



Audit Report

Global Fund grants in the Republic of Guinea

GF-OIG-17-018
25 August 2017
Geneva, Switzerland

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Audit Report

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Table of Contents

1.	Executive Summary	4
1.1.	Opinion.....	4
1.2.	Key Achievements and Good Practices	4
1.3.	Key Issues and Risks	4
1.4.	Rating	5
1.5.	Summary of Agreed Management Actions	5
2.	Background and Context	7
2.1.	Overall Context.....	7
2.2.	Differentiation Category for Country Audits: Guinea.....	7
2.3.	Global Fund Grants in the Country.....	7
2.4.	The Three Diseases.....	8
3.	The Audit at a Glance.....	10
3.1.	Objectives	10
3.2.	Scope	10
3.3.	Progress on Previously Identified Issues	10
4.	Findings	11
4.1.	Weaknesses in supply chain creating inefficiencies.....	11
4.2.	Weak implementation and management of some grant activities.....	14
4.3.	Gaps in financial risk mitigation measures.....	16
5.	Table of Agreed Actions	18
	Annex A: General Audit Rating Classification.....	19
	Annex B: Methodology.....	20
	Annex C: Message from the Executive Director (Optional)	21

1. Executive Summary

1.1. Opinion

Guinea has made significant progress in the fight against the three diseases despite the challenging operating environment. The supply chain is able to distribute medicines, but **significant improvement is needed** to address inefficiencies identified in supply planning and related assurance mechanisms.

The Global Fund country team instituted various layers of financial assurance activities in 2013 to address the high fiduciary risks on the portfolio. Additional measures have been instituted due to the capacity constraints of the National Committee for the Control of AIDS responsible for the HIV grant. The measures have reduced many of the risks, but some limited gaps still exist. The mitigation measures instituted by the Secretariat are therefore rated as **partially effective**.

1.2. Key Achievements and Good Practices

Progress in reducing disease burdens. Total Global Fund investment of over US\$170 million in Guinea since 2003 has contributed to the reduction in malaria mortality and an increase in the number of HIV patients on anti-retroviral treatment. Malaria prevalence decreased by almost 30% between 2003 and 2014. About eight million bed nets have been distributed through a universal mass campaign with the support of Global Fund and other partners in 2016. Similarly, the anti-retroviral treatment coverage has increased from 4% to 46% of the number of people living with HIV between 2003 and 2015. The Global Fund is the main donor for the country's HIV program.

Improved financial controls through additional measures instituted by the Secretariat. The Global Fund uses additional safeguard measures in Guinea in line with the high fiduciary risks identified by the Secretariat. These measures have reduced the extent of ineligible and unsupported transactions on the portfolio.

Measures underway to improve data quality. The Global Fund is supporting the country to upgrade its health management information system to improve the quality of data in the health sector. Similarly, the Secretariat has initiated an audit to determine the actual number of people on HIV treatment post Ebola epidemic. These measures are expected to improve the availability and reliability of data for decision making.

1.3. Key Issues and Risks

Challenging country context. Implementation of interventions across the three diseases was significantly affected by the Ebola epidemic in 2014. The Global Fund has categorized Guinea as a Challenging Operating Environment and placed it under Additional Safeguard Policy (see section 2.2). The country is continuously facing significant challenges due to weak infrastructure, low domestic financing and limited human resources in the health sector.

Inefficiencies in supply chain. The audit identified significant supply chain inefficiencies. There is an estimated US\$3 million in potential expiry of anti-retroviral medicines financed by the Global Fund in 2016 based on an analysis of the volume of medicines currently available and the agreed programmatic targets. This amount represents about 38% of the anti-retroviral medicines procured under the active HIV grant as of April 2017. At the same time, stock out of HIV test kits were noted at the health facilities limiting the ability of the program to scale up the number of people requiring anti-retroviral treatment. Adequate assurance arrangements are not in place over the supply chain, which accounts for a significant component of the grant as over 60% of the funds are for procurement of medicines and health products. As a result, the Secretariat and the Principal Recipient were not able to identify these inefficiencies as part of routine grant management. Subsequent to the OIG audit, the Secretariat together with the country stakeholders agreed to redirect some of the soon-to-expire medicines to other countries in order to reduce the extent of the potential waste. However,

the National Committee for the Control of AIDS reported to the Global Fund Secretariat in June 2017 (one month after the audit field work), that a fire incident at the central medical stores has destroyed all the anti retroviral medicines which were at risk of expiry. The in-country stakeholders are currently investigating the cause of the incident for appropriate remedial actions.

Limitations in implementation and management of the HIV grant. The Catholic Relief Services, the principal recipient for the malaria grant, enjoys good collaboration, and coordinates its activities well, with the United States' Presidential Malaria Initiative (PMI) under the overall leadership and coordination of the National Malaria Control Program. This has improved the implementation and overall results of the malaria grant. However, for the HIV disease component, the limited availability of in country partners to support the program and the limited capacity of the National Committee for the Control of AIDS and the National HIV program have affected implementation of HIV interventions. For instance, there has been slow implementation of the Prevention of mother-to-child transmission (PMTCT) activities to provide antiretroviral treatment to HIV-positive pregnant women and stop their infants from acquiring the virus. Programmatic supervision activities under the HIV grant are also not regularly performed. These have affected the achievement of related programmatic results under the grant.

Gaps in management of sub recipients. The principal recipients have signed agreements with all their sub recipients and agreed on the programmatic targets to be achieved. However, there are gaps in the principal recipients' management of the sub recipients, including lack of regular programmatic and financial review of the sub recipients.

1.4. Rating

Objective 1. The adequacy of risk mitigation measures instituted by the Secretariat to ensure effective implementation of activities

OIG rating: **Partially effective.** The mitigation measures instituted by the Secretariat have addressed many of the related risks and achieved good programmatic results, especially under the malaria grant. However, several challenges limit the effectiveness of grant implementation activities, such as the country context, the limited capacity of the National Committee for the Control of AIDS, gaps in supervision and management of the sub-recipients by the principal recipients.

Objective 2. Effectiveness of the supply chain mechanism to deliver and account for medicines procured under the funded programs.

OIG rating: **Significant improvement needed.** The supply chain is generally able to deliver medicines to the service delivery points. However, major inefficiencies and weaknesses exist in the supply chain processes that compromise the ability to perform effective supply planning and management of the inventory of drugs. This is due to inadequate in country supply chain oversight for the HIV grant and the Secretariat's weak assurance mechanism.

1.5. Summary of Agreed Management Actions

The Global Fund Secretariat has plans to address the risks identified by the OIG through the following summarized agreed management actions:

- Development of an accountability matrix detailing roles and responsibilities of the country, Secretariat and Local Fund Agent in the supply chain assurance for the HIV grant. The national procurement and supply chain management committee will be evaluated and its terms of reference updated.
- The implementation arrangements for the HIV grant will be reviewed by the Secretariat to address management and programmatic challenges identified by the OIG audit. Sub recipient management and oversight plan based on risks for each recipient will be developed for the malaria grant.

- The functions of the financial assurance providers will be maximized through clear definition of roles and responsibilities, improved collaboration and defined verification criteria.

2. Background and Context

2.1. Overall Context

Guinea is a low income country with a population of 12.6 million¹ and about 55% live below the poverty line. The country is ranked 183 out of the 188 countries in the 2016 United Nations Development Program (UNDP) human development index report. Transparency International's 2016 Corruption Perceptions Index ranks the country at 142 out of a total of 176.

The Fragile States index rates the country as high risk, with weak institutional structures and poor infrastructure which affect health service delivery. Guinea has the lowest health care workforce ratio among the 49 countries prioritised by the World Health Organization, which also affects health service delivery. The health worker density is less than one health worker to 10,000 population².

The challenging environment was compounded by the emergence of the Ebola virus epidemic in 2014, which had multiple economic and social consequences in Guinea. There were 38,042 Ebola cases with 2,536 deaths, including 115 health workers. The management of the epidemic was affected by poor infrastructure, inadequate infection prevention and control measures, and limited capacity for epidemiological surveillance.

2.2. Differentiation Category for Country Audits: Guinea

The Global Fund has classified the countries in which it finances programs into three overall portfolio categories: focused, core and high impact. These categories are primarily defined by size of allocation amount, disease burden and impact on the Global Fund's mission to end the three epidemics. Countries can also be classed into two cross-cutting categories: Challenging Operating Environments and transitioning. Challenging Operating Environments are countries or regions characterized by weak governance, poor access to health services, and manmade or natural crises. The Additional Safeguard Policy is a set of extra measures that the Global Fund can put in place to strengthen fiscal and oversight controls in particularly high risk environments.

Guinea is:

Focused: (Smaller portfolios, lower disease burden, lower mission risk)

Core: (Larger portfolios, higher disease burden, higher risk)

High Impact: (Very large portfolio, mission critical disease burden)

Challenging Operating Environment

Additional Safeguard Policy

2.3. Global Fund Grants in the Country

The Global Fund has signed over US\$ 228 million and disbursed US\$ 176 million in the fight against HIV/AIDS, tuberculosis and malaria in Guinea since 2003 and has currently four active grants in the country.

Table 1: Active Global Fund grants to Guinea – March 2016

¹ World Bank Country Profile, <http://data.worldbank.org/country/guinea>

² http://www.who.int/hrh/fig_density.pdf

Active grants	Principal Recipient	Disease component	Grant period	Signed amount US\$
GIN-H-CNLS	Comité National de Lutte contre le Sida (National Committee for the Control of AIDS)	HIV/AIDS	October 2015-December 2017	46,774,989
GIN-H-PSI	Population Services International, USA	HIV/AIDS	October 2015-December 2017	14,071,558
GIN-M-CRS	Catholic Relief Services - Guinea	Malaria	July 2015-December 2017	62,200,441
GIN-T-PLAN	Plan International Guinea	Tuberculosis	January 2017-December 2017	3,894,373
				126,941,361

The Global Fund also supports cross-cutting health system strengthening activities through the disease specific grants.

The active grants are managed by three international non-governmental organizations - Population Services International, Plan International and Catholic Relief Service- and one government entity – the National Committee for the Control of AIDS. The four principal recipients work with over 10 sub recipients which include the national disease programs under the Ministry of Health, international and national non-governmental organizations and United Nations Agencies.

Approximately 63% of Global Fund grants to Guinea are budgeted on the procurement of medicines and health products. Most medicines and health products are procured through the Secretariat’s Pooled Procurement Mechanism and Global Drug Facility. The bed nets under the malaria grant are procured by the headquarters of Catholic Relief Services. The Central Medical Store of Guinea (Pharmacie Centrale de Guinee) is responsible for storage and distribution of medicines and other health products.

2.4. The Three Diseases



HIV/AIDS: Guinea has a generalized HIV epidemic but with higher concentration among key populations (men who have sex with men, female sex workers and TB patients). The country has recently adopted the “test and treat” policy, with the intention of starting treatment for all cases that are tested positive for HIV.

The Global Fund is the largest donor for HIV/AIDS in Guinea.

39,000 People currently on antiretroviral therapy³

HIV prevalence (adult population): 1.6%⁴

Number of People Living with HIV: 120,000⁵.



Malaria: The disease is endemic in Guinea where the entire population is at risk. Significant progress has been made in the fight against malaria but the country is still at the control phase.

All cases are caused by the Plasmodium falciparum parasite.

7.8 million Insecticide-treated nets distributed in 2016.

15% parasitic prevalence (a reduction from 44% in 2013).

847,163 treated malaria cases.

846 reported malaria related deaths⁶

³ Global Fund: <https://www.theglobalfund.org/en/portfolio/country/?loc=GIN&k=a37a1d83-5b1b-4b7f-af9f-1808fdffd792>

⁴ UNAIDS: <http://www.unaids.org/en/regionscountries/countries/guinea>

⁵ UNAIDS: <http://www.unaids.org/en/regionscountries/countries/guinea>

⁶ World Malaria report 2016

The Global Fund and the United States President's Malaria Initiative are the largest donors for malaria in Guinea.



Tuberculosis: Guinea's TB prevalence is estimated at 177 per 100,000 population, which is 44th highest in the world. The country reported 370 multi drug resistant TB in 2016.

The Global Fund and the Government fund most TB interventions in the country.

24,000 New smear-positive TB cases detected and treated.

Treatment success rate for new and relapse cases : 83%⁷

Treatment coverage :55%

⁷ World TB Report 2016

3. The Audit at a Glance

3.1. Objectives

The audit sought to provide reasonable assurance as to whether the grants to the Republic of Guinea are adequate and effective in supporting the achievement of impact in the country. Specifically the audit assessed the:

- adequacy of risk mitigation measures instituted by the Secretariat to ensure effective implementation of activities; and
- effectiveness of the supply chain mechanism to deliver and account for medicines procured under the funded programs.

3.2. Scope

The audit was performed in accordance with the methodology described in Annex B and covered the period from January 2015 to December 2016. The audit covered grants implemented by two Principal Recipients – the National Committee for the Control of AIDS and Catholic Relief Services and their sub-recipients. The National Committee for the Control of AIDS is responsible for the HIV grant while the Catholic Relief Services manages the malaria grant.

The OIG visited the two principal recipients and selected sub-recipients, as well as a sample of 17 sites across the country; these sites included warehouses and health facilities.

This audit did not cover procurement activities undertaken by the Global Fund's Pooled Procurement Mechanism and the headquarters of Catholic Relief Services. The TB and HIV grants implemented by Plan International and Population Services International were not covered by the audit. The TB active grant was recently (January 2017) signed and still at initial stage of implementation. The Population Services International shall not continue to implement grants in Guinea when the current grant ends in December 2017. The OIG did not perform detailed expenditure verification for Global Fund grants because the Secretariat has various layers of assurance providers on expenditures such as the Fiscal Agent, the Local Fund Agent and external audit arrangements.

3.3. Progress on Previously Identified Issues

This is the first OIG audit of the Guinea portfolio. However, it was included in the sample of countries in the audit of Global Fund's grant management in high risk environments published in January 2017. The audit identified absence of an overarching framework to support grant management in high risk environments, inadequate balance between country ownership and short term measures to support grant implementation, and gaps in monitoring of the short term measures instituted in such environments. The related Agreed management Actions are in the process of being implemented.

Previous relevant OIG audit work

GF-OIG-17-002,
Global Fund Grant Management
in High Risk Environments

4. Findings

4.1. Weaknesses in supply chain creating inefficiencies

The supply chain is able to distribute medicines and health products but there are weaknesses in quantification, supply planning and logistics inventory management systems which create expiries and stock outs across the supply chain.

The Global Fund and partners have supported the country to address some of the systemic challenges which affect efficient storage and distribution of medicines in a challenging environment like Guinea. For instance, resources have been earmarked to expand storage capacities in five out of the six regional warehouses. A distribution plan has been developed to support last mile delivery of HIV medicines by the Central Medical Store starting in March 2017. A similar plan has existed for the malaria grant since 2016. The Central Medical Store is able to distribute medicines to facilities within five days upon request. An anti-retroviral monitoring committee made up of the National Committee for the Control of AIDS, the National HIV Control Program under the Ministry of Health and other partners undertake quantification and forecasting for HIV medicines and other commodities. However, despite these strengths, there are also weaknesses that limit the efficiency of supply chain management especially under the HIV grant. As a direct result of these inefficiencies, the audit identified the **potential expiry of US\$ 3 million of anti-retroviral medicines.**

Limited reliable data affecting quantification of medicines: The country uses only morbidity data as the basis to determine the number of anti-retroviral medicines needed. This key estimate varies significantly, from 28,000 to 44,000 patients, across various program documents. This high level of uncertainty on the key data point driving quantification affects the ability of the national programs to accurately determine the number of anti-retroviral medicines required. The Global Fund and partners have initiated an audit to determine the number of patients in need of anti-retroviral treatment. The audit started in June 2017 and expected to be completed by end of July 2017.

The country has also changed its anti-malaria treatment regimen in line with changes in the epidemic. The old regimen (Artesunate/amodiaquine) is used to determine required quantities of drugs under the new regimen (Artemether/lumefantrine) without adequate assessment of the different treatment ranges for the two regimen. This and expiry of some medicines supplied by other partners have impacted the availability of anti-malaria medicines for different age groups. For instance, the country currently has excess of nine and 12 months of anti-malaria for teenagers and adults, respectively, but the stock levels of anti-malaria medicines for babies and infants are below the recommended minimum level of two months of stock.

Challenges in Inventory and Logistics Management Information System to enable effective supply planning: The Central Medical Store has been supported by Global Fund and partners to improve its inventory management system. However, there are still areas of improvement in management of the inventory system. Data entered in the inventory management system was not backed up by the Central Medical Store. During the recent installation of a new inventory management software, the Central Medical Stores lost its existing malaria inventory data from the old software. This data had to be recreated because it was never backed up. The OIG was able to reconcile the new recorded inventory amounts in the system to the physical stock records as at 31 December 2016 and 31 March 2017. However, OIG was unable to confirm that this actual inventory matched the expected stock because all the distribution data had been lost. Since the amount of drugs distributed during the period is unknown, an expectation for the ending inventory could not be developed and reconciled to the actual inventory on hand. The Secretariat has agreed to engage the Local Fund Agent to perform this reconciliation after the OIG audit.

There is currently no Logistics Management Information System for HIV medicines and commodities. While this system is available under the malaria program, the consumption data could

not be reconciled to the treated patients' data. This is partly due to the fact that different age groups are used in the Health Management Information System and Logistic Management Information System.

Potential loss of quality of medicines due to weak storage practices. Two out of three regional hospitals visited had malaria medicines above their storage capacities. Environmental conditions (temperature and humidity) in storage rooms are not monitored in all the facilities and warehouses visited. The gaps in storage practices could compromise quality of health products. All medicines and health products under the grants are procured from WHO prequalified suppliers. This ensures that the medicines procured meet WHO standards. However, there is a need for in-country mechanisms to routinely monitor the quality of medicines across the supply chain in line with Global Fund requirements.

Delays in procurement of medicines: The Global Fund's pooled procurement mechanism has ensured timely delivery of medicines and commodities to the country. There have been few instances of delayed arrival of some medicines, which did not have a material effect on service delivery in Guinea. For instance, some anti-retroviral and anti-malaria medicines were delayed up to a maximum of three months. Antiretroviral medicines, Emtricitabine/Tenofovir Disoproxil Fumarate which was expected in the country in June 2016 arrived in September 2016. Similarly, Artemether/Lumefantrine 20/120mg tablets were received by the country in August 2016 instead of June 2016. Similar delays were experienced in the procurement HIV test kits through the pooled procurement mechanism.

The challenges in quantification and supply planning have contributed to expiries and stock-outs of medicines across the supply chain especially under the HIV program:

(i) **Significant potential expiry of anti-retroviral medicines.** The audit identified an estimated US\$3 million of anti-retroviral medicines that were likely to expire at the central medical stores based on the quantity of stock at the central level and the anticipated usage based on the programmatic targets. The OIG estimated the expiry based on the number of patients on treatment. The estimated amount ranged from US\$4 million to US\$2 million, due to the significant limitations in determining the actual number of people on anti-retroviral treatment. Subsequent to the audit, the grant implementers in-country conducted further analysis in selected health facilities in Conakry which confirmed the preliminary audit findings and concluded that about US\$3 million anti-retroviral medicines were at risk of expiring at the central level. The expiry dates of the medicines ranged from six to 14 months but the country will not be able to use all the existing stock before their expiry date even if it fully achieves the targeted number of people on anti-retroviral treatment. The estimated amount represents 19% of the total budget for anti-retroviral medicines under the active HIV grant and 38% of anti-retroviral already supplied by Global Fund as of April 2017. In response to the preliminary OIG findings, the Secretariat and country stakeholders immediately initiated discussions to redirect some of the medicines to other countries in order to reduce the extent of expiries. However, a fire incident occurred in the central medical stores in June 2017 (one month after the audit field work), which destroyed those anti-retroviral medicines. The in-country stakeholders are currently investigating the cause of the incident for appropriate remedial actions. The HIV medicines are mostly funded by the Global Fund.

Under the malaria program, a relatively smaller amount (US\$0.5 million) of expiry was also identified in the central warehouse, one regional warehouse and six facilities visited. The medicines are funded by the Global Fund and another partner. The Catholic Relief Services and in country partners are aware of the expired medicines under the malaria program. They are planning to review the extent of expiry under the malaria program for possible destruction.

(ii) HIV rapid test kits were below the minimum stock level at the central medical stores. This resulted in order fill rate of 0-21% and stock out at the facilities visited for an average of 37 days.

Alternative test kits available at the central medical store were not requested by the facilities and national programs.

In addition, three regional hospitals and two facilities visited had not received Cluster of Differentiation reagents for average of three months, despite availability at the central level. This affected the diagnostic of new cases, and the routine and baseline monitoring of patients.

The above gaps in the supply chain are due to:

- (i) **Sub optimal in-country oversight and management of supply chain.** The anti-retroviral monitoring committee did not identify and institute measures to address the excess stock levels. The committee meets on bimonthly basis to review stocks, consumptions and supply planning. The central medical stores reported the stock levels to the committee but no action was taken.
- (ii) **Limited supply chain assurance by the Secretariat:** The Secretariat's assurance arrangements have focused mostly on fiduciary risks with limited prioritization of supply chain despite its significance and weaknesses in the country mechanisms. The budget of procurement of health products and supply chain accounts for 63% of the total budget for malaria and HIV grants. The procurement risks have been mitigated through use of the Pooled Procurement Mechanism (PPM). However the supply chain risks have not been adequately identified and mitigated. The country team and the Local Fund Agent's review of the principal recipient's quantification of anti-retroviral medicines did not identify the overstated needs and therefore the substantial exposure to drug expiries. The assurance provider's review of stock levels as part of the Progress Update and Disbursement Request (PUDR) in April 2016 did not identify the excess stock levels in the country.
- (iii) **Limited coordination of HIV medicines and committees:** The Catholic Relief Services and the National Malaria Control Program work in conjunction with other partners to determine the national needs for anti-malaria medicines. However, there are areas of improvement in coordination in the case of HIV quantification. Anti-retroviral medicines supplied by the Government and other partners are not considered in the Global Fund HIV quantification. For instance, the Government budgeted about US\$0.3 million for anti-retroviral medicines which were not considered in the quantification financed by Global Fund. One of the in country partners procured anti-retroviral medicines for 2,000 patients which were also not incorporated in the quantification. Similarly, viral load reagents funded by another partner are not incorporated in the determination of quantities to be financed by the Global Fund.

Agreed Management Action 1: The Secretariat will strengthen assurance mechanisms over HIV supply chain by:

- a) Establishing an accountability matrix detailing roles and responsibilities of the country, Secretariat and Local Fund Agent; and
- b) Evaluating the national procurement and supply chain management committee for supply planning and update its terms of reference. The terms of reference shall specify frequency of meetings and roles of the members. Annual external review of the functions and membership of the committee shall be included in the terms of reference.

Owner: Head of Grant Management Division

Due date: 30 April 2018

Agreed Management Action 2: The Secretariat through the Local Fund Agent will perform a reconciliation of malaria medicines and commodities based on the terms on reference to be agreed with OIG. Products not unaccounted for will be submitted to the Recoveries Committee for a decision.

Owner: Head of Grant Management Division

Due date: 31 January 2018

4.2 Limited implementation and management of some grant activities

There has been significant improvement in implementation and management of malaria interventions. However significant gaps remain in HIV interventions partly due to the weak capacity of the principal recipient and limited availability of in-country partners to support the program.

The Global Fund and partners supported the country to conduct a mass bed net distribution campaign which resulted in the distribution of 7,891,000 bed nets in 2016. There has also been steady availability of anti-malaria medicines in the facilities visited. The establishment of regional malaria focal points integrated into the Regional Health Departments has increased the availability of data at the national level. The country is currently developing the District Health Information System (DHIS2) to improve data quality across the health sector. These have contributed to the decline in malaria prevalence and mortality in Guinea. With respect to HIV, the country has registered a 43% increase in anti-retroviral treatment sites. However, major gaps still remain in implementation and management of HIV interventions.

Low implementation of prevention of mother to child transmission activities:

Prevention of mother-to-child transmission (PMTCT) activities provide antiretroviral treatment to HIV-positive pregnant women in order to stop their infants from acquiring the virus. The likelihood of HIV passing from HIV positive mother to the child increases without these interventions. The Global Fund grant provides resources for the activities, but their implementation has been sub optimal. For instance:

- 42% of the PMTCT facilities failed to provide the required service in 2016. Five of the facilities are located in Conakry and should have been identified by the principal recipient for immediate action.
- 44% of the children under 12 months exposed to HIV were not screened as required by the national and World Health Organization's guidelines.
- 53% of the regions did not collect and transport blood samples to the national reference laboratory for screening.

As a result, only 49% of the annual PMTCT target related to children has been achieved. The irregular coordination and review meetings by the various HIV teams at the regional and district levels affected implementation of the activities. The national Thematic Group established to develop and coordinate implementation strategies for HIV services for pregnant women, new-born, children and adolescents had only three out of the six review meetings. Similarly the review meetings at the regional and district levels were not held in line with the national guidelines.

Implementation of the activities in 2016 were affected by the delays in engagement of the implementing partner. There has been gradual improvement in implementation of the activities in the first quarter of 2017. The implementers are now initiating catch up campaigns to accelerate the early diagnosis of infants.

Gaps in monitoring of patients on anti-retroviral therapy: Contrary to the country's guidelines for anti-retroviral therapy, the required tests prior to (baseline) and subsequent to initiation (routine monitoring) of patients on treatment have not been consistently performed. This has implications for treatment start dates, effectiveness of treatment regimens and detection of side effects. As indicated under finding number 4.1 this was affected by the stock out of the reagents required for the tests in the facilities for an average of three months.

Ineffective supervision arrangements: The Global Fund grants have provided resources to enable the implementers to conduct regular supervision across all levels of implementation. However, the absence of a national integrated supervision framework and plan has resulted in a silo approach to supervisions. For instance, the various units under the national programs conduct separate supervision activities in the same facilities at different times with potential duplications. The Regional Health Directorates are also not included in the supervision activities conducted by the

national programs. Similarly, the regional focal teams established under the malaria grant to supervise malaria activities are yet to be leveraged for HIV activities at the regional level.

There was limited supervision of HIV related interventions during the period. For example:

- In 2016, there was no supervision from the central level to the three Regional Health Directorates visited during our audit.
- Only 18% of the funded quarterly supervision from regions to districts were conducted. A particular district has not been supervised since November 2014.
- Only 16% of the funded monthly supervision from the districts to the health facilities were undertaken in 2016.

Implementation of supervision activities has been affected by the limited availability of health workers at the regional and district level and limited planning and coordination between the different disease programs. The country's immunization campaigns in 2016 stretched the limited human resource capacities in the regions and districts, leaving supervision activities under the HIV grant not performed.

Management of sub recipients: Major improvements are required in the principal recipients' management of their sub recipients. The principal recipients did not regularly perform the quarterly programmatic and financial review of the sub recipients. Where reviews have been performed, reports were either not prepared or major issues were not identified. The National Committee for the Control of AIDS made subsequent disbursements of US\$981,026 in August 2016 to a sub recipient when previous advances of US\$324,087 disbursed in March 2016 had still not been accounted for. Expenditure incurred by three sub recipients (National Malaria Control Program, Plan International and Child Fund) amounting to US\$1,939,692 were not included in the progress report submitted by the Catholic Relief Services to the Global Fund in 2016. The OIG acknowledges that the Catholic Relief Services have developed various guidelines to support management of its sub recipients. However, implementation of those guidelines require major improvement.

The above challenges are due to the capacity constraints of the National Committee for the Control of AIDS and the limited availability of in country partners to support the HIV program. The Secretariat identified weak capacity of the National Committee for the Control of AIDS and engaged international consultants and international entities to support the principal recipient in implementation of key interventions in the grant. UNICEF has been mandated to implement the PMTCT supervision component of the grant while UNOPS is responsible for the renovation component. An international program manager has also been contracted to help in grant management at the National Committee for the Control of AIDS. While some of the measures have achieved successes, there are areas of improvement to be addressed. The supervision arrangements have remained ineffective despite the measures. The Secretariat engaged UNICEF to conduct supervision activities due to the weak capacity of the principal recipient and the National HIV Program. However, UNICEF subsequently engaged the national HIV program to conduct these supervision activities without commensurate capacity building, despite the national program's weak capacity.

Agreed Management Action 3: The Secretariat will review the implementation arrangements for the HIV grant to address management and programmatic challenges identified by the OIG audit.

Owner: Head of Grant Management Division

Due date: 30 January 2018

Agreed Management Action 4: The Catholic Relief Services will provide a Sub recipient management and oversight plan based on risks identified for each sub recipient. This will be reviewed and approved by the Secretariat.

Owner: Head of Grant Management Division

Due date: 31 December 2017

4.3. Gaps in financial risk mitigation measures

The Global Fund has instituted mitigation measures in response to the high fiduciary risks on the portfolio. The measures include use of fiscal agents at the National Committee for the Control of AIDS and zero cash policy at the sub recipient level. Under the zero cash policy, the principal recipients make payments to suppliers on behalf of the sub recipient.

The above measures have reduced the extent of ineligible and unsupported transactions identified by the Local Fund Agent on the portfolio. The OIG audit did not identify material ineligible expenses. However, there are areas of improvement in the measures to achieve the expected results.

Design gap: The fiscal agent has not developed the required **capacity building plan** for the National Committee for the Control of AIDS since October 2015. This has resulted in adhoc activities to strengthen capacity of the principal recipient.

The fiscal agent was engaged primarily as a preventive control. However the agent is not engaged in the initiation of the procurement processes which affects ability to timely identify wrong procurement methods adopted by the principal recipient. This results in reinitiation of procurement activities which had advanced in the process.

The agent's verification criteria and documents required from the principal recipient to support various categories of payments were not agreed when the agent was installed. This has resulted in the agent's inconsistent request of documents from the principal recipient to support similar transactions, which often delays the approval processes.

The zero cash policy was introduced to address fiduciary risks at the sub recipient level. This has reduced the extent of cash managed directly by the sub recipients. However, the related gaps in procurement processes of the sub recipients are not identified and addressed by the principal recipients. All bidding processes, including invitation for quotations and subsequent evaluations, are undertaken directly by the sub recipients with limited oversight by the principal recipients. The principal recipients do not review the procurement processes of the sub recipients before the payments are made to the intended suppliers. The National Committee for the Control of AIDS does not have the capacity to perform adequate review of activities undertaken by its sub recipient before payments are made.

Potential areas of improvement in coordinating the Local Fund Agent and Fiscal Agent's review. The fiscal agent routinely reviews transactions and justifications by the principal recipient before payments are made. However, the terms of reference of the Local Fund Agents have not been tailored to reflect these additional mitigation measures and assurances introduced by the Secretariat. The assurance providers also do not share the risks and findings identified from their respective reviews with each other.

Improvement required in the fiscal agent's identification of internal control weaknesses at the principal recipient level. The audit highlighted weaknesses in the principal recipient's internal controls which should have been identified by the fiscal agent. For instance, The principal recipient makes advance payments to service providers without performance guarantee, supporting documentation required for subsequent payments to service providers are not defined in the contracts and the fiscal agent does not verify that services have been provided before payments are made.

The implementers did not consistently adhere to some of the agreed practices to ensure smooth implementation of the measures introduced by the secretariat. For instance, the sub recipients were expected to plan their training and procurement activities to enable the principal recipients to make bulk payments for similar activities under the zero cash policy. However the sub recipients are yet to develop those plans. This has resulted in multiple payments to same suppliers for same activities

within a particular period which delays implementation of activities at the sub recipients' level. The audit noted that 43% and 33% of sub recipient activities under the National Committee for the Control of AIDS and Catholic Relief Services have been implemented as of December 2016. It takes an average of 14 days⁸ for the principal recipients to make payments on behalf of the sub recipients after the processes have been completed.

The Secretariat has initiated actions including the development of guidelines, tools and revision of terms of reference for fiscal agents and other assurance providers to address the cross portfolio gaps in the use of financial risk mitigation measures as part of the agreed actions from the OIG audit of Global Fund's grant management in high risk environment⁹. The Country Team for the Guinea portfolio intends to reassess the existing measures as part of the implementation arrangements for the new grants which starts in 2018.

Agreed Management Action 5: The Secretariat will maximize the function of assurance providers (Local Fund Agent, Fiscal Agent and external auditors) by:

- a) Specifying roles and responsibilities of LFA and FA with respect to financial verifications;
- b) Improving the communication and collaboration between assurance providers (LFA, FA and external auditor);
- c) Defining verification criteria and documents required from the Fiscal Agent; and
- d) Defining the role of the Fiscal Agent in the procurement process.

Owner: Head of Grant Management Division

Due date: 31 March 2018

⁸ Average of ten and 18 days by the Catholic Relief Services and National Committee for the Control of AIDS respectively

⁹ OIG report number GF-OIG-17-002 published on 23 January 2017, <http://www.theglobalfund.org/en/oig>.

5. Table of Agreed Actions

Agreed Management Action	Target date	Owner
<p>1. The Secretariat will strengthen assurance mechanism over HIV supply chain by: a) establishing an accountability matrix detailing roles and responsibilities of the country, Secretariat, and Local Fund Agent; and b) Evaluating the national procurement and supply chain management committee for supply planning and update its terms of reference. The terms of reference shall specify frequency of meetings and roles of the members. Annual external review of the functions and membership of the committee shall be included in the terms of reference</p>	30 April 2018	Head of Grant Management Division
<p>2. The Secretariat through the Local Fund Agent will perform a reconciliation of malaria medicines and commodities based on terms of reference to be agreed with OIG. Products not unaccounted for will be submitted to the Recoveries Committee for a decision</p>	31 January 2018	Head of Grant Management Division
<p>3. The Secretariat will review the implementation arrangements for the HIV grant to address management and programmatic challenges identified by the OIG audit.</p>	31 January 2018	Head of Grant Management Division
<p>4. The Catholic Relief Services will provide a Sub recipient management and oversight plan based on risks identified for each sub recipient. This will be reviewed and approved by the Secretariat.</p>	31 December 2017	Head of Grant Management Division
<p>5. The Secretariat will maximize the function of assurance providers (Local Fund Agent, Fiscal Agent and external auditors) by: a) Specifying roles and responsibilities of LFA and FA with respect to financial verifications; b) Improving the communication and collaboration between assurance providers (LFA, FA and external auditor); c) Defining verification criteria and documents required from the Fiscal Agent; and d) Defining the role of the Fiscal Agent in the procurement process.</p>	31 March 2018	Head of Grant Management Division

Annex A: General Audit Rating Classification

<p>Effective</p>	<p>No issues or few minor issues noted. Internal controls, governance and risk management processes are adequately designed, consistently well implemented, and effective to provide reasonable assurance that the objectives will be met.</p>
<p>Partially Effective</p>	<p>Moderate issues noted. Internal controls, governance and risk management practices are adequately designed, generally well implemented, but one or a limited number of issues were identified that may present a moderate risk to the achievement of the objectives.</p>
<p>Needs significant improvement</p>	<p>One or few significant issues noted. Internal controls, governance and risk management practices have some weaknesses in design or operating effectiveness such that, until they are addressed, there is not yet reasonable assurance that the objectives are likely to be met.</p>
<p>Ineffective</p>	<p>Multiple significant and/or (a) material issue(s) noted. Internal controls, governance and risk management processes are not adequately designed and/or are not generally effective. The nature of these issues is such that the achievement of objectives is seriously compromised.</p>

Annex B: Methodology

The OIG audits in accordance with the global Institute of Internal Auditors' (IIA) definition of internal auditing, international standards for the professional practice of internal auditing (Standards) and code of ethics. These standards help ensure the quality and professionalism of the OIG's work.

The principles and details of the OIG's audit approach are described in its Charter, Audit Manual, Code of Conduct and specific terms of reference for each engagement. These documents help our auditors to provide high quality professional work, and to operate efficiently and effectively. They also help safeguard the independence of the OIG's auditors and the integrity of their work. The OIG's Audit Manual contains detailed instructions for carrying out its audits, in line with the appropriate standards and expected quality.

The scope of OIG audits may be specific or broad, depending on the context, and covers risk management, governance and internal controls. Audits test and evaluate supervisory and control systems to determine whether risk is managed appropriately. Detailed testing takes place at the Global Fund as well as in country, and is used to provide specific assessments of the different areas of the organization's activities. Other sources of evidence, such as the work of other auditors/assurance providers, are also used to support the conclusions.

OIG audits typically involve an examination of programs, operations, management systems and procedures of bodies and institutions that manage Global Fund funds, to assess whether they are achieving economy, efficiency and effectiveness in the use of those resources. They may include a review of inputs (financial, human, material, organizational or regulatory means needed for the implementation of the program), outputs (deliverables of the program), results (immediate effects of the program on beneficiaries) and impacts (long-term changes in society that are attributable to Global Fund support).

Audits cover a wide range of topics with a particular focus on issues related to the impact of Global Fund investments, procurement and supply chain management, change management, and key financial and fiduciary controls.

Annex C: Message from the Executive Director

Despite extremely challenging circumstances, Guinea has made significant progress against AIDS, TB and malaria. Increasing the number of HIV patients on antiretroviral treatment, and reducing malaria prevalence by distributing nearly 8 million mosquito nets in 2016, Guinea is strengthening many features of its health system, with support from the Global Fund.

Guinea highlights the challenges of addressing new threats to global health security, as witnessed in the Ebola outbreak in 2014. Guinea has weak institutional structures, poor infrastructure and the lowest health care workforce ratio among 49 countries prioritized by WHO.

The Global Fund is committed to strengthening health systems where they are needed most, supported by efforts to improve value for money, through strict financial, procurement and supply controls, with mechanisms specifically suited to high-risk countries so that health investments reach the people most in need, despite all obstacles.

The audit of the Office of the Inspector General into Global Fund grants in Guinea did not identify any ineligible expenses. It recognizes that mitigation measures instituted by the Global Fund have addressed risks and achieved good programmatic results, especially under the malaria grant. The audit also identifies inefficiencies in the supply chain management and limitations in implementation of the HIV grant, which are directly linked to Guinea's significant systemic challenges, including an overall weak health system, limited capacity of the National Committee for the Control of AIDS and the limited number of partners to support the HIV program.

The Global Fund provides a significant portion of the financial resources available for Guinea's response to HIV, TB and malaria. In collaboration with partners and donors, the Global Fund is supporting Guinea to address systemic challenges and improve decision-making, strengthening essential pillars of the health system, including upgrading its health management information system for better quality of data and its supply chain management. The Global Fund is conducting an audit to determine the actual number of people on HIV treatment after Ebola, which will allow more precise quantification and cascading of health products, thereby lowering the risk of expiries and stock outs. A recent mapping of hotspots of key populations may facilitate better target prevention programs.

The Office of the Inspector General is a central part of ensuring that our investments are made in the most effective and efficient way to meet our mission of ending the epidemics. The Global Fund is already working with partners in Guinea to address weaknesses identified in the audit. We are grateful for the suggestions to achieve the greatest impact.