THE OFFICE OF THE INSPECTOR GENERAL

The Global Fund to Fight AIDS, Tuberculosis and Malaria

Diagnostic Review of Global Fund Grants to the Republic of the Union of Myanmar

Report

GF-OIG-11-019
7 September 2012

Table of Contents

Executive Summary

1.   The Office of the Inspector General (OIG) undertook a diagnostic review of the Global Fund grants to the Republic of the Union of Myanmar (Myanmar). This review sought to identify and share good practices; identify key risks to which Global Fund grant programs were exposed and make recommendations for risk mitigation where weaknesses and gaps were found in the current risk responses.

2.   The review covered all six active grants to Myanmar for a total of USD 105 million over two years of which USD 36.95 million had been disbursed at the time of the review. The review covered the two Principal Recipients, the United Nations Office for Project Services (UNOPS) and Save the Children (STC), as well as five Sub-Recipients (SRs).

3.   The review concluded that while strong leadership was evident and the grant program had many strengths, inevitably a number of risks emerged in the early stages of this new grant program. The OIG offered 61 recommendations[1] categorized as "Critical" and 75 categorized as "Important" to mitigate those risks. The in-country stakeholders have demonstrated a serious commitment to implement the recommendations offered. Doing so will significantly strengthen the overall control environment and grant management of the Global Fund program in Myanmar.

Key Mitigating Actions Agreed Upon.

4.   In response to the risks identified, the stakeholders have committed to:

- **Strengthen financial management.** Specifically, PRs and SRs have agreed to strengthen control over cash management, compliance to the Global Fund's budgeting guidelines, improve procedures with respect to obtaining and maintaining supporting documentation relating to SR expenses and improve the control over operational advances.

- **Improve procurement process**. The PRs have agreed to strengthen procurement planning and related processes to prevent future delays in procurement. The PRs and SRs have agreed to tighten controls over the vendor selection process and procurement procedures, and have also agreed to improve storage conditions for health products.

- **Mitigate risk relating to program implementation and reporting**. The PRs and SRs have agreed to comply with the terms of the grant agreement, to fill vacancies in key staff positions, and to improve timeliness in submitting reports.

- **Improve oversight**. In particular the CCM and its Executive Working Group have put Procurement and Supply Chain Management as a standing agenda item at its meeting so that they are alerted on a timely basis of delays in procurement. They also accept the need to get PRs actively involved in the SR selection process.

---

[1] Recommendations are categorized as "Critical and "Important". Definitions are in Annex J

Comment from the General Manager of the Global Fund

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

Gabriel Jaramillo, General Manager

gabriel.jaramillo@theglobalfund.org
www.theglobalfund.org

T +41 58 791 1842
F +41 58 791 1641

Chemin de Blandonnet 8
1214 Vernier, Geneva
Switzerland

Our ref: OGM/GJ/JK/2012.09.07-MYANMAR

7 September 2012

MESSAGE FROM THE GENERAL MANAGER

I would like to thank the Office of the Inspector General for its thorough and insightful work on the diagnostic review of Global Fund grants to the Republic of Myanmar.

The diagnostic review, carried out between 17 October and 2 November 2011, covered six active grants with a total amount of USD 105 million. The review was undertaken to identify and share good practices, to identify risks and make recommendations on how to mitigate them. The review looked at two Principal Recipients, and five sub-recipients.

The overall health situation in Myanmar is serious. The country has a high burden for HIV and AIDS, tuberculosis and malaria. There is a large treatment gap for HIV, and there is a significant need for prevention of further transmission. The prevalence of TB infections, including multi-drug resistance, is also higher than previously estimated.

The review identified a number of risks that emerged in the early stages of these grant · projects, and offered many recommendations. In-country stakeholders have shown very serious commitment to implementing these recommended changes, and there is good cause for optimism that they can be achieved, and will strengthen the effectiveness of our grants.

I visited Myanmar in August and reviewed the OIG's findings with the principal recipients. I was able to satisfy myself that they are taking the recommendations seriously and are committed to having effective controls in place despite oftentimes difficult circumstances.

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

Yours sincerely

The Global Fund To Fight AIDS, Tuberculosis and Malaria | Le Fonds mondial De lutte contre le sida, la tuberculose et le paludisme | El Fondo Mundial De lucha contra el SIDA, la tuberculosis y la malaria | Глобальный фонд для борьбы со СПИДом, туберкулезом и малярией | 全球基金 抗击艾滋病、结核病和疟疾 | الصندوق العالمي لمكافحة الإيدز والسل والملاريا

Comment from the Country Coordinating Mechanism

**MYANMAR COUNTRY
COORDINATING MECHANISM**

4 September 2012

Mr John Parsons
Inspector General
Office of the Inspector General
The Global Fund to Fight AIDS, Tuberculosis and Malaria

Dear Mr Parsons,

The Chair of the M-CCM is currently on mission and he has delegated me to reply on his behalf.

On behalf of the Myanmar Country Coordinating Mechanism, I thank you for the opportunity you have provided to the CCM to comment on the findings of the Diagnostic Review of the Global Fund grants to Myanmar undertaken in October 2011. We have provided our response to the Draft Report and the Action Plan and I am pleased to see that you have included it in your report.

The report is very objective and provides useful observations. The findings adequately take into account the specificity of Myanmar including the difficulties and challenges we are facing but also noting the commitment and progress made in the implementation of all three Global Fund grants (Round 9 AIDS, TB and Malaria).

I wish to also express my appreciation for the Diagnostic Review as it has been a good exercise and a learning opportunity for both the CCM and the PRs. The detailed recommendations given will be used to guide us in maintaining our progress and continue to improve our performance even further. We will ensure that necessary measures are taken to implement the recommendations presented in the Action Plan.

Last but not least, we wish to thank you and your team for your visit to Myanmar, and for your team's objectivity, professionalism, and tireless effort in carrying out the review.

Yours sincerely,

Prof. Samuel Kyaw Hla
Vice-Chair M-CCM
Vice President, Myanmar Medical Association

M-CCM Secretariat Office, Ministry of Health, Office No. 4, Nay Pyi Taw, Myanmar. Ph: +95 67 411388, +95 9 5014887
E-mail: drsawlwin09@gmail.com, myanmarccm@gmail.com. Website: www.myanmarccm.org

Introduction

What was the
review about?

5. As part of its 2011 work plan, the Office of the Inspector General (OIG) undertook a diagnostic review of the Global Fund grants to the Republic of the Union of Myanmar (Myanmar). This review sought to:

    - Identify and share good practices; and
    - Identify key risks to which Global Fund grant programs were exposed and make recommendations for risk mitigation where weaknesses and gaps were found in the current risk responses.

6. The review examined the two Principal Recipients, the United Nations Office for Project Services (UNOPS) and Save the Children (STC), as well as five Sub-Recipients (SRs)[2]. The selection of SRs for was based on the materiality of the grant amount.

7. A diagnostic review is different from a country audit in that no overall opinions are provided and no assurance is provided regarding how grant funds were spent. The team for the diagnostic review included technical experts in public health, procurement and supply chain management.

8. The fieldwork for the diagnostic review was conducted from 17 October to 2 November 2011. Access to the eleven project sites selected by the OIG for the review was granted without delay.

9. During Round 9, the Global Fund approved HIV/AIDS, malaria and tuberculosis grants to Myanmar for a total of USD 105 million over two years. On 2 November 2010, UNOPS and STC each signed three grant agreements. Disbursements at the time of the diagnostic review totaled USD 36.95 million (35%).

What Global Fund
grants have been
signed for
Myanmar?

10. UNOPS implements its three grants through 15 Sub-Recipients, including the National Tuberculosis Program (NTP) and the Myanmar Medical Association (MMA). STC implements its three grants through 24 SRs, including the International Organization for Migration (IOM), Médecins du Monde (MdM) and the International HIV/AIDS Alliance (Alliance AID).

11. The Global Fund had previously provided funding to Myanmar under Round 2 and Round 3 grants. However, the Global Fund terminated these grants in 2005 when the Myanmar government failed to comply with the terms of the grant agreements.

---

[2] National Tuberculosis Program (NTP), Myanmar Medical Association (MMA), International Organization for Migration (IOM), Médecins du Monde (MDM) and International HIV/AIDS Alliance in Myanmar (Alliance Aid).

12. In the context of a history of early grant termination, a diagnostic review was proposed early in the life of Round 9 implementation to identify emerging risks and make recommendations to strengthen the management of the grants.

13. The diagnostic review focused on the six Round 9 grants, as follows:

PR	Grant No	Grant approved amount (Phase 1) US$	Disburse-ment to date US$
UNOPS	MYN-S10-G07-M	21,403,016	7,642,241
	MYN-S10-G09-T	21,433,297	7,186,040
	MYN-S10-G05-H	17,723,141	5,600,918
Save the Children	MYN-S10-G04-H	28,399,912	9,680,702
	MYN-S10-G06-M	11,726,334	5,538,564
	MYN-S10-G08-T	4,588,250	1,310,022
Grand Total US$		105,273,950	36,958,487

What is the environment within which the programs are implemented?

14. Myanmar has a population of 50-60 million people, consisting of more than 130 different ethnic groups spread over 14 states and 325 townships. Epidemiologically, HIV/AIDS, TB and malaria in Myanmar are all characterized as high burden.

a) A large treatment gap for HIV exists, and there is a high need for prevention of further transmission in risk groups. Many of those infected are diagnosed with HIV at an advanced stage of illness, reducing the chance of successful outcomes and increasing the cost of treatment. For these patients to survive, palliative care and effective treatment of opportunistic infection (OI) become as Important as starting ART. In specialized hospitals, high mortality rates are common.[3]

b) Prevalence survey data suggest that the scale of TB infections and disease, including multi-drug resistance, is much larger than previously estimated and the epidemiological linkage with HIV needs stronger programmatic responses.

---

[3] For example, in the Government Mingalardon Specialist Hospital in Yangon, 381 deaths occurred (including 14 children) from the total of 1,941 HIV positive patients admitted in the hospital between January and June 2011, i.e. an average of more than 60 per month.

	c)	In general, malaria morbidity is in decline. There is an urgent need for close containment and elimination of drug-resistant malaria in specific border areas. The problems around drug-resistant malaria stem from continuing artesunate mono-therapy, the smuggling of drugs into Myanmar and counterfeit artesunate combination tablets circulating in certain border areas. These problems pose immediate threats to public health in and outside Myanmar and deserve a high priority in the regulation of pharmaceuticals on a regional (Mekong basin) and international level (China, India). The Round 9 malaria grant budgeted funds to equip and strengthen the Food and Drug Administration (FDA) to combat counterfeit malaria drugs.
How did the OIG approach the review of a new grant program?	15.	All Round 9 grants began in January 2011, and SR implementation began in January 2011. This renders the first and second quarter progress reports for 2011 uninformative with respect to program achievement for these grants. Because implementation began only a few months before the review, the approach of the OIG team when they identified potential programmatic risks was to identify how capacity could be built to mitigate those risks.
How is this report structured?	16.	The report that follows highlights the common risks and associated recommendations relating to financial management and controls, procurement and supply management, program implementation and reporting, SR oversight and oversight of the program as a whole. Each of these risks and recommendations is described in further detail in the annexes to this report.
What is the conclusion from this diagnostic review?	17.	While the Diagnostic Review identified strong leadership and many strengths, inevitably a number of risks emerged in the early stages of this new grant program. The in-country stakeholders have demonstrated a serious commitment to implement the recommendations offered. Doing so will significantly strengthen the overall control environment and grant management of the Global Fund program in Myanmar.

Grant Implementation and Good Practices

Program leadership and local participation demonstrate a high level of country ownership

14.   The Ministry of Health's leadership, along with active participation by donors, UN agencies and civil society and other organizations, from proposal development to program implementation, demonstrates a high level of country ownership.

Program objectives and performance indicators are appropriate

15.   Program objective and targets are clearly aligned with the national strategies for HIV/AIDs, TB and malaria. The program's contributions are linked to Myanmar's long-term health goals.

16.   The performance framework indicators for all three diseases are appropriate. In addition, the reporting and monitoring instruments applied by PRs and SRs are adequate to support the measurement of these indicators to monitor progress towards program objectives.

Good monitoring and evaluation tools and data quality systems are being developed

17.   Program implementers were developing good monitoring and evaluation tools. However, because program implementation began shortly before the diagnostic review, implementers must be mindful of the need to apply these tools rigorously throughout the country.

18.   The PRs are rolling out data quality spot checking as part of their grant management systems, which demonstrates the program's strong commitment to high quality data.

Documented policies and procedures are in place

19.   UNOPS, STC, IOM and MdM have detailed documented policies and procedures on financial management, program management, SR management and procurement. UNOPS also has detailed procedures on compliance and asset management.

20.   MMA has detailed documented policies and procedures on human resources, cash/bank and procurement management.

PRs and SRs use reliable accounting software

21.   UNOPS uses the accounting software "Atlas" for recording its financial transactions. This software supports separate accounting and recording for each of the three grants, which are further divided into the 13 cost categories. UNOPS has created separate project codes for the PR and for each SR in the accounting system.

22.   Likewise, MMA uses the accounting software "ACE" for recording its financial transactions. This software supports separate

recording and accounting for each of the two grants MMA implements. Actual expenses can be tracked against the detailed budget in ACE.

23.   STC uses the accounting software "Sun Systems", IOM uses the software "PRISM" and MdM uses the accounting software "SAGA". Each of these systems support separate recording and accounting for each of the three grants, which are further divided into 13 cost categories.

Financial documents are archived

24.   UNOPS, STC, MMA and MdM have good systems in place for the archival of financial documents. Transaction vouchers are systematically archived based on the unique voucher number assigned to each transaction.

UNOPS is committed to SR oversight

25.   UNOPS has created a unit for SR capacity building, monitoring and assurance. This unit is responsible for continued assessment and capacity building of SRs within the areas of financial management, budgeting, accounting, treasury and asset management. This unit also plans, organizes and undertakes SR capacity building in close coordination with the program team.

CCM working groups support the CCM decision-making process

26.   The CCM has an Executive Working Group and multiple Technical and Strategy Groups (TSGs) to support it in the decision-making process. These groups provide technical guidance in the development of disease-specific national strategies. The groups also provide coordination among partners and clarity on major technical and policy issues.

CCM governance manual helps prevent conflict of interest

27.   The CCM Governance Manual includes controls to avoid conflict of interest. For example, PR participation in the CCM is limited mainly to an observer role. In addition, the manual details terms of reference for various Technical and Strategy Groups.

CCM meetings and decisions are well documented

The minutes of the meetings of the CCM and various TSGs, as well as decisions are well documented. The minutes are available on the CCM's website.

Overseeing grant implementation is a core responsibility of the CCM

28.   The CCM takes its oversight responsibility seriously. The CCM has implemented dashboards and other management tools to strengthen oversight.

The LFA monitors exchange rates, participates in trainings and archives documents

29. The LFA independently monitors daily exchange rates, which helps in benchmarking rates used by PRs and SRs.

30. LFA team members participate in Global Fund-specific trainings with respect to finance and monitoring and evaluation.

31. The LFA has good procedures on archiving documents.

Global Fund Secretariat closely oversees grant implementation

32. Consistent with the Global Fund guidelines with respect to a country under the Additional Safeguards Policy (ASP), the Secretariat has engaged in close oversight of grant implementation in Myanmar.

33. The Myanmar Country Team made frequent visits to Myanmar and provides timely feedback to the country when required. In addition, the Country Team works as mediator when communication issues arise between the implementers and/or the LFA.

Risks

<table>
<tr>
<td valign="top">

What are the risks relating to financial management and controls?

</td>
<td valign="top">

The need to strengthen controls over cash management in order to mitigate the risk of loss of grant funds

34.   Neither STC, MMA, IOM, MdM nor Alliance AID maintain proof of identification or contact details of recipients of cash. These PRs and SRs should implement procedures for verifying the identity of cash recipients in order to decrease the risk that cash payments will be made to unauthorized persons. Considering the risks associated with cash payments, maintaining a copy of a beneficiary´s ID card with contact details together with the payment voucher will mitigate the risk of cash payments to a non –intended beneficiary.

35.   In one instance, the OIG team noted the practice of withdrawing and transferring large sums of cash to fund program activities. This poses a risk of loss of program funds.

36.   Program implementers often hold large uninsured cash balances. UNOPS, MMA, IOM and MdM should insure cash-in-hand in order to mitigate the risk of loss of grant funds. In addition, cash-in-hand balances should be reduced.

37.   Controls over cash withdrawal and check stationary at one of the Alliance AID SR are weak. For example, a project officer at SR of Alliance AID (MCC Myanmar Council of Churches) was given a blank check signed by an authorized officer to facilitate the withdrawal of money. The project officer withdrew USD 10,667 and retained USD 5,333 for himself. Alliance AID are seeking recovery of the funds retained by the project officer and should establish stricter controls over cash withdrawals.

Shortcomings in controls over use of varying exchange rates and lack of monitoring of currency exchanges may prematurely exhaust grant funds and risk the misappropriation of grant funds

38.   UNOPS records and disburses grant funds at differing exchange rates. Specifically, UNOPS records disbursements to NTP using the UN exchange rate but disburses funds to NTP at a less favorable exchange rate. For example, in September 2011, the UN exchange rate was 675 MMK/USD but funds were disbursed to NTP at the rate of 1,000 MMK/USD. In order to prevent grant funds from being exhausted before program activities are completed, UNOPS should disburse funds to NTP using the UN exchange rate.

39.   The OIG's review highlighted that independent monitoring of the exchange rates obtained by the STC finance department was not being performed, and money exchangers were not being verified against terrorist lists or blacklists. The STC Country Director's office should independently monitor the exchange rates which are obtained by the finance department. STC should verify that money exchangers are not listed on blacklists.

</td>
</tr>
</table>

40.   IOM does not maintain documented policies relating to foreign exchange and minimum and maximum cash in hand balances. IOM should prepare and document these guidelines.

The need to follow procedures with respect to appropriately tracking expenses and obtaining documentation to process payments in order to avoid the disallowance of expenses, excess payouts and incorrect reporting to the Global Fund

41.   The OIG team noted that some expenses were not appropriately tracked. For example, the OIG team noted that MMA recorded health product procurement expenses under the category "Communication Material". UNOPS, STC and MMA should ensure that expenses are charged to the correct expense category in order to correctly report expenses to the Global Fund.

42.   The OIG team noted that some expenses paid by STC pertaining to travel charges were not supported by adequate documentation. In addition, IOM paid some vendors without supporting documentation. STC, IOM, MdM and Alliance AID should ensure that proper procedures are followed with respect to obtaining and maintaining supporting documentation relating to expenses charges to the Global Fund grants.

43.   Weak controls over the process of verifying expenses submitted by sub-sub-recipients were identified at Alliance AID. For example, Alliance AID does not have a mechanism to ensure that all beneficiaries of home visits and other patient care provided by sub-sub-recipients had actually received these services. Alliance AID should establish procedures to verify expenses submitted by sub-sub-recipients in order to prevent excess payouts to sub-sub-recipients.

Absence of a rationale for the allocation of shared costs can lead to a charge of ineligible amounts to grant funds

44.   UNOPS, STC, IOM and MdM charge shared costs to Global Fund grants without sufficient rationale. For example, UNOPS charges a fixed percentage of total payroll costs for three shared employees and a fixed amount for shared operating costs (such as office rent and other overheads). In addition, STC charges the Global Fund grants with 15% of the total payroll cost for shared employees. Also, IOM used assets purchased under the Global Fund grants for other programs. The lack of rationale for allocating these costs to the Global Fund grants could result in ineligible charges to the grants.

UNOPS, STC, IOM and MdM should define and document the rationale for charging these costs to Global Fund grants.

The need to report and explain variances between actual and budgeted expenditures and to obtain pre-approval of such variances in order to avoid ineligible expenses being charged to Global Fund grants

45.   The Global Fund budgeting guidelines provide that, in general,

the PR may make limited changes to the approved budget to respond to program realities. The PR must inform the Global Fund of any such changes through the normal reporting cycle. Material changes to the budget require the Global Fund's pre-approval. In some cases, even immaterial changes to the budget require pre-approval by the Global Fund or other safeguards.

46.   UNOPS, STC, NTP, IOM and MdM have incurred budget overruns and/or unbudgeted expenses which were not reported to the Global Fund through the normal reporting cycle or were inadequately justified. For example, UNOPS procured computers and software at a unit cost higher than budget, resulting in a budget overrun of USD 34,180, and MMA made budgeting changes to the approved workplan without receiving prior approval from UNOPS. In addition, IOM made salary payments that exceeded the budget by USD 16,947, and MdM charged expenses to "Infra-Structure and Other Equipment" which exceeded the budget by USD 14,983.

47.   UNOPS, STC, NTP, MMA, IOM and MdM should comply with the Global Fund's budgeting guidelines in the future to avoid the possibility of ineligible expenses being charged to the grants.

Strengthening control over operational advances to minimize the risk of misuse of program funds

48.   UNOPS has developed the Fund Flow Mechanism (FFM), which administers operational advances to Fund Flow Assistants (FFA). FFAs make direct disbursements for activities carried out by the three National Programs. Limits for operational advances have not been defined by the UNOPS Comptroller, as required by UNOPS' Global Fund-approved financial policy. Furthermore, PR/UNOPS should follows the UNOPS Financial Regulations and Rules, which requires approval from the UNOPS Comptroller for only the first advance given to a vendor or individual, even if subsequent advances have higher value.

49.   UNOPS should strengthen the controls in place over the FFM in order to mitigate the risk of misuse of program funds.

Delays in disbursements of funds to SRs leads to delays in program implementation

50.   SRs are required to submit requests for disbursements of funds to UNOPS along with quarterly financial and programmatic progress reports within 30 days following the end of each quarter. The diagnostic review identified lead times of 54 to 88 days following UNOPS' receipt of the disbursement request in the second disbursement by UNOPS to 11 SRs. These delays adversely impact the implementation of program activities.

51.   UNOPS should seek to define lead times for disbursement of funds to SRs and ensure timely disbursement.

Holding Global Fund grant money in a single bank account with funds from other donors risks the commingling of funds and interest income not being credited to the Global Fund program

52.   Both IOM headquarters and MdM headquarters receive and hold funds from the Global Fund and from other donors together in a single bank account. Neither IOM nor MdM credited interest income to the Global Fund grants until the OIG review. Both IOM and MdM should establish separate bank accounts for Global Fund grant money.

What are the risks relating to procurement and supply management and asset management?

Delays in the procurement of health products cause delays in program performance

53.   PRs' procurement mechanisms are inadequate to ensure timely deliveries of goods to SRs, causing delays in program performance. In early 2011, the program experienced delays in the procurement of health products, particularly with respect to ARVs and LLINs. For example, the delivery of LLINs for year one was delayed until one month after the beginning of the rainy season. In addition, most current stocks of life-saving medicines in the field have been procured and supplied by 3DF, Japan International Cooperation Agency (JICA) or WHO.

54.   PRs should quickly implement strong procurement mechanisms and health products procurement plans to prevent future delays. There is an interim arrangement in place for both PR using 'nominated agents for Year 2 supplies approved by the Global Fund Secretariat on an exceptional basis. For the period thereafter PRs have different strategies: UNOPS/MMOC should work to develop into a qualified procurement agent for pharmaceutical and health products compliant with the Model QA System for Procurement Agents issued by the WHO (MQAS). STC should select and pre-qualify external procurement agents that are qualified under MQAS to procure health goods for them.

The need to strengthen controls over the vendor selection process for non-health products to avoid the risk of procurement through higher cost vendors

55.   Controls around the vendor selection process for non-health products are weak. For example, neither UNOPS nor MMA maintain satisfactory records of vendors from whom bids were received against a particular Request for Quotation. In addition, neither UNOPS nor MdM maintain a standard list of vendors for local procurement, and MMA does not monitor the vendors' performance at regular intervals. STC, MMA and IOM have also selected vendors with a higher price bid without sufficient justification. MdM has also paid vendors without receiving purchase orders.

56.   UNOPS, STC, MMA, IOM and MdM should establish and follow appropriate guidelines for selecting vendors. Tightening

controls over the vendor selection process and procurement procedures will help to improve transparency and competitiveness in procurement, which will achieve greater value for money.

Inappropriate storage conditions for health products, inadequate process for identifying assets and failure to insure goods could result in the loss of valuable assets

57. PRs and SRs should establish and maintain appropriate storage conditions for health products.

58. Some assets purchased with Global Fund grant money are not insured. For example, UNOPS has procured USD 242,123 in uninsured assets with Global Fund grants, and STC has procured USD 35,362 in uninsured assets with Global Fund grants. UNOPS, STC, MMA, IOM and MdM should insure program assets and goods to protect against risk of loss.

59. In addition, the OIG's review of asset management revealed that NTP's fixed assets were not assigned and tagged with a unique identification number, and the location of the fixed assets was not recorded in the fixed asset register. These assets were also not insured. NTP should insure these assets and establish a process for identifying assets.

What are the risks relating to program implementation and reporting?

Delays in reporting and workplans may affect program implementation

60. The OIG's review indicated that NTP's submission of the third quarter workplan to UNOPS was delayed by 22 days, and UNOPS' review of the fourth quarter workplan was delayed by 14 days. The OIG team also noted that IOM incurred delays of five working days in submitting the first quarter report to the PR and a delay of three working days in submitting the second quarter report to the PR.

61. UNOPS, NTP and IOM should ensure that materials are submitted and/or reviewed on a timely basis.

The need to comply with the terms of the grant agreement so that the implementation of program activities is not adversely affected

62. At the time of review, UNOPS was not in compliance with some of the terms of the grant agreements For example, UNOPS had not delivered to the Global Fund standard operating procedures for the storage and distribution of health products and had not developed a reporting calendar to monitor the timeliness of reports to be submitted to the LFA and the Global Fund, as required by the terms and conditions of the grant agreement. UNOPS should ensure that all grant agreement terms and conditions are satisfied on a timely basis.

63. Similarly, STC had not appointed an external auditor on a timely basis and had not shared internal audit reports with the Global Fund, as required by the terms of the grant agreement. Under the grant agreement, the external auditor should have been appointed by June 30, 2011. However, the external auditor had not been appointed at the time of review. STC is also required to share the findings of its internal audit with the Global Fund, but these reports were not shared with the OIG. These delays prevent the Global Fund from evaluating the effectiveness of program activities. STC should ensure that all grant agreement terms and conditions are satisfied on a timely basis.

Human resources (HR) policies should be established and followed in order to ensure effective staff recruitment, selection and review processes

64. HR policies and procedures were in some cases inadequate. For example, MMA does not conduct performance reviews of employees, as required in the HR policy. In addition, in two instances, evidence of reference checks for STC employees were not documented.

65. In order to ensure that qualified staff members are implementing program activities, STC, MMA and MdM should clarify and/or follow policies with respect to program staff recruitment, hiring and evaluations. STC, MMA and MdM should maintain appropriate documentation relating to these activities.

Key staff positions remain vacant, leading to delays in the supervision of activities

66.   PRs and SRs have experienced delays and difficulties with recruiting program staff for the TB and malaria programs, leading to delays in the monitoring and evaluation of activities. Many TB and malaria coordinators are still not in the field six months after grant signing. Similarly PRs experienced delay in recruiting staff for key PSM positions, which were either vacant or filled by external/short term Technical Assistance (UNOPS QA officer, STC PSM Manager).

67.   Program implementers should fill these vacancies as soon as possible.

What are the risks relating to oversight of the program as a whole?

Need to build capacity at the local level and coordinate with programs funded by development partners to avoid duplication of efforts

68.   The collaborative working relationship between the Myanmar government and nongovernmental organizations, UN agencies and other government partners provided a starting point for Myanmar to design a long-term plan to transition health service delivery to national entities. To facilitate this evolution of the program, the CCM needs to develop a transition plan to support local organizations to become PRs. The CCM also needs to develop a strategy to encourage the Myanmar government to increase investments in health care programs.

69.   New commitments by donors for health programs in Myanmar are increasing. For example, programs funded by the GAVI Alliance and 3MDG have components that complement Global Fund programs. The CCM must work to align the Global Fund programs with other programs operating in the region in order to prevent duplication of effort and maximize program effect.

The program needs better oversight over the procurement process, and the relationship between the LFA, Secretariat and Principal Recipients with respect to procurement procedures needs improvement

70.   In light of the delays in the procurement of health products, the CCM should establish a PSM strategic task force to oversee the procurement process.

71.   The procedures for review between the LFA and Secretariat with respect to the procurement process and the return of feedback to the Principal Recipients need to be improved. In addition, the quality of communications from UNOPS to the LFA and Secretariat should be enhanced in order for procurement procedures to be effective.

PRs should be involved in selecting SRs to ensure accountability of PRs for underperforming SRs

72.   The CCM is currently responsible for selecting SRs for grant implementation activities, without consulting the PRs. PRs should be involved in the SR-selection process to ensure that PRs remain accountable for the actions of SRs.

Vacant LFA staff positions could delay program implementation

73.   The long-term PSM position with the LFA's local team remains vacant. In addition, the number of in-country finance staff needs to be increased. These staffing issues may hinder the LFA's ability to provide support to program implementers and the Secretariat to resolve program barriers and other issues, such as PSM capacity and SR monitoring. These staff positions should be filled as

soon as possible.

Delays in reviewing PU/DRs could result in delays in program implementation

74.   There have been delays in the LFA's review of PU/DRs for both PRs. The delay for the first PU/DR was delayed up to 33 working days, and the delay for the second PU/DR was delayed by up to 42 working days. These delays could adversely affect program implementation. The LFA should timely review PU/DRs.

The LFA team does not have adequate access to UNOPS operations, which poses a risk to the LFA's oversight role

75.   The working relationship between the LFA and UNOPS is not collaborative. As a result, the LFA does not have adequate access to verify UNOPS operations. The LFA and UNOPS should work to repair their working relationship, and UNOPS should provide the LFA with appropriate access to its operations.

Lack of priority of risk and inadequate follow-up of LFA assessment by Secretariat could reduce value for money

76.   The OIG observed that the Secretariat requested the LFA to conduct a large number of assessments in a short period, without guidance as to the level of priority of each assignment. The Secretariat should prioritize the LFA assessments based on high, medium or low risk, while keeping in mind the LFA's capacity.

What are the
risks relating to
SR (and sub-sub-
recipient)
oversight?

The absence of audits may contribute to ineffective assessments of the capacity and internal controls of SRs

77.   Under the SR audit plan approved by the Global Fund for UNOPS' SRs, UNOPS was required to perform the audits of 11 SRs beginning in July 2011. However, UNOPS had audited only 2 SRs as of October 2011. Therefore, the adequacy and effectiveness of the unaudited SRs' internal control structure, internal financial policies and the quality of performance of activities have not been thoroughly assessed by UNOPS. In addition, STC did not conduct an audit of its SRs until the OIG diagnostic review took place.

78.   UNOPS and STC should comply with the SR audit plans approved by the Global Fund on a timely basis.

79.   The key challenges for most SRs relate to being new to the Global Fund. Therefore, they need substantial technical support from PRs, particularly in Phase 1, to familiarize themselves with Global Fund implementation and reporting requirements. This is particularly challenging for SRs who grant to small civil society organizations as SSRs with little financial and M&E capacities. Attention needs to be paid to the delicate balance between oversight and accountability and long-term organizational development of civil society organizations, given the Global Fund's strong support for civil society involvement and the nascent state of civil society in Myanmar.