



THE OFFICE OF THE INSPECTOR GENERAL



The Global Fund to Fight AIDS, Tuberculosis and Malaria

Audit of Global Fund Grants to the Republic of Mozambique

Executive Summary

GF-OIG-11-018
28 August 2012

EXECUTIVE SUMMARY

Introduction

1. As part of its 2011 work plan, the OIG carried out an audit of Global Fund grants to Mozambique from November 2011 to March 2012. The OIG sought 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. The audit of the Ministry of Health covered three years: 2008, 2009 and 2010. From 2004 and 2008 the Global Fund disbursed USD 135.8m into a Common Fund for Health to support the health sector, known as PROSAUDE. From December 2009 through the end of 2010, the Global Fund disbursed USD 83.6m, through the Voluntary Pooled Procurement (VPP), for delivery of health products.

3. This report presents 22 “critical” and 12 “important” recommendations. Twenty-two other recommendations are contained in management letters (Annexes 5, 6 and 7) which address less significant control weaknesses or areas of noncompliance.

Grant Oversight

4. The root cause of many of the shortcomings in financial program and supply chain management identified by the OIG audit is the weak capacity of the Ministry of Health. Since 2011, the Global Fund Secretariat has had improved and continuous engagement with PROSAUDE and other in-country partners in Mozambique. The OIG encourages the CCM and development partners to support the Ministry of Health by coordinating capacity building initiatives. In 2012, the Global Fund Secretariat, health partners and the Ministry of Health management have jointly developed action plans to address system weaknesses in Public Finance Management and Procurement and Supply Chain Management.

5. The OIG observed several areas of good practice in relation to the functioning of the CCM. In particular, the CCM has set up a functional committee on grant oversight and undertakes detailed annual planning; the CCM Secretariat is hosted independently of the implementers. The CCM has committed to strengthen oversight by regularly reviewing progress reports from the Principal Recipients and by undertaking site visits itself.

Public Health Response

6. The programs for the three diseases are integrated in the national health program as outlined in the Mozambique national health strategy (PESS). However, the quality of service delivery is impacted by the insufficient number of qualified human resources.

Key actions agreed upon in response to the OIG audit

7. In responding to the risks identified by the OIG, the stakeholders have committed to:
- Improving the quality of service delivery by following up of treatment defaulters for MDR-TB and HIV, and addressing lapses in infection control. The Ministry of Health has undertaken to improve the ART case retention; strengthen prevention of mother-to-child transmission initiatives; scale up coverage of laboratory services; and increase prevention activities.

Audit of Global Fund Grants to Mozambique

- Ensuring that procurement is in line with good practice by reorganizing the units responsible and recruiting appropriately qualified personnel.
- Ensuring that reliable information for decision-making and reporting are available by improving the quality of consumption data used for quantification and distribution of pharmaceuticals (especially ARVs and ACTs) and health supplies (laboratory supplies and test kits). PSM working groups have been given the mandate to monitor the quality of forecasts.
- Ensuring that drugs are delivered to intended recipients. In particular, the PR will implement a new logistics management information system; improve inventory management practices at warehouses; and implement new standard operating procedures for management of medicines at all levels.
- Ensuring good financial management. Specifically, the PR will ensure timely reconciliation of all bank accounts; preparation of monthly financial statements; implementation of an automated payroll that is integrated in the core financial software (e-SISTAFE); implement policies to enforce timely settlement of advances; and regularly follow up on audit recommendations.

Prioritization of audit recommendations

8. To address the weak areas identified, the recommendations in this report have been prioritized as:

- **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.
- **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.

9. This report includes tables (Annex 3) that identify a total amount of USD 3,318,395 that was not adequately supported. The OIG recommends that the funds are repaid by the PR into the PROSAUDE fund. The PROSAUDE Partners are in agreement with the OIG's recommendation and have started to engage with the Ministry of Finance on the technical aspects of the repayment.

10. Some issues that call for further investigation are being pursued by the Inspector General of Finance in collaboration with the OIG.

Overall conclusion

11. At the time of the OIG audit, the OIG was unable to provide reasonable assurance that adequate controls were in place to manage the key risks impacting the Global Fund-supported programs. However, the OIG recognizes the recent efforts of the Global Fund Secretariat, the Ministry of Health in Mozambique and health partners to develop and closely monitor plans of action for improving the control environment.