



Audit Report

Global Fund Grants to Viet Nam

GF-OIG-18-014
20 August 2018
Geneva, Switzerland

What is the Office of the Inspector General?

The Office of the Inspector General (OIG) safeguards the assets, investments, reputation and sustainability of the Global Fund by ensuring that it takes the right action to end the epidemics of AIDS, tuberculosis and malaria. Through audits, investigations and advisory work, it promotes good practice, reduces risk and reports fully and transparently on abuse.

Established in 2005, the OIG is an independent yet integral part of the Global Fund. It is accountable to the Board through its Audit and Finance Committee and serves the interests of all Global Fund stakeholders. Its work conforms to the International Standards for the Professional Practice of Internal Auditing and the Uniform Guidelines for Investigations of the Conference of International Investigators.

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Audit Report
 OIG audits look at systems and processes, both at the Global Fund and in country, to identify the risks that could compromise the organization's mission to end the three epidemics. The OIG generally audits three main areas: risk management, governance and oversight. Overall, the objective of the audit is to improve the effectiveness of the Global Fund to ensure that it has the greatest impact using the funds with which it is entrusted.



Advisory Report
 OIG advisory reports aim to further the Global Fund's mission and objectives through value-added engagements, using the professional skills of the OIG's auditors and investigators. The Global Fund Board, committees or Secretariat may request a specific OIG advisory engagement at any time. The report can be published at the discretion of the Inspector General in consultation with the stakeholder who made the request.



Investigations Report
 OIG investigations examine either allegations received of actual wrongdoing or follow up on intelligence of fraud or abuse that could compromise the Global Fund's mission to end the three epidemics. The OIG conducts administrative, not criminal, investigations. Its findings are based on facts and related analysis, which may include drawing reasonable inferences based upon established facts.

1. Executive Summary

1.1. Opinion

Viet Nam has made significant progress in reducing the burden of HIV, tuberculosis and malaria and has shown strong political commitment to combatting these diseases. Global Fund grants have contributed to declining disease burdens by providing antiretroviral treatment to over 40% of the people living with HIV, supporting tuberculosis detection and treatment and preparing for malaria elimination. Grants are well performing and are generally meeting or exceeding expectations. The government has committed to ending the HIV and tuberculosis epidemics and eliminating malaria by 2030. To achieve this goal, the country is implementing several innovative approaches to disease prevention and treatment, along with mechanisms to improve the sustainability of the health system. Since Viet Nam is now a lower middle-income country, it is expected that donor funding for health will gradually decrease and some donors have already begun reducing their support.

The government is progressing towards universal health coverage and towards sustainable domestic financing for health in the long term. Treatment for HIV and tuberculosis is being integrated into the country's Health Insurance program. However, the integration of HIV services into the national scheme is a complex process. There is a risk that some patients will not be able to access affordable and quality care through the Health Insurance due to difficulties to enroll in the scheme and risk of increased loss-to-follow-up related to the transition process. Also, procurement and supply chain management systems will need to be adjusted to fit the new implementation structure. The Global Fund should carefully assess the likely impact of these new arrangements both on Global Fund investments and on the country's disease response going forward.

The financial implementation arrangements are effective and have enabled effective absorption of the grants funding in line with the budget. More than 50% (or US\$16 million) of funds available in country are spent at provincial, district and commune levels, and around 76% of these are payments in cash (based on data from two selected provinces). The OIG did not identify any misuse of funds; however, the current assurance arrangements need to be strengthened to mitigate the inherent risks of cash payments. There is a need to find alternative, less risky payment methods that would not compromise effective programmatic implementation.

1.2. Key achievements

Scaling up domestic responsibility: Preparations are underway to integrate HIV and tuberculosis treatment services into the Health Insurance reimbursement scheme, starting in 2019. The government is taking on increased domestic responsibility for tackling the three diseases. It is proactively reforming the health system and its financing mechanisms to create a sustainable structure for health service provision.

Significant program impact on care and treatment: HIV-related deaths in Viet Nam decreased by 21.8% between 2007 and 2017. HIV prevalence among key populations, except for men who have sex with men, has decreased steadily since 2005. For 73% of patients on antiretroviral treatment who received a viral load test in the last 12 months, viral load suppression is 92%.

Increasingly important role of the civil society sector: The Global Fund has been instrumental in building the role of civil society in the HIV response in Viet Nam since 2010. Whereas the civil society previously played a very limited role, there is now a civil society Principal Recipient for Global Fund investments (Viet Nam Union of Science and Technology Associations (VUSTA)), three civil society sub-recipients and 99 community-based organizations that provide HIV prevention and harm reduction programs and facilitate access to treatment for key populations. The civil society organizations are also diversifying.

Strong HIV testing and counselling program: In 2017, 2.5 million HIV tests were conducted, resulting in detection of 9,850 HIV-positive cases. The country has 1,250 HIV screening facilities and 136 laboratories that conduct confirmatory testing. Community-based lay testing, managed as part of the civil society response, has contributed to an increase in testing rates. In 2017, over 150,000 members of key populations were tested through the community-based programs, which are being expanded. Pilot programs for self-testing are underway. The case detection rate for the testing managed through the civil society was approximately double that of the general testing.

Strong and innovative harm reduction program: In 2017, 21 million condoms and 28 million needles and syringes were distributed through civil society organizations. The government has taken several steps to improve prevention: A post-exposure prophylaxis program is in place and a pilot for pre-exposure prophylaxis is ongoing. The government is also funding methadone treatment for people who inject drugs in all 63 provinces, covering a total of 52,000 patients. Viet Nam recognizes the rights of transgender persons and has created a supportive environment for lay testing, self-testing and pre-exposure prophylaxis.

Significant success of the tuberculosis program: Although Viet Nam's tuberculosis burden remains high, tuberculosis-related mortality has decreased annually by an average of 4.6%, prevalence by 4.4% and incidence by 2.6% since 1990. An estimated 81% of people living with tuberculosis have been diagnosed and enrolled on treatment. The treatment success rate among this group is 91%. A pilot program for active case-finding has resulted in an increased tuberculosis detection rate.

Innovative approaches for tuberculosis detection and treatment: Short-term regimens for treating multi-drug resistant tuberculosis are being piloted and will be further expanded. Other innovative approaches to detection and treatment include active case-finding and management of latent tuberculosis infections. Viet Nam is scaling up GenXpert testing as well as testing and treatment for multi-drug resistant tuberculosis, as well as tuberculosis in children and in closed settings.

Significant impact of malaria program: Viet Nam is entering the pre-elimination phase for malaria. Between 2013 and 2017, confirmed malaria cases decreased from 17,128 to 4,548. In 2017, there were only six deaths due to malaria. Drugs to treat the disease are widely available. The malaria disease response is supported by a strong network of community health workers.

1.3. Key challenges

Integrating HIV treatment services into the Health Insurance system may leave patients without access to affordable treatment: The process of integrating HIV treatment services in the Health Insurance system is complex; however, the operational risks of the integration have not yet been formally captured and consolidated. Some poor and marginalized people living with HIV may have difficulty accessing affordable and quality care through the new scheme, which may lead to treatment disruptions. This could be because they have difficulties enrolling in the insurance scheme due to unaffordable premiums or inability to procure insurance coverage outside of the regions where they are registered. Some patients will also need to switch service provider, which they may be reluctant to do. As the services are being integrated, the government is simultaneously scaling up antiretroviral treatment to achieve the 90-90-90 targets. Any treatment disruptions would likely hamper effective achievement of these targets. The Global Fund and the Viet Nam Administration of HIV/AIDS Control (a Global Fund Principal Recipient) have not yet formalized an operational impact analysis of this change in implementation arrangements on Global Fund grants.

Readiness of procurement and distribution systems not assessed or planned: Procurement and supply chain arrangements will change as a result of the inclusion of HIV and tuberculosis services into the Health Insurance. The newly established National Drug Procurement Centre will be charged with procurement, but responsibilities pertaining to supply management – quantification, distribution and storage – have not yet been assigned. There is no plan in place for

managing and scaling up storage and distribution arrangements, despite the fact that some warehouses are already operating at or near full capacity.

1.4. Rating

Partially Effective	<p>Objective 1. Implementation and funding arrangements to support the achievement of grant objectives, including addressing risks related to long-term sustainability of the grants, and readiness of supply chain arrangements to support sustainability.</p> <p>OIG rating: Overall, the Country is progressing towards universal health coverage and towards sustainable domestic financing for health in the long term. However, the integration of HIV and tuberculosis services into Country’s Health Insurance scheme is a complex process with a risk that some patients will not be able to access affordable and quality care through health insurance and also risk of increased loss-to-follow-up. Due to these risks, the implementation and funding arrangements to support achievement of grant objectives is Partially Effective.</p>
Effective	<p>Objective 2. Internal controls, governance and assurance mechanisms of the Principal Recipients over sub-recipients and provincial activities in safeguarding Global Fund resources.</p> <p>OIG rating: The financial implementation arrangements are effective with minor exception on risk related to high portion of payment in cash at provincial, district and commune levels. The Country has started to take immediate action on reducing this risk. Internal Control, governance and assurance mechanism are therefore Effective.</p>

1.5. Summary of Agreed Management Actions

The OIG and the Global Fund Secretariat have agreed on one management action as a result of the audit findings. To address risks related to access to and affordability of quality care following the integration of HIV services into the national health insurance, the Global Fund Secretariat will work together with the Principal Recipients to establish a high level implementation plan. The plan will address risks related to access to care for vulnerable populations and risks related to continuity of the roles of the community in HIV prevention.

For the findings related to supply chain arrangements and financial implementation arrangements, the Global Fund and the country are already taking mitigating actions to address these risks. Therefore, no management actions were issued for these findings.

2. Background and Context

2.1. Overall Context

Economic and social overview

Viet Nam has a population of approximately 96 million, of which 35% lives in urban areas.¹ It is ranked as a lower-middle income country, with high economic growth and political stability. As an emerging market, the economy has grown an average of 6% per year for the last 10 years. The annual inflation rate is low, averaging 2.6%. Economic and political reforms have contributed to decreasing extreme poverty levels from 49.2% in 1990 to 2.8% in 2016, although the general poverty rate was 13.5% in 2016 according to the national poverty line, which is more relevant in the Vietnamese context.²

The country is divided into five municipalities (Hanoi, Ho Chi Minh City, Can Tho, Da Nang and Hai Phong) and 58 provinces. Municipalities and provinces together are considered to comprise 63 provinces. Within the provinces, there are 698 districts and 11,121 communes.

Corruption continues to be a significant problem in Viet Nam. According to Transparency International's 2017 Corruption Perceptions Index, Viet Nam ranks 107 out of 180 countries, an improvement from an earlier ranking of 116 out of 178 countries in 2010.³

Health sector structure

Viet Nam's health system is decentralized. At the central level are the Ministry of Health, central specialized and general hospitals, central preventive health centers, and medical and pharmacy universities. At the provincial level are provincial Departments of Health, provincial general and specialized hospitals, provincial preventive health centers and provincial secondary medical schools. Districts have district health offices, district hospitals and district (preventive) health centers. At the commune level are community health centers and a network of over 98,000 volunteer health workers. The country's health budget represents 11% of total government expenditure or 3% of the gross domestic product.

The Global Fund provides support to 31 provinces for malaria, 30 provinces for HIV and 63 provinces for tuberculosis.

Donor transition and sustainability of the health system

Viet Nam's Health Insurance system has been in place since 2009. It offers reimbursement for a basic health services package, which includes 241 essential drugs and multiple medical procedures.

Given the pace of economic and social progress in Viet Nam, as well as its national income levels, external donor support for health will likely decrease over the long term. Viet Nam is in an accelerated transition phase from support from Gavi, the Vaccine Alliance. The U.S. President's Emergency Plan For Aids Relief (PEPFAR), who is the main external donor supporting the HIV response alongside the Global Fund, is scaling down its model of direct service delivery to focus on fewer provinces to instead scale up in technical assistance.

Following PEPFAR's decision to gradually reduce direct service delivery, the government has committed to scaling up its domestic responsibility for the HIV response by integrating treatment services into its Health Insurance system from January 2019. The Government has also developed milestones towards future reimbursement for first line anti-tuberculosis drugs through the Health Insurance. The Health Insurance will not cover HIV prevention activities.

¹ Central Intelligence Agency - World Fact Book. <https://www.cia.gov/library/publications/the-world-factbook/geos/vn.html>

² World Bank Country profile Vietnam

³ Transparency International ranks the corruption perception in countries on a scale where the lower the score, the more clean/less corrupt the country is perceived to be.

2.2. Differentiation Category for Country Audits

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.

Viet Nam 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)**

2.3. Global Fund Grants in the Country

The Global Fund has invested approximately US\$561 million in Viet Nam since 2003. Due to its high tuberculosis disease burden, it is categorized as a high impact country.

Of the five grants audited (see table below), four ended on 31 December 2017 and another, relating to health systems strengthening, ended on 31 December 2016. Three further grants have been signed for the period 2018–2020, totaling US\$ 106,988,536.

The two HIV grants are implemented by a government Principal Recipient (Viet Nam Administration of HIV/AIDS Control) who is primarily responsible for the treatment and policy aspects of the grants and one civil society Principal Recipient (Viet Nam Union of Science and Technology Associations) who is primarily responsible for prevention activities related to key populations. The tuberculosis grant is implemented by a government Principal Recipient, the Viet Nam National Tuberculosis Program.

Grant number	Principal Recipient	Period	Signed amount (US\$) for 2015–2017	Signed amount (US\$) for 2018–2020
VNM-H-VAAC	Viet Nam Administration of HIV/AIDS Control	July 1, 2015 to December 31, 2017	58,468,844	53,207,476
VNM-H-VUSTA	Viet Nam Union of Science and Technology Associations	July 1, 2015 to December 31, 2017	6,792,775	6,499,966
VNM-M-NIMPE	National Institute of Malariology, Parasitology and Entomology of the Ministry of Health of the Socialist Republic of Viet Nam	January 1, 2016 to December 31, 2017	15,108,231	Part of RAI Grant
VNM-T-NTP	Viet Nam National Lung Hospital (National Tuberculosis Program)	July 1, 2015 to December 31, 2017	39,979,032	47,281,094
VTN-011-G10-S	Department of Planning and Finance, Ministry of Health	Jan, 1, 2012 to December 31, 2016	62,698,101	0
Total			183,046,983	106,988,536

As of 1 January 2018, all malaria interventions are integrated into the Regional Artemisinin Resistance (RAI) grant, RAI2E, focusing on eliminating malaria in the Greater Mekong Subregion.

2.4. The Three Diseases⁴



HIV/AIDS:

HIV in Viet Nam accounts for 0.7% of the global HIV burden. It is concentrated among key population groups, namely, people who inject drugs, men who have sex with men and female sex workers and their sexual partners, as well as prisoners and pre-trial detainees.

While overall HIV prevalence rates for key populations have decreased steadily since 2005, the rate among men who have sex with men has been increasing recently: 6.7% in 2014 up to 12.2% in 2017.

Of the total 123,883 HIV patients who receive antiretroviral therapy, the breakdown by donor (approximately) is as follows: Global Fund: 51,000; PEPFAR: 51,000 (until end of 2018); Government: 20,000

Starting in 2019, patients supported by PEPFAR and the government will be reimbursed for treatment by the health insurance scheme.

Approximately 250,000 people live with HIV in Viet Nam.

HIV incidence in 2017: 10,673 new cases.

AIDS-related deaths in 2017: 8,600, decreasing from 10,900 in 2007.

Prevalence rates in 2017: General population (15–49 years): 0.4%; people who inject drugs: 14%; female sex workers: 3.7%; men who have sex with men: 12.2%.

The impact of the national HIV response between 2001 and 2015 was estimated to over 400,000 HIV infections averted (150,000 of which due to the mid-2000s expansion the response) and cumulative AIDS-related deaths averted.



Malaria:

Viet Nam has entered into the malaria pre-elimination phase. Malaria cases have trended downward over the last grant cycle.

Malaria mortality has decreased significantly from 41/100,000 people in 2004 to 10/100,000 people in 2016.

Starting in 2018, malaria interventions are being integrated into the regional RAI2E grant and supervised by the Global Fund Secretariat RAI team.

In 2014 there were 15,752 confirmed malaria cases. This figure decreased to 4,161 in 2016.

Deaths due to malaria were six in 2014, three in 2016 and six in 2017.



Tuberculosis:

Tuberculosis in Viet Nam accounts for 1.43% of the global TB burden.

The country is ranked 16th in terms of estimated TB incidence and 13th in terms of the number of multi-drug resistant/rifampicin resistant (MDR/RR TB) cases among 30 high burden countries.

Global Fund investment is focused on MDR-TB diagnosis and treatment. Coverage of the 5,500 estimated new cases per year is at 53% (about 2,905 people in 2017).

106,527 new TB cases detected in 2016.

Incidence rate (all cases) is decreasing: 126/100,000 in 2016 versus 147/100,000 in 2014.

Mortality rate is decreasing: 14/100,000 in 2016 versus 33/100,000 in 2011.

MDR-TB prevalence rate for previously treated patients was 26% in 2016 (compared to 23% in 2011).

⁴ Latest data from Principal Recipients and <http://www.unaids.org/en/regionscountries/countries/vietnam/>

3. The Audit at a Glance

3.1. Objectives

The audit sought to give the Global Fund Board reasonable assurance as to the effectiveness and adequacy of Global Fund grants to Viet Nam for achieving the grant objectives. In particular, the OIG Audit reviewed:

- The implementation and funding arrangements to support the achievement of grant objectives. This review included an analysis of risks to the long-term sustainability of the grants and the readiness of supply chain arrangements to support sustainable delivery of health products and services.
- The internal controls, governance and assurance mechanisms used by the Principal Recipients to supervise sub-recipients, as well as provincial level measures and activities to safeguard Global Fund resources.

3.2. Scope and Methodology

The audit covered the period January 2015 to 31 December 2017. Auditors visited provincial level operations, treatment centers, warehouses and stores. Grants and Principal Recipients included in the scope of the audit were as follows:

Grant No.	Principal Recipient	Grant component
VNM-H-VAAC	Viet Nam Administration of HIV/AIDS Control	HIV/AIDS
VNM-H-VUSTA	Viet Nam Union of Science and Technology Associations	HIV/AIDS
VNM-M-NIMPE	National Institute of Malariology, Parasitology and Entomology of the Ministry of Health of the Socialist Republic of Viet Nam	Malaria
VNM-T-NTP	Viet Nam National Lung Hospital (National Tuberculosis Program)	Tuberculosis
VTN-011-G10-S	Department of Planning and Finance, Ministry of Health	Health Systems Strengthening

The audit included:

- collection and review of relevant documents and information;
- interviews with in-country partners, grant managers and relevant staff at the Secretariat and the Local Fund Agent; and
- In-country field work, including site visits, review of systems and processes, and substantive testing.

Starting in 2018 all malaria interventions are being integrated into the regional RAI2E grant. Any findings from the audit related to the implementation of malaria grants will be presented in a forthcoming OIG audit report of Global Fund Regional Grants.

3.3. Progress on Previously Identified Issues

The OIG previously audited the Global Fund grants to Viet Nam in 2012. All agreed management actions resulting from that audit have been adequately implemented by the Global Fund Secretariat and in-country stakeholders.

Previous relevant OIG audit work

[GF-OIG-13-001 \(6 February 2013\), Audit of Global Fund Grants to the Socialist Republic of Viet Nam](#)

4. Findings

4.1. Risks that the integration of HIV services in the Health Insurance may negatively impact access to affordable and quality care

Viet Nam is committed to improving the overall sustainability of the health system through integrating HIV treatment services into its Health Insurance scheme. This will contribute to improving domestic responsibility of the disease response and over time decrease reliance on external donors. The integration is progressing well: patients and service providers are being enrolled into the Health Insurance scheme, and activities are being implemented in a structured manner.

However, there has been limited formal consolidation of the operational risks and the long-term impact associated with this change in implementation arrangements. In the short-term, in the absence of careful planning and adequate safeguards, the integration may make it more difficult for some patients to access affordable care. As a result, the government's efforts to simultaneously scale up the number of patients receiving antiretroviral treatment may be more challenging.

Limited assessment of the risks associated with integrating HIV treatment into the national Health Insurance system: The government is in the process of integrating treatment services for HIV into the national Health Insurance reimbursement scheme starting in 2019. The Viet Nam Administration for HIV/AIDS Control (VAAC), the government HIV Principal Recipient, is leading this effort.

Integration of HIV services in the Health Insurance will impact the way in which the country and donors, including the Global Fund, manage the disease response in the long term. During the current grant cycle 2018-2020, the Global Fund is planning to decrease the budget for antiretroviral medicines from around US\$6.4 million in 2018 to approximately US\$2.7 million in 2020 in order to scale up other activities. As a result, an increasingly important responsibility for HIV treatment will shift to from the Global Fund to the Health Insurance.

However, the Global Fund and VAAC had at the time of the audit not yet completed a comprehensive risk analysis to capture on an operational level how this change in implementation arrangements will impact access to affordable and quality treatment, especially for vulnerable populations (see below). If risks related to this change are not effectively anticipated and mitigated, some patients may be unable to access HIV treatment services that are transitioning to the Health Insurance reimbursement scheme.

Risks to accessibility and affordability of quality treatment: HIV treatment services are currently provided free of charge to patients through government and donor funding. However, to benefit from the national reimbursement program, patients must enroll in the scheme by procuring a Health Insurance card, obtaining services from a provider that has a contract for reimbursement with the insurance, and disbursing an up-front co-payment at the time of service delivery. Several challenges exist in both enrolling patients onto the scheme and ensuring that they remain on treatment:

- The number of HIV patients enrolled in the national health insurance increased during 2017, from 64% in February to 84% in December. However, there was still a 16% gap in insurance coverage.⁵ This is partly because poor, marginalized and hard-to-reach groups face several barriers to enrollment. For instance, the requirement that health insurance be procured in the province where a person is registered presents a problem for migrant and mobile populations who may not have a permanent address or an identity card. Members of stigmatized populations who may not want their serological status to be known may also not want to enroll in the scheme.

⁵ As premiums must be paid on an annual basis, the Health Insurance coverage can fluctuate over time.

Some may not be able to afford the insurance premium, which costs around US\$35 per year. Given these potential barriers, there is a risk that treatment services could become less accessible and affordable for marginalized and poor groups of current and future HIV patients.

- In order to improve access and affordability of services, the Government of Viet Nam is supporting procurement of Health Insurance for poor and near-poor groups and has issued a mandate to the provincial level to provide co-payment for this population. However, no assessment has been conducted of the total cost required to cover the needs of these groups, nor has a comprehensive analysis been performed to understand the financial capacity of local governments to cover the co-payments.
- Up until now, HIV prevention and treatment have primarily been provided through the preventive health system via outpatient clinics, and not through the curative hospital system. However, facilities accepting Health Insurance patients are required to also provide curative services. This means that some HIV treatment facilities must move from the preventive system to a new location in the curative hospital system. Partners in country and the Principal Recipients highlight that patients accustomed to the outpatient system may drop out of treatment rather than switch to a new provider due to the fear of facing stigma and discrimination from hospital healthcare staff who are generally not as experienced in providing HIV-related services to key populations. The risk remains although stakeholders are taking steps to mitigate it. The civil society Principal Recipient VUSTA provides a free legal advice hotline and legal aid for key populations as well as psychological support for key population patients to remain in treatment. The risk of facing stigma and discrimination for key populations in the curative system is also acknowledged by the Ministry of Health, who has issued a directive to hospitals in order to reduce stigma and discrimination.
- Providers wishing to be reimbursed for HIV services through the Health Insurance system must also meet certain criteria: they must provide curative services, medical doctors must have an updated license to perform specialized HIV services, and providers must have in place an electronic health information system that can feed relevant information to the national insurer. As of December 2017, 73% of service providers had signed contracts with the Health Insurance. Fulfilling some of these criteria takes time; for example, updating a medical license can take up to two years. Thus, there is a risk that not all providers will be able to sign contracts with the Health Insurance in time. This may also leave some patients without access to services.

After the audit (in May 2018), VAAC sent a letter to request health facilities to complete the consolidation and sign contract with the Health Insurance.

Global Fund catalytic funding of US\$3.1 million for the 2018–2020 grant cycle has been budgeted to support the procurement of Health Insurance premiums and the provision of co-payments for poor and near-poor populations. However, an analysis has not yet been completed to determine the extent of any remaining funding shortfall to maintain all patients on HIV treatment, and related plans to address such shortfall through domestic or donor resources.

Challenges in simultaneously scaling up antiretroviral treatment and integrating HIV treatment into the Health Insurance system: In 2017, around 124,000 patients (58% of the 208,000 people confirmed to be living with HIV) received antiretroviral therapy. Viet Nam will need to make significant progress to meet the ‘second 90’, the UNAIDS target of 90% treatment coverage by 2020.⁶ Viet Nam has had a historical average scale up of people living with HIV receiving antiretroviral treatment of around 12% annually.

Due to risks related to accessibility and affordability outlined above, it will be challenging to scale up the number of people receiving antiretroviral therapy while integrating services into the Health

⁶ The 90-90-90 targets outline three targets in the fight against the HIV epidemic to be reached by the year 2020: (1) 90% of all people living with HIV will know their HIV status, (2) 90% of all people with diagnosed HIV infection will receive sustained antiretroviral therapy, (3) 90% of all people receiving antiretroviral therapy will have viral suppression.

Insurance reimbursement scheme. The government is piloting several innovative mechanisms to increase HIV testing rates in key populations, including lay testing⁷ and self-testing. Initial studies show that these community based methods are effective mechanisms to reach key populations in Viet Nam. The Viet Nam Union of Science and Technology Associations, the civil society Principal Recipient, detected 18% of all new HIV cases in 2017 through community-based testing methods. In order to initiate antiretroviral treatment for HIV patients diagnosed through the civil society interventions, it is important that there is a strong link between testing and treatment. With HIV treatment being transferred to the curative system, there is a risk that the gap between the testing and the treatment services increases. This would compound the challenges in scaling up antiretroviral treatment among people living with HIV.

The Country Coordinating Mechanism (CCM), which oversees grant implementation at country level and ensures linkage and consistency between Global Fund grants and other national health and development programs, has not yet incorporated these integration issues in its discussion agenda or oversight activities.

Agreed Management Action

The Global Fund Secretariat will work together with the Principal Recipients to establish a high level implementation plan for the integration of HIV services in the Health Insurance that addresses the following:

1. Risks related to access to care for vulnerable population, including the poor, marginalized and hard-to reach groups; and
2. Risks related to continuity of roles of the community in HIV programs with respect to prevention activities.

Owner: Head of Grant Management

Due date: 31 March 2019

⁷ Lay testing is conducted by peer educators in community-based organizations.

4.2. Supply chain arrangements are not yet aligned with the integration of treatment services to the Health Insurance

Procurement and supply management are currently handled by the three national disease programs. Beginning in 2019, these activities will either be centralized or remain the responsibility of the disease programs. The following areas need to be addressed to ensure that the procurement and supply chain systems are ready to absorb the scale up:

Roles and responsibilities need to be defined: HIV drugs that are funded by the Global Fund are procured using the Global Fund's wambo.org platform. Anti-malarial drugs and first line tuberculosis drugs are funded from domestic resources. Procurements of second line anti-tuberculosis drugs are managed by the Global Drug Facility. The newly established National Drug Procurement Centre will procure HIV and anti-tuberculosis drugs starting in 2019. However, the responsibility for quantification, distribution, and storage had not yet been finalized when the audit was undertaken. After the completion of the audit, the Government of Viet Nam issued clarifications of the roles and responsibilities of the National Drug Procurement Centre and VAAC respectively.

Need for assessment of storage capacity to support scale up: The Government of Viet Nam is scaling up the number of people living with HIV who are receiving antiretroviral therapy at a rate of around 12% per year. As PEPFAR scales down direct service delivery, the government will likely take charge of the procurement, storage and distribution of drugs previously managed by PEPFAR through separate arrangements. This transfer will affect 40% of people currently on ART who will be shifted from PEPFAR to the government. Additional storage capabilities will be needed in the governmental facilities to accommodate both this significant transfer of patients and the expected impact of the scale-up in anti-retroviral treatment. At the time of the audit, there had been no assessment conducted of the storage capacity required to complete the transfer. The OIG found that the central, provincial and district tuberculosis warehouses did not fully comply with good storage practices due in part to limited storage capacity. After the audit, the Country shared their plans to change the distribution arrangements following the integration of HIV services with the Health Insurance so that HIV drugs will be delivered directly to treatment facilities, by-passing the storage facilities.

Procedural constraints hindering timely procurement of drugs: The government of Viet Nam has recently amended its regulations on importation of drugs. These additional administrative requirements have resulted in delays for the procurement of tuberculosis and malaria drugs. The national disease programs are currently mitigating this risk by requesting that the regulatory requirements be waived for each procurement. The Global Fund Secretariat, together with partners, is working to obtain a permanent waiver for procurement of key drugs.

The OIG will not issue a specific agreed management actions on this finding following the prompt action that have been taken by the Country and the different arrangement plans to be undertaken on drugs distribution within the Health Insurance mechanism.

4.3. Improvements on financial implementation arrangements for provincial activities

The overall financial controls over Global Fund grants are effective and the programs have had generally good absorption rates. As of December 2017 the HIV grants implemented by the Viet Nam Administration for HIV/AIDS Control (VAAC) had an absorption rate of 85%, while HIV grants implemented by the Viet Nam Union of Science and Technology Associations (VUSTA) had an absorption rate of 94%. The rate of absorption for the tuberculosis grant, implemented by the National Tuberculosis Program, was 86%. The Principal Recipients use online accounting software to manage the accounting records at the central, province and sub recipients' levels. Dedicated Global Fund bank accounts are maintained at the provincial level.

However, due to the intrinsic risks associated with the high level of cash payment at provincial and district levels, efforts are required to limit the cash payments without affecting program implementation.

Around 50% (approximately US\$16 million) of the funds spent in country are applied at the provincial, district and commune levels⁸, and are distributed through a cascade system. The Principal Recipients transfers funds to dedicated Global Fund bank accounts at the provincial level. These resources are then distributed to the district level, based on annually approved activity plans. Expenditures incurred at the provincial and district levels consist mainly of payments for trainings, seminars, salaries, and payments to peer educators working in community-based organizations.

Due to the nature of expenditures incurred, a large proportion of payments at provincial and district levels are made in cash. In two provinces visited by OIG – Thanh Hoa and Ha Noi –, which are the largest provinces, cash payments represented 76% of the total expenditure of US\$1.07 million. The limited sampling from the provincial level included in the audit did not uncover any evidence of misused funds. Nevertheless, cash payments are inherently riskier because they can be more easily misused than other payment methods and are difficult to trace. There is an opportunity to reduce some cash payments that could have been made by bank transfer such as payments to hospitals for HIV testing and blood transportation. An analysis of payment types of payments at province and district levels is necessary to inform the decision of moving some cash payments to alternative payment methods. Such analysis would inform decisions about the optimal payment arrangements, based on the nature of each transaction type and the operating environment, whilst ensuring that financial assurance considerations do not inadvertently jeopardize program implementation. After the audit, VAAC has started to conduct this analysis and has identified some areas of expenditure that are currently paid in cash but could potentially be replaced with other payment methods, e.g. bank transfer.

Assurance mechanisms over expenditures incurred at provincial and district levels

Each province has a Provincial Project Management Unit that is responsible for validating payments and submitting semi-annual financial reports for review by the Principal Recipient. The Principal Recipient's central office reviews these reports and conducts annual supervision visits to its sub-recipients to review their financial management practices. External auditors of the Principal Recipient include a limited sampling of provincial financial activities in their annual audit.

The OIG assessed the design and effectiveness of the oversight and control over cash payments, including the annual financial supervision visit conducted by the Principal Recipients and cash payment limits. Cost norms for per diems, travel and training have been defined and are applied, and salary top-ups for Ministry of Health staff have been restricted. However, there is room for improvement in the effectiveness of the financial assessments conducted by the Principal Recipients, the Local Fund Agent and the External Auditor. For instance:

⁸ Funds spent in country do not include expenditures for centrally procured health products and other commodities. Central procurement is managed by the Global Fund Secretariat.

- The Local Fund Agent's verification of semi-annual progress updates and disbursement requests includes review of provincial expenditures. However, there is no regular review of the effectiveness of controls over cash payments at provincial level. Since 50% of the funds spent in country are managed at provincial level or below, it is important to conduct periodic reviews of expenditures at these levels.
- The Local Fund Agent and External Auditors contracted by the Principal Recipients have repeatedly reported extensive delays in the settlement of advances. This issue persists as OIG found that, as of 31 December 2017, US\$906,138, representing more than 55% of expenditures, was delayed beyond 60-days. The limit for VAAC and the National Tuberculosis Program to clear such advance payments is 30 and 15 days respectively.

The Global Fund Secretariat has undertaken various actions to address the above mentioned risks. The Country team has drafted the Terms of Reference for Local Fund Agent to conduct an assessment of risk associated with cash payments at the provincial level as well as overall financial internal controls. This assessment, expected to be completed by 31 October 2018, will inform the decision regarding possible alternatives to reduce the cash payments, while ensuring that there is no negative impact to program achievements. In addition, to strengthen the assurance mechanism over expenditures at provincial, district and commune levels, from 2018, the Local Fund Agent will verify annually the incurred expenditures and overall internal controls.

The Global Fund Secretariat monitors the risks associated with cash payments and the mitigation measures put in place through the Key Risk Matrix.

Given the mitigating actions already ongoing, a specific management action will not be issued.

5. Table of Agreed Actions

Agreed Management Action	Target date	Owner
<p>The Global Fund Secretariat will work together with the Principal Recipients to establish a high level implementation plan for the integration of HIV services in the Health Insurance that addresses the following:</p> <ol style="list-style-type: none"><li data-bbox="248 539 887 640">1. Risks related to access to care for vulnerable population, including the poor, marginalized and hard-to reach groups; and<li data-bbox="248 674 887 775">2. Risks related to continuity of roles of the community in HIV programs with respect to prevention activities.	31 March 2019	Head of Grant Management

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 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 across the Global Fund as well as of grant recipients, 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.