - There were no staff with experience and training in the supply chain management of condoms. The OIG noted condom expiries, stock outs and incomplete inventory records. In addition, the OIG noted some instances where NASOMA did not follow competitive procurement procedures.
  - The current staff informed us that they had not received any training or orientation in management of Global Fund grants.
  - At the time of the audit, there were no resources for monitoring and evaluation at NASOMA.

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- xvi) At the time of the audit, NASOMA was 100% funded by the Global Fund. Dependency on a single funding source raises questions about sustainability.
- xvii) The OIG noted gaps in the internal and external audit arrangements. The last internal audit of NASOMA was carried out in 2008 and external audits for 2009 and 2010 had not been completed at the time of the OIG audit in July 2011.
- xviii) At the time of the audit, NASOMA had not fulfilled the following conditions precedent included in the SR grant agreement:
  - Evidence of a mechanism or system to monitor that proceeds from the sale of condoms will be invested in the Project
  - Fill all budgeted positions funded by the grant by the end of Quarter 2. The Executive Director position was still vacant in July 2011.

74. In view of the significant capacity gaps noted above, the internal control systems at NASOMA cannot be relied upon to support program implementation and safeguard Global Fund resources. In the OIG's view, NASOMA did not have the capacity to be a sub-recipient for Global Fund grants.

### ***Recommendation 28 (Critical)***

*The Global Fund Secretariat should ensure that the PR:*

- (i) Identifies another SR to implement activities previously allocated to NASOMA;*
- (ii) Obtains an accurate reconciliation of the condoms procured and distributed by NASOMA;*
- (iii) Repairs the vehicles grounded at NASOMA and utilizes the vehicles for program implementation; and*
- (iv) Follows up recovery of outstanding VAT receivable of NAD 511,381 (USD 78,674).*

### **Commodity Exchange**

75. In the Round 2 HIV/AIDS Proposal, the NaCCATuM proposed a private-public sector partnership with Sub-recipient Commodity Exchange to carry out local manufacturing and quality assurance of condoms. Commodity Exchange is a private closed corporation. The sub-grant agreements with Commodity Exchange run between Round 2 Phase I and Round 2 Phase II. The OIG noted the following issues that raised questions on the value for money of this arrangement:

- i) The condom trade mark (SMILE) was registered by the SR although the brand was developed and promoted using Global Fund resources. The MOHSS stated in a letter to Commodity Exchange Management that the brand would be owned by MOHSS; however this condition was not expressly stated in the SR agreement.
- ii) The unit cost per condom charged by Commodity Exchange of USD 0.063 was substantially higher than the average international tender price for quality-assured condoms of USD 0.034 during the period of the contract. Based on the approx. 92 million condoms delivered per MOH/CMS records, an amount of USD 2.6 million has potentially been overpaid.
- iii) Commodity Exchange imported over 48% of the condoms as finished products which raises concern on the value added by Commodity Exchange to the supply chain. Commodity Exchange explained that the bulk of the finished products were imported during the initial phases before commissioning the plant and for emergency orders.
- iv) In April 2008, after considering the results of a costing study, which recommended full recovery of costs through a certificate system, MOHSS appointed Fischer Consulting to provide assurance over the certificates issued by Commodity Exchange. The OIG attempted to reconcile the quantity of condoms delivered as per Commodity Exchange, MOH/CMS and Fisher Consulting. The OIG noted unexplained variances in the quantity of condoms delivered, as reported in the records of MOHSS/CMS

- (92,499,200), Commodity Exchange (89,147,520) and Fisher Consulting (97,971,500). The OIG cannot provide assurance over the actual quantity of condoms delivered by Commodity Exchange.
- v) Global Fund transactions were commingled with other private transactions of Commodity Exchange. The OIG cannot provide assurance that all expenses charged to the Global Fund grants related to the program. The OIG could not obtain an audit report for the SR because it is a closed corporation with no legal requirement for external audit.
  - vi) Commodity Exchange imported condoms and other products as a private business. The overhead costs charged to Global Fund grants by Commodity Exchange were not apportioned to other private businesses of Commodity Exchange. For example, the Company supplied 9.7 million condoms funded by other donors to MOHSS.
  - vii) The OIG noted errors in the production certificates prepared by Fisher Consulting. During the course of the audit, Fisher Consulting attempted to reconcile the records and submitted a revised certificate. However, the quantity of condoms delivered could not be reconciled to MOHSS records. The revised certificate indicates an amount due to MOHSS of NAD 11,196 (USD 1,722) and condom stock amounting to 2,283,322 that has already been paid by MOHSS.
  - viii) The PR terminated the grants with Commodity Exchange at the end of Round 2, Phase II. Going forward, the PR plans to procure condoms via international tender to obtain better value for money.
  - ix) Following termination of the grants to Commodity Exchange, there was no clarity on the ownership of assets (valued at USD 825,000) funded by the Global Fund for the manufacturing and quality assurance of condoms. The PR has submitted a close out plan to the Global Fund Secretariat.

### ***Recommendation 29 (Critical)***

*The Global Fund Secretariat should work with the Ministry of Health and Social Services to:*

- (i) Develop and register an acceptable brand of condoms and ensure a cost effective sustainable supply of condoms to Namibia;*
- (ii) Resolve the dispute over ownership of equipment without contravening the provisions of the grant agreement with the Global Fund with regard to ownership of assets passed SRs;*
- (iii) Reconcile discrepancies in the quantity of condoms that were to be procured;*
- (iv) Ensure monitoring and follow-up of any current or future out-sourced services;*
- (v) Reconcile the final invoice/certificate and recover amounts overpaid and condoms that are still being held by Commodity Exchange; and*
- (vi) Looking forward, perform comprehensive assessment of any partnerships entered into to ensure that all risks are addressed and that the PR obtains best value for money.*

### **Lironga Eparu**

76. Lironga Eparu, an association of PLWHAs established in 1990, was a Sub-Recipient for MOHSS under Round 2. On 30 July 2007, management of Lironga Eparu reported a fraud case involving the former finance manager to the PMU and other donors. The fraud was executed by increasing the amounts on the approved check stubs. The former finance manager also deleted the finance management software from the organization's computers.

77. On 14 August 2007, the donors and partners of Lironga Eparu announced the suspension of funds to the organization and commissioned a forensic audit to investigate potential fraud. The report of the forensic auditors reported significant internal control weaknesses and confirmed fraud. The reported fraud affected several donor funds, of which NAD 20,000 (USD 2,500) was directly linked to the Global Fund. The former

finance manager of Lironga Eparu was convicted and at the time of the audit was serving a prison sentence.

78. In May 2008, NaCCATuM supported Lironga Eparu to register as a legal entity and appoint a new board. NaCCATuM approved the Lironga Eparu work plan in March 2009. An implementation letter with various CPs was signed between PMU and Lironga Eparu. In November 2010, NaCCATuM terminated grants to Lironga Eparu because of a failure to change management and board composition.

### **Recommendation 30 (Important)**

*The Global Fund Secretariat and the PR should review the Lironga Eparu case and document lessons learnt to enable management of similar cases. Emphasis should be given to:*

- (i) Development and documentation of a clear mechanism to enable faster resolution of potential disputes between PR and SRs. The Lironga Eparu case was reported on 30 July 2007 and was only resolved in November 2010;*
- (ii) Setting minimum standards for the SR management board to oversee program implementation and to address the risk of fraud and other irregularities; and*
- (iii) Securing recoveries of any outstanding funding as appropriate.*

### **Program Management Unit (PMU)**

79. The MOHSS established a Program Management Unit (PMU) in 2004 in fulfillment of a special condition under the Round 2 grants. The PMU is located in the Directorate of Special Programs and is responsible for ensuring sound, transparent and effective implementation of Global Fund-supported programs in Namibia. The OIG observed the following good practices by the PMU: Financial management systems for SRs, strong oversight arrangements such as regular monitoring, data verification and outsourcing of internal audits. The PMU also coordinated and undertook procurement on behalf of the SRs.

80. The OIG noted gaps in the execution of the following PMU roles which had led to weak program performance in some SRs:

- a. Establishment of effective and transparent financial management systems. The OIG noted the following issues:
  - i) Expenditures that were not adequately supported;
  - ii) Expenditures made outside the approved work plan; and
  - iii) Incomplete financial records at NASOMA.
- b. Establishment of effective and efficient institutional and programmatic arrangements at the PR and SRs. Filling the following gaps would go a long way to addressing the noted weaknesses:
  - i) Ineffective governance and oversight structures (NASOMA, CCN, Commodity Exchange).
  - ii) Vacant senior management positions (NASOMA).
  - iii) Outstanding Conditions Precedent.
  - iv) A failure to verify performance for jointly funded activities.
  - v) Insufficient coverage in scope and content from internal audit reports. Ineffective follow up of key internal audit issues.
  - vi) Inadequate external audit coverage for SRs that pool grant funds into a common bank account with other donor funds.

81. In January 2011, HIV/AIDS civil society organizations initially managed by PMU under MOHSS were transferred to NANASO. The transfer of SRs to NANASO significantly reduced the oversight tasks and responsibilities of the PMU. This created a change in scope of the work of the PMU. The OIG noted the following:

- The Global Fund PMU, Directorate of Special Programs (DSP) already has program management units for each of the three diseases;
- In addition to the PMU finance function, the back office financial management function is undertaken by the finance unit at the DSP Program; and
- DSP has an M&E unit in addition to the M&E division of the Ministry of Health and Social Services.

82. The OIG noted that at the time of the review, several vehicles had been grounded due to lack of budgeted funds for vehicle maintenance. The PR had advertised some program vehicles without the approval of the Global Fund. The planned disposal was terminated after the Global Fund Secretariat intervened. Although the PR (MOHSS) had a policy that provides guidance on the disposal of vehicles, this policy was not applied.

83. The PR reprogrammed approximately NAD 9 million (USD 1.17million) from various budget lines in the Round 5 TB grant to salaries without prior approval of the Global Fund Secretariat in contravention of Article 2 (b) of the grant agreement. Further, a salary survey commissioned by the CCM shows that salaries of PMU staff are considerably high in comparison with those of other donor agencies.

### **Recommendation 31 (Critical)**

*The Global Fund Secretariat should ensure that all salaries of staff of the Ministry of Health and Social Services paid from Global Fund grants a) limited to an average to be derived from the outcome of the salary survey initiated by the CCM, and b) in line with the grant agreement and TRP requirements i.e. do not exceed those by development agencies in Namibia and Government.*

### **Recommendation 32 (Critical)**

*The Global Fund Secretariat should ensure that the PR implements effective fleet management by:*

- Properly justifying disposal and replacement of vehicles;*
- Achieving better value for money out of fleet management;*
- Rigorously assessing the need before acquiring new vehicles;*
- Claiming insurance for vehicles damaged in accidents; and*
- Transferring ownership of vehicles so that Government accepts responsibility of ownership (e.g., by undertaking maintenance).*

### **Recommendation 33 (Critical)**

*The Global Fund Secretariat and the Namibia CCM should review the role of the Program Management Unit (PMU) with a view to integrate the PMU functions with existing government structures in order to avoid duplications.*

84. The OIG review showed that in several instances, the submission of PUDR reports to NaCCATuM and the LFA was not done within the defined time-frame. Further, the accuracy of the reports submitted on several occasions was below expectation. This adversely impacted the timeliness of reporting and approval of funds disbursement.

85. The OIG did not see evidence of annual conflict of interest declarations by PMU and other senior management of various SRs contrary to defined PR policies.

### **Recommendation 34 (Critical)**

*The Global Fund Secretariat should ensure that:*

- The PMU submits accurate PUDRs within the agreement timeliness to NaCCATuM and the LFA to facilitate the funds disbursement process; and*

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- (ii) The PMU staff provide declarations of conflict of interest in conformity with the PR's policies.

86. The scope of the audit did not cover transactions conducted on pooled bank accounts as was the case with SFH. There were instances where SRs used grant funds to undertake activities not in the sub-recipient agreement. These financial transactions were identified and reported by the auditors. In addition, SFH did not have pre-defined criteria for allocating shared costs/overheads between different funders with multiple sources of funding.

### **Recommendation 35 (Critical)**

The Global Fund Secretariat should ensure that:

- (i) The external audit scope includes a detailed review of all current or future pooled accounts pertaining to Sub-Recipients into which Global Fund grant funds are transferred to ensure that the expenditure is aligned to the program activities;
- (ii) The PR encourages all SRs that operate pooled activities and have more than one source of funding to maintain Global Fund grant funds in separate bank accounts to avoid comingling; and
- (iii) All PRs and SRs develop cost allocation criteria for allocating shared overheads, and comply with these

### **Financial Management**

87. The OIG noted several instances of expenditure incurred that was not adequately documented for the SRs reviewed. The OIG cannot provide assurance that the funds were used for the intended purpose. Examples include the following:

PR	Sub-Recipient	Grant	Undocumented expenditure (USD)
MOHSS	Catholic Aids Action	HIV	4,241
MOHSS	Ministry of Education	HIV	84,024
MOHSS	DAPP	HIV	170,748
MOHSS	Society of Family Health	HIV	569,742
MOHSS	Council of Churches of Namibia	HIV	533,749
MOHSS	National Social Marketing Association	HIV	291,567
	<b>Sub-total</b>		<b>1,654,070</b>

(Table 10: Undocumented expenditure)

### **Recommendation 36 (Critical)**

The Global Fund Secretariat should ensure that the MOHSS recovers the amounts (USD 1,654,070) set out in the table above or provides adequate documentation to support the expenditure.

88. The OIG noted that the manner of computation of Daily Subsistence Allowances (DSA) for training workshops carried out by MOHSS–NVCP and MOHSS–PMTCT was not in compliance with the established government guidelines. SRs paid out accommodation directly for the participants but also paid a DSA rate inclusive of the accommodation cost. The rate used was therefore higher than the applicable DSA rate. The OIG noted the following amounts in excess of what would have been paid if the SR had complied with Government of Namibia guidelines:

- i) MOHSS–NVCP: NAD 520,788 (USD 80,121); and
- ii) MOHSS–PMTCT: NAD 266,447 (USD 40,992).

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### **Recommendation 37 (Critical)**

*The OIG recommends that expenditure incurred on daily subsistence allowances relating to training workshops should be paid in accordance with established guidelines and with a view of optimal utilization of grant funds.*

89. The OIG noted instances where funds were not spent in accordance with the grant agreements. Planned targets and activities may not have been achieved due to the use of funds for other activities. Examples of instances noted for which expenditure incurred was outside approved activities include:

<b>PR</b>	<b>Sub- Recipient</b>	<b>Grant</b>	<b>Ineligible expenditure (USD)</b>	<b>Reasons</b>
MOHSS	Catholic Aids Action	HIV	7,657	Payment for: Christmas party, Non-program vehicles and other non-program activities.
MOHSS	Namibian Red Cross Society	HIV	34,499	Payments for activities outside the work plan, e.g., vehicle costs, consultancy fees and travel costs
MOHSS	Ministry of Education	HIV	36,097	Payments for activities outside the work plan, e.g., international conference, printing T-shirts, planning workshops
MOHSS	Development Aid from People to People	HIV	47,313	Funds outside grant budget and work plan disbursed to Federation in Switzerland
MOHSS	PMTCT	HIV	40,992	Computation of DSAs not in compliance with Government guidelines
MOHSS	NVCP	Malaria	80,121	Computation of DSAs not in compliance with Government guidelines
MOHSS	Society of Family Health	HIV	336,873	Payments above the approved work plan for Institutional fee and PSI staff salaries/STTA
	<b>Sub-total</b>		<b>583,553</b>	

(Table 12: Examples of unapproved expenditure).

### **Recommendation 38 (Critical)**

*The Global Fund Secretariat should seek to recover the potentially ineligible expenditures (totaling USD 583,553) from the PR.*

**NANASO**

**Background**

90. The National Network of AIDS Services Organisations (NANASO) is an umbrella organization providing network services to organizations active in the field of HIV/AIDS, TB and other related diseases. NANASO is an umbrella network AIDS Service Organization providing vertical and horizontal representation at local, regional and national level. NANASO has been in existence since 1991 and is a registered welfare organization (WO 149) headquartered in Windhoek.

91. NaCCATuM appointed NANASO as civil society PR for the Round 2 RCC HIV grant. NANASO signed a grant agreement with the Global Fund to commence implementation of RCC HIV program in January 2011. NANASO was a Sub-Recipient to the MOHSS during the Round 2 HIV grant. The amounts granted and disbursed for each of these grants is as follows:

Round	Grant	Dis-ease	Grant Amount (USD)	Disbursed Amount (USD)
<b>Sub-Recipient</b>				
Round 2 Phase 1	Global Fund H6IR	HIV	183,138	183,138
Round 2 Phase 2 (+ NCE)	Global Fund H06SR	HIV	945,931	933,041
Round 2 (RCC)	Global Fund H06SR	HIV	668,591	583,787
	<b>Total</b>		<b>1,797,660</b>	<b>1,699,966</b>
<b>Principal Recipient</b>				
Round 2 (RCC)	NMB-210-G07-H	HIV	17,234,392	1,591,919*

*(Table 13: Source: The Global Fund website as at July 2011 - \* Awarded as part of Round 2 RCC grants).*

92. NANASO took over oversight of 12 Sub-Recipients from the MOHSS under the Round 2 HIV grant and contracted two new SRs. In preparation for the PR role, NANASO undertook the following:

- Secured technical support from various technical partners for capacity building in the areas of grant management, SR management, financial management and compliance with Global Fund requirements.
- Recruited staff in the key positions of operations manager, finance manager and M&E manager.

93. However, the organization was not able to implement some planned activities under Round 2 RCC due to delayed receipt of funds for the activities. The RCC grant started in June 2010 but the funds were not received until November 2010. The delay was attributed to delay in finalization of RCC grant negotiation leading to failure to implement in the planned period. The PR has applied to the Global Fund Secretariat for reprogramming of these activities so that they can be implemented.

**Grant Management**

94. Prior to contracting SRs, NANASO performed capacity assessments. After identification of gaps, training was provided to SR staff for orientation and capacity building. The OIG audit points out SR capacity weaknesses that NANASO had not identified from its assessment process. Of particular concern were:

- Frequent changes in management and board of directors. For example, the National Social Marketing Association (NASOMA) staff were newly recruited and had not been oriented to policies and procedures.
- A failure to account for funds at NASOMA, Council of Churches in Namibia (CCN), Development Aid from People to People (DAPP) and Society for Family Health (SFH); please see the Financial Management section.
- The internal auditors did not review all program transactions at NASOMA, Namibia Red Cross Society (NRCS) and CCN due to comingling of grant funds with those provided by other donors.
- A failure by SRs to relate funding from different donors to expenditure and results reported as observed at SFH, Catholic AIDS Actions (CAA) and NASOMA.

### ***Recommendation 39 (Critical)***

*The Global Fund Secretariat should ensure that NANASO improves the quality of SR capacity assessments by verifying assessment findings against documentary evidence in order to identify key risks to grant implementation.*

#### Implementation of the 'Pairing Plan'

95. As part of the NANASO capacity building effort, the PR signed an MOU with MOHSS. The MOU included a detailed 'pairing plan' which was to be implemented from July 2010 to June 2011. The pairing plan was to assist NANASO in developing capacity and overseeing SRs. At the time of the audit, some activities in the pairing plan had not been implemented:

- i) Operations/Grant Management: Five out of 26 planned activities had not been implemented.
- ii) M&E: Six out of 24 planned activities had not been implemented.
- iii) Finance: Ten out of 18 planned activities had not been implemented.

96. NANASO management explained that although these activities were not implemented, management had sought technical assistance to cover the capacity gaps in these areas.

### ***Recommendation 40 (Critical)***

*The Global Fund Secretariat should follow up with NANASO management to ensure that the capacity gaps that were intended to be filled by the 'Pairing Plan' are addressed.*

#### Implementation of LFA recommendations

97. The review of initial and repeat PR assessment reports prepared by the Local Fund Agent shows that the following capacity gaps identified during the initial PR assessment had not been addressed at the time of the repeat assessment although these were communicated to the PR by the Global Fund Secretariat:

- i) Recruitment of three network support officers, and four regional assistants to monitor program activities at a regional level.
- ii) Policies for document retention, and insurance policies and procedures.

### ***Recommendation 41 (Critical)***

*The Global Fund Secretariat should require NANASO management to implement all recommendations as communicated. Specifically, staff should be recruited as provided in the program work plan and policies developed for document retention and insurance.*

#### Resolution of pending special terms and conditions

98. The OIG noted that special conditions in the grant agreement on sustainability of salaries had not yet been addressed, namely the delivery to the Global Fund of the following information:

- An analysis of the sustainability of salaries relating to the PR and SR employees, demonstrating comparison to salaries of similar positions in other NGOs not funded by Global Fund grants.
- A plan to ensure sustainability of activities after grant funds used to fund salaries had been reduced or withdrawn.

### ***Recommendation 42 (Critical)***

*NANASO management should fulfill all time-bound grant conditions as agreed with the Global Fund Secretariat, in particular the special conditions in the grant agreement on providing an analysis and plan to ensure sustainability of salaries.*

## **Financial Management**

### Strengthening Procurement capacity

99. The OIG noted that one of NANASO's SRs, NASOMA, will be responsible for condom purchases. According to the management of the PR, NASOMA will be responsible for the full PSM chain for condoms from product selection to procurement, storage and distribution to end points. Neither the PR nor NASOMA have adequate procurement capacity. The weak PSM capacity has led to an unreliable supply of condoms, condom expiry and failure to account for all products procured.

### ***Recommendation 43 (Critical)***

*The Global Fund Secretariat should ensure that NANASO identifies an alternative entity to undertake PSM for condoms in the private sector until the risks identified by the OIG have been addressed and verified by the LFA.*

## **PR Governance**

### Effect of grants on sustainability of NANASO

100. NANASO is responsible for providing network services to member organizations in the field of HIV/AIDS, TB and other diseases. Following the appointment of NANASO as PR, the proportion of funding for its networking role significantly declined. This may eventually affect the ability of the organization to perform its mandate of delivering services to its members and places significant pressure on Global Fund resources and Global Fund-supported activities at NANASO.

### ***Recommendation 44 (Important)***

*The Global Fund Secretariat should request that NANASO management intensifies its fundraising for networking services to effectively perform the organization's network role.*

### Streamlining Board Composition

101. The Organization amended its constitution providing for appointment of non-network members. The non-network board members had not been appointed at the time of the audit in July 2011.

### ***Recommendation 45 (Important)***

*The Global Fund Secretariat should obtain evidence from NANASO that non-executives have been appointed to the board of the PR.*

### Strengthening Internal Audit

102. The PR has appointed Deloitte & Touche to perform internal audit of its respective SRs. The OIG reviewed the proposal of Deloitte and Touche and noted that it did not provide for a risk-based audit, the audit coverage did not cover grant aspects in-depth and the report distribution did not include the Board of Directors.

***Recommendation 46 (Important)***

*The Global Fund Secretariat should ensure that NANASO puts in place stronger internal audit arrangements through:*

- (i) A risk based selection of SRs for audit coverage;*
- (ii) An expanded scope of the audit with in-depth coverage of grant aspects, including review of performance against grant targets; and*
- (iii) Independent internal audit function that reports to the Board of Directors.*

**Strengthening Technical Capacity in Health**

103. While selecting NANASO as PR, the CCM pointed out the organization's limited experience with health programs. To address the gap, management took a decision to appoint a health professional to the senior management team. At the time of the audit, NANASO had not recruited this staff member.

***Recommendation 47 (Critical)***

*The Global Fund Secretariat should require that NANASO accelerates recruitment of health professionals to enable effective implementation and oversight over program activities.*

**PROCUREMENT AND SUPPLY MANAGEMENT**

**Procurement**

Compliance with the Grant Agreements

104. Procurement practice in Namibia did not always follow the requirements of the grant agreement with the Global Fund. The audit observed the following:

<b>Grant article</b>	<b>Requirement</b>	<b>Audit observation</b>
Article 18 (a) (iii)	Solicitation documents for goods and services shall provide all the information necessary for prospective bidders/vendors to prepare a bid and as such shall be based on a clear and accurate description of the proposed terms and conditions of the contract and the goods or services to be acquired.	There was no delineation of the instructions to tender and the proposed conditions of contract.
Article 19 (o)	Monitor the performance of suppliers with respect to the quality of the goods and services they provide.	Not done.
Article 19 (g)	Monitor product quality on receipt and along the supply chain.	CMS does not require any pre-shipment inspection to ensure that the product complies with the basic quality assurance aspects The CMS Quality Assurance department takes random samples from the delivery for testing but cannot test all batches due to their limited staff, budget and infrastructure. For the year April 2010 to end March 2011, 213 batches of medicines were analysed. Of these 139 were for ARV, and 14 for TB medicines and no anti malaria medicines were analyzed.

*(Table 14: Examples of non-compliance with Grant Agreements)*

**Recommendation 48 (Critical)**

*The Global Fund Secretariat should ensure that the PR's procurement process is aligned with the grant agreements as follows:*

- (i) Tender documents should delineate the instructions to bidders from the conditions of the contract;*
- (ii) A system should be put in place to monitor suppliers with respect to quality of goods and services rendered; and*
- (iii) The frequency of monitoring of the quality of pharmaceuticals in the supply chain through to the beneficiary level should be increased.*

Review of the PR Procurement Policy and Manual

105. The policies and procedures manual is the procurement officers' handbook and should be consulted regularly while executing the procurement function in order to

ensure that all activities comply with the grant agreements, domestic law and related regulations and procedures. According to the Manual, a Non-Pharmaceutical Product and Equipment Committee (NPPEC) was set up by the PR in June 2005. Review of the manual established that:

- (i) The NPPEC was not set up by the Tender Committee as required by section 7 of the Tender Board Act of 1996;
- (ii) The section on “Public and Selective Tendering (Formal Tenders)” allowed for selective tendering if advertising in the media did not attract vendors who could supply desired product. This condition was not in line with good practice as it could be used to override procurement controls;
- (iii) The manual stated that the Secretariat duties would be performed by the Program Procurement Manager, who was responsible for preparing tender documents, submitting them to the tender committee, and evaluating the tender. However, the Program Procurement Manager was only an alternate member of the tender committee, subordinate to the Program Manager. These requirements presented a (potential) conflict.
- (iv) The manual allocated responsibilities for tender evaluation and making recommendations to both the NPPEC (ministerial evaluation committee) and the procurement manager. This conflict created confusion and increased the risk of potential manipulation.
- (v) The manual stated that a performance guarantee should be submitted by the successful vendor only for civil and other engineering contracts. This was not consistent with Section 22 of Tender Board Code of Procedure (1997).
- (vi) The manual had no provision for: (i) bid receipt and opening procedures; (ii) different types of evaluation criteria and the tenders to which they should apply; (iii) the composition of the evaluation committee, its role and functions; (iv) disagreement between the evaluation committee and the Tender Committee, and (v) the Contract Management Phase.
- (vii) There was a reference in the manual to the guidelines of the tender document. The document stated that the guidelines should form part of the conditions of the tender. The manual, however, mentioned neither the contents of the tender document nor the different types of tender documents and to which type of procurement they should apply.

### **Recommendation 49 (Important)**

*The Global Fund Secretariat should ensure that the PR aligns the procurement policies and procedures manual with Namibian law and regulations with regard to:*

- (i) *The establishment, composition and guidelines of the NPPEC should be ratified by the National Tender Committee;*
- (ii) *All procurements should be subjected to international competitive bidding;*
- (iii) *The responsibilities for preparing tender documents, evaluation of tenders and preparing evaluation reports should be undertaken by different persons;*
- (iv) *The responsibility for tender evaluation and making recommendations should be clarified;*
- (v) *Evaluation of tenders should not be one of the functions of the Tender Committee [Section 7 of the Namibia Tender Board Act of 1996];*
- (vi) *Award of a Tender should be included as the function of the Tender Committee per the provisions of Tender Board of Namibia Act;*
- (vii) *The requirement for a performance guarantee should not be restricted to civil engineering and other engineering contracts;*
- (viii) *Procedures should be documented for: (i) bid receipt and opening procedures; (ii) different types of evaluation and their application; (iii) composition and functions of the evaluation committee, and (iv) the Contract Management Phase; and*
- (ix) *Contents of the different types of standard tender documents should be developed.*

### **Review of the PR Procurement Process**

#### Procurement by PMU-MOHSS

106. Specifications were developed by the PR or SR for submission to the PMU for review prior to inclusion in the tender document. In the cases noted below, the specifications did not promote transparency, competition and best value for money.

- Tender No. GF031 or supply of 4x4 single cabin pickups, sedans and vans: The specifications eliminated Nissan, Mitsubishi and Toyota. Isuzu was the only brand that could qualify for the tender.
- Tender No. GF045/08 for the supply of nutritional enriched cereal: The specifications were silent about the minimum and maximum limits of the contents of the ingredients. The lack of clarity of specifications raised the risk of insufficient transparency for selection of bidders.
- RFQ No. GF0345 Supply WHOPEs recommended LLINs: This was solicited by email from WHOPEs-recommended manufacturers. The budget for the procurement was included in the communication to the prospective suppliers. There was no indication of the quantities to be procured.

107. The standard instructions to bidders or vendors were comprehensive but contain weaknesses. For example, the tender documents did not have provisions for:

- Content of vendors submission, i.e., bid submission sheet;
- Seeking of clarification during the tender period and evaluation period by the bidders;
- Procedure for handling late bids and modifications and withdrawals; and
- An explanation of the implication of the stated preference for locally registered vendors.

108. These provisions were meant to guide vendors on what was expected of them and the procedures that should be followed by the vendors and the PMU.

109. The tender document did not disclose the criteria to be applied to the bids during the evaluation process. Internationally accepted practice is to state the evaluation criteria in the bid documents. Absence of evaluation criteria can be misconstrued as lack of transparency. There is also a risk of abuse of the procurement process during evaluation if the criteria are not set prior to commencement of bid invitation.

110. The price schedule did not capture the unit cost, the quantity offered, the terms of purchase and delivery, the country of origin, or manufacturer of the product. If this information is not provided by the vendor, the contract can be easily manipulated by a vendor.

111. The OIG noted the following cases of inconsistency in the bid evaluation process:

- Tender No. GF031: When selecting the supply of pickup trucks, the Toyota range was criticized for poor service and roadside assistance, high maintenance cost, as well as technical and mechanical shortcomings. However, when the committee was deliberating on sedans, these issues were not raised. In fact, Toyota was chosen on grounds of its robustness.
- A tender held in January 2005 included no specifications for the Program Director's vehicle. The decision to select Nissan over the other bidders was based on the fact that it was the choice of Program Management rather than objective criteria.
- RFQ No. GF0148: Purchase of 12,200 HBC Kits. One bidder, Commex, submitted two quotations on the same day for the same commodities, viz. NAD 359.22 and NAD 544.24. Quotations were received from other firms such as Bio Dynamics (NAD 490 per kit), Be Safe Paramedical (NAD 284.90) and MS Supplies. The report recommended that the

offer be made to Commex. The price comparison in the evaluation took into consideration transport costs, VAT and customs related costs. There was a potential saving of USD 3.16m if the lowest bidder had been selected. OIG did not obtain assurance that there was value for money for this procurement as a potential.

### **Recommendation 50 (Critical)**

*The Global Fund Secretariat should ensure improved procurement procedures with regard to:*

- (a) *Enhanced transparency of the Tender Documents:*
- (i) *Incorporate a draft bid submission sheet or form of tender in the document;*
  - (ii) *Include a provision in the instructions for vendors to seek clarification from a vendor during the tender period and evaluation period;*
  - (iii) *Specify the contents of the tender document;*
  - (iv) *Specify the contents of the bidder/tenderers submissions;*
  - (v) *Include a procedure for handling of late bids, modification and/or withdrawals;*
  - (vi) *Mitigate risk on purchases such as medical equipment, vehicles by requiring proof of support from the manufacturer (Manufacturer's Authorization Form);*
  - (vii) *Include the evaluation criteria in the tender document;*
  - (viii) *Explain in detail how preference is to be given to locally registered vendors in the evaluation process; and*
  - (ix) *Draft a price schedule that captures the unit cost, the quantity being offered, the incoterms and the country of origin of the product.*
- (b) *Improve specifications to promote competition by:*
- (i) *Preparing more generic specifications in order to promote competition for single and double cabin pickup vehicles; and*
  - (ii) *Ensuring that specifications are open-ended.*

112. The OIG noted circumstances where CMS selectively waived evaluation criteria and dropped some firms at the preliminary evaluation stage, while others were given consideration in the next stage of the evaluation process. Examples of such tenders were:

- Tender No. EI-12-2007, in which three firms were disqualified, viz. Microclean, Tauber & Corssen and Ranbaxy. These were found non-responsive for failing to submit documents that were mandatory. However, with the exception of Ranbaxy, these firms were given consideration in the subsequent stages of the evaluation process. There was no explanation given in the evaluation report to justify the continued consideration given to Microclean, Tauber & Corssen and the outright rejection of the bid from Ranbaxy.
- Tender No. EI-09-2009, in which one firm, GMSI, was disqualified for failing to submit documentation confirming that they were authorized to supply pharmaceutical substances. However, GekaPharma and New Med Namibia should also have been disqualified because they submitted bid securities whose value was less than 0.25% of the total bid price in accordance with the tender requirements.
- For tender no. EI-09-2009, the successful bidder, GekaPharma, did not meet requirements for technical evaluation. The bidder was, however, not eliminated prior to financial evaluation and instead given an uplifting factor for local suppliers. In consequence, for the following drugs, CMS paid more than they would have if the cheapest technically qualified bidder had been selected: (i) item no.5 Efavirenz 600mg for an additional NAD 596,250 (USD 91,730) and (ii) item 34: Lamivudine 150mg + Zidovudine 300mg + Nevirapine 200mg for an additional NAD 3,674,250 (USD 565,269).

### **Recommendation 51 (Critical)**

*The Global Fund Secretariat should ensure that the PR improves tender evaluation by requiring that:*

- (i) *Vendors that fail at any stage of the evaluation process should not receive consideration in subsequent stages of the evaluation process.*
- (ii) *The PR should ensure that the practice of selective waiving of evaluation criteria is stopped.*

**Quantification and forecasting**

Quantification and forecasting by CMS-MOHSS

113. Consumption data for ARVs are collected from the Electronic Dispensing Tool (EDT) and the Electronic Program Monitoring System and entered in Quantimed, an electronic system that is used for quantifying and forecasting pharmaceutical needs. The responsibility for processing and reporting this information with the ART logistics pharmacist. At the time of the audit, this position had been vacant for the last fifteen months. The OIG was not able to verify that the data processing and reporting functions were being performed.
114. The data that are sent by the ART Clinics on a monthly basis to the National Medicines Policy Coordination (NMPC) include stock levels, expired stock and damaged stock. However, none of the seven ART centers visited during this audit was updating stock regularly. Stock movement information could not be relied upon for effective quantification.
115. Facilities used different systems for determining their stock requirements before ordering. Some facilities used the minimum and maximum stock levels, others simply ordered what had been consumed in the previous period without regard to existing stock and others simply came up with their best estimate. All the orders were entered into the computerized inventory control system, SYSPRO, at CMS in order to process orders. However, this information also informed the quantification process at CMS.
116. Regional warehouses were meant to determine order quantities using the inventory management system SYSPRO. In practice, however, they responded largely to orders from health facilities, which led to frequent emergencies. At the time of the audit, the software at Oshakati and Rundu regional warehouses had not been in operation for three weeks and three months, respectively.
117. The orders received by CMS and the data collected and processed using Quantimed were meant to inform the quantification and forecasting process. However, consumption data from the EDT were not provided to CMS in the absence of the ART logistics pharmacist. At the time of the audit CMS were relying on the total consumption based on monthly orders from their clients or the pull down system to inform the quantification and forecasting process. This information was entered into SYSPRO to determine the annual requirements.
118. During the review, the OIG compared the estimated annual quantities that were tendered with what had been ordered against the contracts that were signed following the conclusion of the tendering process. The relationship was not clear:

<b>Pharmaceutical</b>	<b>Year</b>	<b>Tendered</b>	<b>Ordered</b>
Nevirapine 200mg	2010	109,700	370,000
	2009	200,000	0
	2008	9,000	209,000
Tenofovir 300mg/Lamivudine 300mg	2010	109,000	370,000

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Lamivudine 150mg/Zidovudine 300mg	2008	9,000	230,000
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(Table 14: Differences in amounts tendered vs ordered)

119. It is important to note that CMS entered into framework contracts with vendors and the estimated annual quantities were not ordered in a single order.
120. The ART Quarterly report for the period ending in December 2010, published by NMPC, indicates that out of the thirty-eight ARVs regularly purchased by CMS, nine were overstocked at the facility level. This implies that some of the facilities were not ordering based on consumption of product in relation with the stock on hand and the estimated new patients.
121. The OIG studied the stock movement of Artemether/Lumefantrine 120mg tablets (24 tab pack) for the past twelve months. The stock levels had been declining until the month of March 2011. In April 2011 CMS took delivery of the product and at the close of the month the stock level had gone up by 55,748 boxes. In the same month approximately 23,000 boxes of the Artemether/Lumefantrine expired. By the end of June 2011 CMS will need to have disposed of 30,000 boxes of the same product due to expiry. PUDR No 7 for Round 6 Malaria reported that only 1,610 patients had been treated for Malaria from the beginning of 2010 to September 2010. This points to the risk of over-supply and a risk that consumption data are not considered in ordering malaria drugs, leading to drug expiry.
122. There were only 62 TB patients nationwide requiring 4-aminosalicylic acid, with each patient needing 12 packets per year (744 packets annually *in toto*.) The expired amount of 12,850 packets at CMS corresponds to a 17-year supply. The initial quantification did not consider the small number of patients needing the drug. This demonstrates poor value for money from drug procurements.

### **Recommendation 52 (Critical)**

*The Global Fund Secretariat should ensure that the PR improves forecasting and quantification of commodities by taking the following actions:*

- i) CMS should verify the accuracy of its consumption data with information from the EDT and Quantimed as plans are under way to link all the EDTs and information will be available readily available. CMS should use the verified consumption data in forecasting drugs to be procured;*
- ii) The Ministry of Health and Social Services should support regional centers to utilize SYSPRO software for stock management and ordering;*
- iii) CMS should keep product orders within the limits of the tender quantities;*
- iv) With regard to quantification for Malaria:*
  - NVDCP and CMS should take into account the falling numbers of diagnosed cases, and the preventive measures put in place while quantifying and forecasting;*
  - There should be increased collaboration with CMS and NVDCP in sharing information to inform the ordering process for ACTs; and*
- v) With regard to quantification for Tuberculosis, there is scope for increased collaboration between the program and CMS by sharing information on consumption of TB medicines and the number of patients countrywide.*

### **Quality Assurance and Control**

#### ARVs, ACTs, HIV Kits, and RDT Kits

123. The Namibia Medicines Regulatory Council (NMRC) registers medicines and related substances before they can be consumed by the population. In addition, CMS restricted its procurements to medicines that meet the Global Fund quality assurance policy. This

was communicated in the tender documents and constituted part of the evaluation criteria. Prior to a vendor's being selected, CMS confirmed the registration of the vendor's proposed product with the NMRC and with the WHO prequalification scheme before recommending the vendor for award.

124. Once a contract is signed and delivery of the product starts, samples are submitted to the Quality Surveillance Laboratory (QSL) for testing. All samples should be delivered with a certificate of analysis. However, the QSL did not have all the certificates of analysis for the samples they had received from the Central Medical Stores.

125. The CMS did not carry out pre-shipment inspection and testing for products supplied by foreign vendors. While pre-shipment inspection and testing may affect delay delivery of the product, it is good procurement practice to have it in place. Once sampling, verification of dosage, packaging and quantity is completed the goods can be distributed. CMS does not quarantine product on arrival and does not wait for QSL results before it starts distributing the product. CMS therefore runs the risk of distributing product that may be defective.

### Long Lasting Mosquito Nets

126. LLINs are procured from WHOPES-recommended manufacturers per the Global Fund Quality Assurance Policy. LLINs are not inspected or tested before or after shipping.

### Quality Surveillance Laboratory

127. The QSL was situated in the same premises as the CMS. The premises were clean and well organized. The samples from CMS were kept in a separate room and flammable items were separated. The equipment used for sample testing was in good working condition and clean. However, QSL could not perform some tests such microbiological testing of the injectable antibiotics used in TB treatment due to lack of equipment. QSL was under-staffed and did not have sufficient floor space for office desks.

128. QSL received samples from all deliveries at CMS. However, QSL was not able to test all. This was partly due to lack of staff, infrastructure and funding. For the year April 2010 to March 2011 no anti-malaria medicines were analyzed.

129. QSL is neither WHO-prequalified nor ISO 17025 accredited. Documentation for ISO 17025 had been prepared, and QSL was in final stages of applying for ISO accreditation and WHO prequalification. At the time of the audit, QSL was outsourcing certain tests until it is accredited or WHO-prequalified.

### Post Surveillance

130. Post surveillance/pharmacovigilance was the responsibility of PC & I, which practiced passive surveillance. PC & I relied on reports from end users or facilities before they could react, and was not able to carry out active surveillance because it did not have enough staff. The only surveillance recently done was sponsored by MSH. However, plans were under way to start active surveillance.

### ***Recommendation 53 (Important)***

*The Global Fund should ensure that the PR improves quality assurance arrangements by taking the following actions:*

- (i) CMS should institute pre-shipment inspection and testing for products supplied by foreign vendors;*
- (ii) QSL should achieve ISO accreditation as well as WHO prequalification;*
- (iii) MOHSS should provide funding and technical support to QSL to speed up the accreditation process;*

- (iv) *MOHSS should provide the Quality Surveillance Laboratory with sufficiently large premises to accommodate the laboratories current and future requirements;*
- (v) *PMU-MOHSS should ensure that pre-shipment or post shipment Inspection and testing is undertaken for all LLINs; and*
- (vi) *PC&I should move from passive surveillance to active surveillance.*

### Warehousing and Inventory Management—CMS

131. The storage facility at CMS headquarters is divided into the following sections: Tablets, Solutions/liquids, Injectable Room and powders, ACTs and TB drugs, ARVs, Vaccines and cold storage for ice packs, and cold storage for ARVs. The warehouses were clean, with dry floors, and well lit. They were well ventilated and secured from flooding, and firefighting equipment was strategically located. The temperature in each warehouse was controlled by air conditioning. However, the warehouse for solutions and liquids was in a disorganized state, with boxes and products on the floor and in the walkways, and the floor stained from spillage.

132. The storage facilities at CMS were not designed to be storage facilities for medicines and related products. They were modified to comply with internationally accepted standards for storage of medical products. The following warehousing weaknesses were noted:

- i. The storage facilities were small in terms of floor space with little potential for vertical storage;
- ii. Stock counts were not conducted on a quarterly basis as required by SOPs;
- iii. Due to lack of space, and contrary to SOPs, flammables were kept with other products;
- iv. The main corridor in the facility served as storage space for products, including damaged and expired products, and shelves were not marked.
- v. Expired products were found in the warehouses for Malaria and TB, given that the room in which expired product was meant to be kept was too small to accommodate all expired products.
- vi. The roof at the Central Medical Store was not fully covered and could allow access to the stock in warehouse. In addition, there was no burglar alarm in place.
- vii. Regional hospitals, district hospitals and clinics had an acute shortage of pharmacists. Katutura ART Clinic, which served over 4,470 active patients, had only one pharmacist. The ART clinic in Oshakati Intermediate Hospital serving 9,151 active patients had one pharmacist and four assistant pharmacists. The entire hospital had five pharmacists and three vacancies. Most drug management and dispensing at the District and lower level are performed by Pharmacy Assistants or nurses are dispensing the drugs. For example, the clinic in Oshivelo and the clinic in Ongwediva were managed by nurses.

### **Recommendation 54 (Critical)**

*The Global Fund Secretariat should ensure improved warehousing and inventory management by ensuring that the PR takes the following actions:*

- (a) *Warehousing practice should comply with Standard Operating Procedures to ensure that:*
  - (i) *The warehouse is well arranged and products kept in an orderly manner in the designated spaces;*
  - (ii) *Stocktaking is done on a quarterly basis;*
  - (iii) *Flammable and non-flammable drugs are separated; and*
  - (iv) *Shelves in the warehouse should be marked for the drugs they are carrying.*
- (b) *The Ministry of Health should provide modern storage space for CMS to enable CMS to comply its SOPs.*
- (c) *CMS should strengthen security at the CMS warehouse and investigate drug losses.*

- (d) *The Ministry of Health and Social Services should continue to recruit and deploy pharmacists at health facilities.*

### GRANT OVERSIGHT

#### Country Coordinating Mechanism

133. Country Coordinating Mechanisms (CCMs) are central to the Global Fund's commitment to local ownership and participatory decision-making. The Global Fund has produced guidelines and requirements for CCMs regarding their role in Global Fund processes.

##### Good practice

134. The OIG noted areas of good practice at the Namibia Coordination Committee on HIV/AIDS, Tuberculosis and Malaria (NaCCATuM):

- i) In 2009, the CCM underwent a reform process which resulted in the development of a constitution and governance policies. The CCM composition was reviewed and subcommittees re-defined;
- ii) The NaCCATuM Secretariat was hosted at the Polytechnic of Namibia through an outsourcing agreement. This arrangement minimized potential conflicts of interest that could arise from implementers hosting the Secretariat;
- iii) The NaCCATuM Secretariat relied on the Polytechnic's financial management systems which already had institutional controls;
- iv) The NaCCATuM chair was from the National Planning Commission and was not involved in grant implementation. This avoided potential conflicts of interest; and
- v) The CCM organized annual governance workshops which served as forums for the orientation of new members.

135. Nonetheless, the OIG noted a number of areas for improvement with regard to the CCM as shown below.

##### Global Fund CCM guidelines

136. The NaCCATuM guidelines were not aligned with Global Fund CCM requirements with regard to the following:

- NaCCATuM guidelines did not include a transparent process for the nomination of all new and continuing PRs. The CCM did not have clearly defined and objective criteria for PR selection<sup>17</sup>.
- The people affected by TB and Malaria were represented by NGOs that implemented activities in the respective diseases (SFH, CoHENA, NANASO, and NAPPA). The guidelines require representation by people who have lived with these diseases in the past or who come from communities where the diseases are endemic<sup>18</sup>.
- There was no transparent process for selection of representatives of non-government organizations as well as those affected by TB and Malaria<sup>19</sup>.

#### **Recommendation 55 (Critical)**

*The Global Fund Secretariat should follow up alignment of the NaCCATuM constitution and governance policies to the Global Fund Guidelines and Requirements for CCMs with regard to:*

- (i) Documenting a transparent process by which PRs and representatives of CSOs to NaCCATuM are selected; and*
- (ii) Representation of people affected by TB and Malaria by people who have lived with these diseases in the past or who come from communities where these diseases are endemic.*

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<sup>17</sup>CCM guidelines – Requirement 2

<sup>18</sup>CCM guidelines – Requirement 4

<sup>19</sup>CCM guidelines – Requirement 5

### NaCCATuM Constitution and Governance Policies

137. The OIG observed that in the following cases NaCCATuM did not comply with its constitution and governance policies:

- i) Article 18 requires that the presence of observers at meetings shall be approved by the members prior to the commencement of each meeting;
- ii) Article 3.3 requires that selection of members representing the non-government constituency should be made by their own constituencies<sup>20</sup> based on a documented, transparent process developed within each sector. There was no documentation at the CCM to show how CSO representatives were selected;
- iii) The CCM governance policies require that members express the issues and views of their constituencies. This is to be met by a requirement for regular consultation and feedback with other members of those constituencies. The CCM only had evidence of consultation for Persons Living with HIV/AIDS;
- iv) The CCM policies require that any member or alternate, who fails to attend three consecutive NaCCATuM meetings, shall be asked to relinquish their membership. This policy was not exercised; and
- v) The governance policies provide for the following, which were not in place:
  - Quarterly subcommittee meetings. In the past, only the M&E sub-committee met regularly;
  - Quarterly meetings between chairs of subcommittees; and
  - Site visits by subcommittee members. The only site visit recorded by the time of the audit took place in September 2008.

### **Recommendation 56 (Critical)**

*The Global Fund Secretariat should engage with NaCCATuM to improve grant oversight by ensuring that all provisions of CCM constitution are complied with, specifically:*

- i. The attendance of observers should be approved by members of NaCCATuM;*
- ii. Representatives of non-governmental organizations should be nominated and selected by their own constituencies. The CCM should maintain records of this selection process;*
- iii. NaCCATuM should maintain records for the consultative (and/or) update meetings of the CCM's constituencies;*
- iv. Members who fail to attend three consecutive meetings should be replaced; and*
- v. Sub-committees meetings and site visits should take place.*

### Oversight of Grant Implementation

138. One of the key roles of the CCM is oversight of PR performance. There was no evidence that NaCCATuM actively sought to resolve the following issues that interrupted grant implementation:

- i) The shortage in the supply of condoms resulting from unresolved issues between the Global Fund and the CCM; and
- ii) Delays in grant negotiation.

### **Recommendation 57 (Critical)**

*The Global Fund Secretariat should require all Principal Recipients to report to NaCCATuM regularly particularly on grant implementation challenges. The NaCCATuM Secretariat should maintain a register of key issues and track the time taken to resolve them.*

### **Local Fund Agent**

139. PricewaterhouseCoopers (PWC) has been the Local Fund Agent in Namibia since the commencement of grants in 2004. The LFA team is composed of a team leader, finance

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<sup>20</sup> CCM guidelines

professional, M&E expert, PSM expert, and a health program specialist. The team is supported by junior finance professionals. The team in Namibia is also supported by the LFA Coordination Office in Geneva.

### CCM Oversight

140. The LFA is mandated to advise the Global Fund of issues which may affect grant performance throughout the grant life-cycle. To meet this requirement, the LFA attends CCM meetings as well as other meetings on the request of the Global Fund. However, the LFA did not bring to the attention of the Global Fund the CCM non-compliance with Global Fund policies mentioned above.

### **Recommendation 58 (Critical)**

*The LFA should regularly review and comment on the CCM's compliance with Global Fund policies and guidelines and report to the Global Fund Secretariat.*

### Performance of Work

141. The following areas of LFA work showed scope for improvement:

- i) Documentation of risks during assignment planning and execution: The LFA's audit methodology provides for documentation of risks using a risk table. In the files reviewed, the LFA had not completed the risk table. The LFA manual requires that LFAs base their work on a risk assessment in order to tailor their services to meet the Global Fund's needs. In the absence of the documentation of risks, there was no evidence that tasks performed considered risk;
- ii) Progress Update reports require the LFA to complete a section for "verified PR results". However, the LFA did not complete the modified results as an outcome of the verification of results reported. It is thus not possible to determine the extent to which PR results were accurate.
- iii) The LFA did not formally debrief PRs and SRs after reviews.
- iv) While undertaking verification of implementation reviews, the LFA obtained documentation such as bank reconciliations, PUDRs, and cash books remotely. The LFA explained that the reason for this practice was to select samples to aid field review. The OIG noted that there would be a long chain of emails spanning over several months to verify a single deliverable. The practice of obtaining and reviewing documents remotely could partly explain:
  - Delays in submitting reports, as questions that could easily be resolved on site at PR premises were discussed via email over several days; and
  - Why the LFA could not assure authenticity of documents such as bank statements that were received as scanned documents.

### **Recommendation 59 (Critical)**

*To improve effectiveness of the LFA verification of implementation, the Global Fund Secretariat should ensure by that the LFA:*

- (i) Documents grant related risks during assignment planning and base field work on an assessment of these risks;*
- (ii) Performs reviews at the PR premises. Key issues should be raised and resolved on site to reduce iterations and report turnaround time;*
- (iii) Seeks evidence of results reported by the PR and SRs and completes the appropriate section when results should be modified; and*
- (iv) Debriefs the PR and SRs after each review.*

### Inconsistencies in LFA Findings and Recommendations

142. The OIG audit findings were inconsistent with the LFA's PR repeat assessment report for HIV and Malaria Round 2 grants for the Ministry of Health:

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LFA Statement	OIG Finding
<p>“Although monthly management reports are received from the SR's, the PR does not have adequate continuous monitoring procedures in place to ensure that the information received from SR's are validated against supporting documentation. This is due to the fact that the PR's procedures for SR management are inadequate”</p>	<p>Since inception of grant implementation, the PR put in place processes for verifying results reported by SRs. At the end of each quarter, PMU staff from the M&amp;E department visit SRs to verify the reported programmatic results. Standard verification forms were also on hand as evidence of this process.</p>
<p>The assessment reports that financial management for the grants is the responsibility of the PMU and specifically the finance manager.</p>	<p>Budgeting and payment process are performed by the Directorate of Special Programs (DSP). The PMU coordinates the consolidation of budgets and reports before sending them to the Global Fund. Thus, the financial management controls that should have been assessed are those at the DSP, not the PMU. The PMU should be evaluated only on its key role, viz. monitoring civil society SRs.</p>
<p>On the question on whether salaries are in line with those earned by staff employed on other donor funded projects in the same sector as the nominated PR, the LFA reported that it was difficult and impractical to compare the salaries of the PMU officials with those of other employees employed by other donor funded projects.</p>	<p>The Salaries of the PMU staff were considerably higher than those of staff at the Ministry of Health and Social Services.</p> <p>A salary survey commissioned by the CCM shows that salaries of PMU staff are considerably high in comparison with those of other donor agencies.</p>
<p>On the question whether management reports (monthly management accounts and commentary) are produced and appropriately used for decision making, the LFA reported affirmatively.</p>	<p>The OIG did not find evidence of management reports. In other parts of the report the LFA reports that the PR on several occasions failed to provide timely budget versus actual analysis even when reminded by the LFA.</p>

*(Table 15: Examples of inconsistencies between LFA and OIG findings)*

143. In the Round 2 RCC assessment form, the LFA reported that, “During implementation of the Round 2 grants the PMU did not have adequate capacity and resources, including adequate human resources, for continuous programmatic and financial management and oversight of Sub-Recipients.” Given that more than 70% of the grant funds were disbursed to SRs, this assessment of PMU capacity stands in contrast to the LFA recommendation for fund disbursement to the Ministry of Health.
144. Between 19 November and 2 December 2010, the Global Fund Secretariat commissioned the LFA to conduct a special review of the Procurement and Supply Chain Management (PSM) systems at the PR, the MOHSS. There were significant differences between the findings in the LFA report and the outcome of the OIG audit.

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LFA Statement	OIG Finding
Recommendation for CMS to procure non-pharmaceutical goods (Section 2, recommendation 1)	CMS is not legally mandated to procure all non-pharmaceutical goods such as lab equipment, LLINs, etc.
EDTs are widely used at all levels and the monthly reports generated from EDT serve as the main tool for forecasting and monitoring consumption (Section 4, Para 3)	EDT information does not inform forecasting/quantification at CMS
PR expressed difficulty in assuring the quality of bed nets ... due to lack of facilities in country (Section 3, Para 4)	There is a need to undertake pre-shipment inspection and testing even if it is performed outside the Country. No recommendation provided by LFA.
The PR is recommended to review the roles of ART Logistics Pharmacist (under DPS) and pharmacist coordinator (under DSP). Consideration to merge both positions. (Section 5, Para 5)	DSP ( <i>Directorate</i> ) and DPS (a <i>Division</i> ) are independent units that do not interact. It's unlikely that these two positions can serve the same purpose.
Due to incomplete consumption data, for TB and Malaria, quantification is done using morbidity data (Section 7, Para 2)	CMS quantification for TB and Malaria is not informed by morbidity data. Quantification for malaria is informed by HMIS data for persons receiving ACTs.
All procurements carried out by CMS, examined, were in compliance with the Tender Board Act of Namibia 1996 (Procurement Review Section 3 (c))	The OIG identified several areas of non-compliance with the Tender Board Act, Regulations and Policies.
CMS stores are well designed to ensure security and limited access. Physical inventory is being carried out every 6 weeks (Section 8, Para 3)	There were break-ins through glass roof that does not have burglar proofing. Physical inventory is carried out at most twice a year.

(Table 16: Examples of inconsistencies between LFA and OIG findings)

145. The OIG noted that: (i) Only five working days were allowed for the assignment field work, which was not sufficient to address the terms of reference of the specialist; (ii) The specialist reported on the basis of representations by officers, with little evidence of verification.
146. These observations point to a risk that the Global Fund Secretariat may not be always getting accurate grant related information.

### **Recommendation 60 (Critical)**

*The Global Fund Secretariat should ensure that the LFA takes the following actions:*

- (i) *The LFA should spend more review time at the PR and SR site, to improve its understanding of PR systems and verify findings;*
- (ii) *LFA reports should clearly show what evidence was seen. Where reports are written on the basis of verbal representations, the LFA should make this clear, including specifying the reasons why documents were not provided; and*

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- (iii) *The LFA should put in place quality assurance procedures, i.e., all work done should be reviewed by a senior professional with adequate knowledge of the PRs and the Global Fund.*

### Timelines for Deliverables

147. In some cases there were delays by the LFA in reviewing submissions from the PRs, which in turn contributed to the delays in decision making and implementation. The cases below illustrate:

- i) In March 2011, NANASO submitted a request to reallocate funds to cater for the effects of delays in RCC grant negotiations. The Global Fund Secretariat requested the LFA to review the submission in May/June 2011. At the time of the audit in July the LFA had not yet reviewed the documents;
- ii) On several occasions tasks took several working days in excess of the ten working days stipulated in the LFA guidelines:

<b>Grant</b>	<b>PUDR - Report end date</b>	<b>Delays (working days)</b>
Round 5 TB	30 September 2008	40
Round 5 TB	30 September 2009	25
Round 5 TB	31 March 2010	31
Round 6 Malaria	30 September 2010	44
Round 2 HIV	31 March 2010	51

(Table 17: Delays in LFA reviewing of submissions)

### **Recommendation 61 (Critical)**

*The Global Fund Secretariat should require that the LFA complies with the deadlines for deliverables.*

### The OIG Findings

148. There were some OIG audit findings that the LFA should have brought to the attention of the Global Fund Secretariat. In particular:

- The two SRs, Society for Family Health (SFH) and Namibia Red Cross (NRC), pool the grant funds from Ministry of Health with funds from other donors. These SRs did not have clear guidelines for allocating common costs and expenditure towards activities funded by multiple donors. It was not possible to reconcile expenditure incurred for program activities at the SRs with the financial reports submitted to the PR. For instance for SFH the un-reconciled variance in grant expenditure between SR and PR records was NAD 10,877,389 (USD 1.6m).
- The LFA reviewed PR internal audit arrangements and advised the Global Fund Secretariat that both the internal audit plan and reports were appropriate. However, the coverage of the internal audit work did not link financial controls to program risks. In consequence, the following areas that should have been picked up by internal audit work were not brought to light:
  - i) A failure by the SRs Commodity Exchange (Commex) and NASOMA to provide an accurate reconciliation of the condoms imported used grant funds and quantities distributed in Namibia; and
  - ii) Differences in grant expenditure between SR records and the financial reports held by the PMU.

### **Recommendation 62 (Critical)**

*The Global Fund Secretariat should ensure that effort of LFA staff focuses on the sites of program implementation, e.g., the Directorate of Special Programs and major civil society SRs, rather than just the PMU. This would ensure sufficient understanding of programmatic risks and necessary controls.*

### Global Fund Secretariat

149. The Secretariat is responsible for grant oversight. The objectives of grant oversight are to undertake grant negotiations, make performance-based disbursement and continued funding decisions, manage the risks of the grant, adjust the grant to respond to country needs and program realities, and ensure program implementation is consistent with Global Fund policies.

#### Good practice

150. NANASO, a local non-governmental organization was selected by the CCM to be a second PR for the Round 2 RCC grant. After the LFA assessment, a pairing plan was put in place with the MOHSS to allow NANASO time to put in place the required human resources and system requirements for grant implementation, while learning lessons from the former PR. The OIG commends the innovative approach to risk mitigation that was put forward by the Global Fund Secretariat.

#### LFA management

151. Since the Global Fund does not have presence in-country, reliance is placed upon the LFA to verify programmatic and financial information. The LFA is expected to assess PR capacity and also verify implementation through the review of PUDRs and OSDVs. As evidenced above, there were lapses in the management of the services delivered by the LFA.

152. In February 2011, the Global Fund Secretariat conducted a mid-term evaluation of the LFA services in Namibia. The assessment reported that the LFA performance did not meet Global Fund requirements. The LFA was given an interim period to develop actions to address the capacity weaknesses. There had not been significant change in LFA team composition over the last seven years of grant implementation although the LFA informed the OIG that no questions had previously been raised by the Secretariat about the firm's performance. There a risk that delayed assessment and action upon LFA performance may have contributed to weakness in grant oversight.

#### **Recommendation 63 (Critical)**

*The Global Fund Secretariat should strengthen grant oversight by providing the LFA with prompt feedback on their performance. The Global Fund Secretariat should sanction LFAs who do not implement remedial actions. Consideration should be given to re-tendering for LFA services in Namibia.*