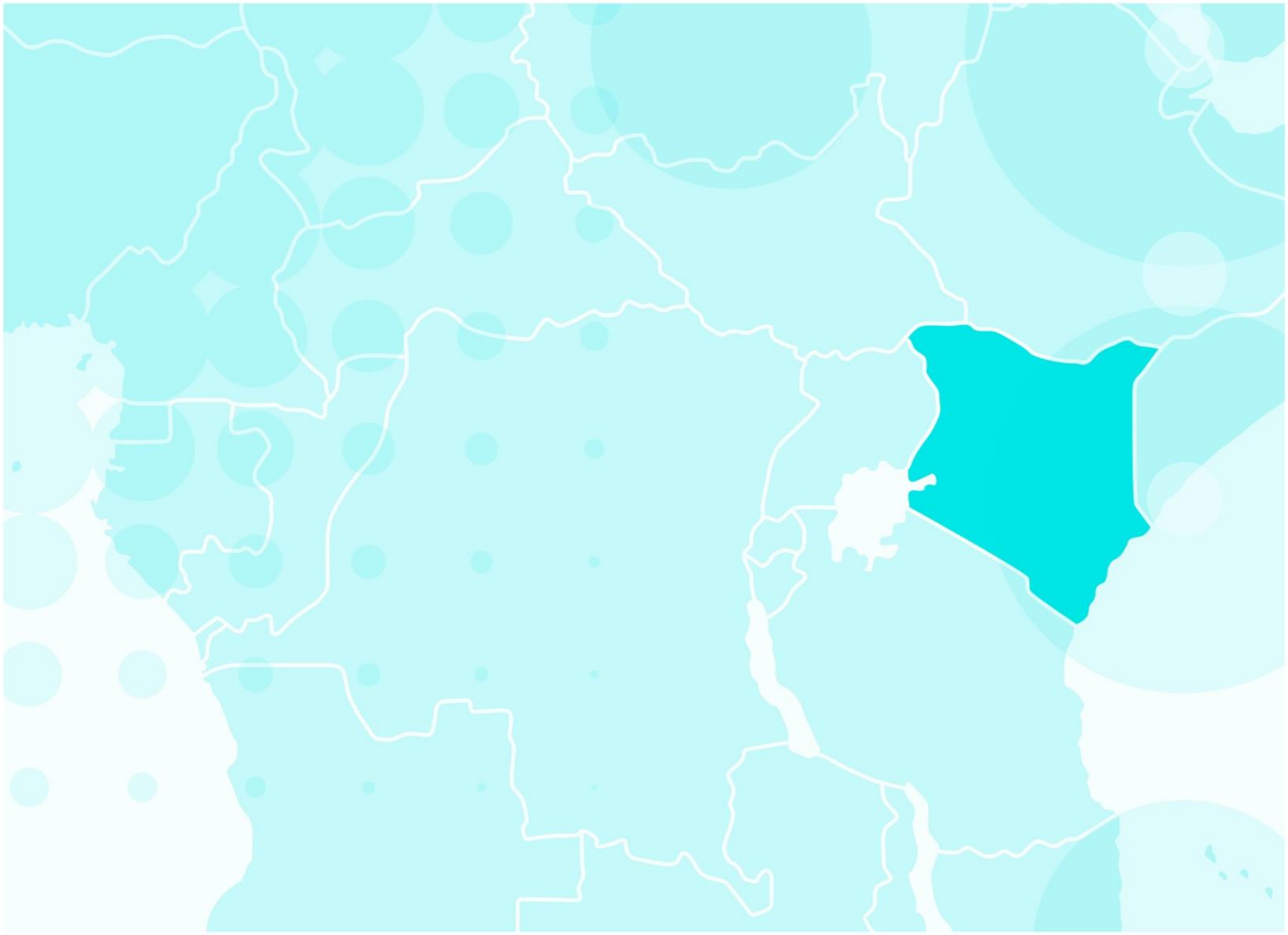

Audit Report

Global Fund Grants to the

Republic of Kenya

GF-OIG-25-002
17 April 2025
Geneva, Switzerland

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Office of the Inspector General

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1. Executive Summary

1.1 Opinion

Kenya has made significant progress in the fight against HIV, TB, and malaria, with substantial reductions in morbidity and mortality. The country has exceeded the UNAIDS 95-95-95 targets, achieving 96-98-97. Since 2015, new HIV infections have decreased by 78%, AIDS-related deaths by 43%, and TB incidence by 41%. The TB treatment success rate for drug sensitive TB was 89% in 2023. Malaria mortality decreased by 78% between 2019 and 2022, with malaria prevalence decreasing from 8.2% in 2015 to 6% in 2023. Additionally, four out of Kenya's 47 counties were in the malaria pre-elimination phase in 2023.

Despite strong performance in HIV and TB programs, improvements are needed in designing and implementing prevention activities, particularly community-based interventions. The design of HIV key population activities was impacted by delayed finalization of the recent Integrated Biological and Behavioral Surveillance (IBBS) survey. Multiple parallel data systems with limited interoperability continue to limit data visibility, utilization, and impact monitoring for key and vulnerable populations.

Coverage of interventions for key and vulnerable populations remains insufficient, despite their high prevalence and infection risk. Antiretroviral treatment coverage for key populations remains significantly below target. Adolescent girsl and young women represent 20% of the population but account for 38% of new HIV infections. Although overall new HIV infections have declined, Kenya missed its reduction target, with various counties reporting increased infections.

Contribution to TB case notifications from the community and private sectors, as well as among key and vulnerable populations, have stagnated since 2019, and 23% of TB cases go missing. Community and Public-Private Mix contributions to active case findings remain below target, due to weak referral systems, incomplete Public-Private Mix implementation, underutilized GeneXpert platforms, and a lack of strategic targets for key populations. Community-based interventions to ensure access to quality services by beneficiaries are **partially effective**.

Procurement and supply chain management has improved, but delays remain significant, averaging over 250 days. Suboptimal contract management delays key interventions, impacting service delivery and program performance. Low absorption of Resilient and Sustainable Systems for Health (RSSH) investments led to the reprogramming of over US$5.2 million of investments, out of a total of over US$30 million in unutilized funds. Contributing factors include inadequate monitoring and supervision, governance and management issues affecting the Kenya Medical Supplies Authority, and delays in government financing commitments. Gaps in stock management controls and accountability at the health facility level were also identified. Sustainable procurement and supply chain management processes and systems **need significant improvement**.

Oversight and in-country assurance mechanisms over financial control have improved significantly since the 2022 audit. Strong control designs were observed across all Principal Recipients, with effective external and internal audit functions. However, improvement is needed in financial reporting systems, to safeguard grant resources and ensure accurate and complete reporting. Oversight and in-country assurance mechanisms are **partially effective**.

1.2 Key Achievements and Good Practices

Enhanced sustainability and country ownership through integrating Global Fund-supported programs into national systems

The Kenya National Treasury (TNT) is one of the Global Fund's Principal Recipients. The TNT Global Fund grants are on-budget, and are incorporated into the annual budgets of both the Principal Recipient (TNT) and the Ministry of Health. Grants are heavily commoditized (representing 57% of Grant Cycle 6 grants), with KEMSA, the national procurement and supply chain agency, procuring most health and non-health products for Global Fund-supported programs. Procurements by KEMSA resulted in savings of over US$39 million compared to international procurement prices and supply-chain-related costs. Kenya's Office of the Auditor General audits the Global Fund grants implemented by The Kenya National Treasury.

Significant progress in the fight against the three diseases

Kenya has surpassed the UNAIDS 95-95-95 targets,[1] achieving 96-98-97.[2] New HIV infections have decreased by 78% since 2015,[3] and AIDS-related deaths have dropped by 43%.[4] While Kenya remains one of the 30 countries with the highest burden of tuberculosis (TB) and TB/HIV co-infections, with 124,000 estimated TB cases in 2023,[5] the TB incidence rate has decreased by 41% since 2015, from 380 to 223 per 100,000 people in 2023.[6] The drug-sensitive TB treatment success rate stood at 89% in 2023,[7] and the DR-TB treatment success rate improved from 73% in 2017 to 78% in 2023 (2021 cohort).[8] TB deaths also decreased by 60% between 2015 and 2023.[9]

Malaria mortality decreased by 78% between 2019 and 2022,[10] while malaria prevalence fell from 8.2% in 2015 to 6% in 2023. Four out of 47 counties in Kenya were in the malaria pre-elimination phase as of 2023. Additionally, Kenya has rolled out the malaria vaccine through the WHO-coordinated and Gavi-funded implementation program.

Strong engagement of partners, Civil Society Organizations and private sector in grant design and implementation

Strong partner engagement, including establishing Technical Working Groups for specific interventions such as adolescent and young people, key and vulnerable populations, and prevention of mother-to-child transmission of HIV (PMTCT), has enhanced grant design and implementation in Kenya.

The Private Sector Engagement Framework, launched in 2024, is currently being rolled out. Civil Society Organizations (CSOs) are actively engaged at all levels, including at the Kenya Coordinating Mechanism, counties, and sub-counties. Key Population-led organizations are involved in implementation, utilizing a peer model for HIV outreach and prevention programs. Additionally, the involvement of all country stakeholders, including counties and communities, has been instrumental in supporting TB programs, ensuring that grants are adequately designed and contribute significantly to national strategic objectives for the three diseases.

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[1] 95-95-95 means: 95% of people who are living with HIV know their HIV status, 95% of people who know that they are living with HIV are on antiretroviral treatment, and 95% of people who are on treatment are virally suppressed
[2] UNAIDS 2024 Report
[3] Kenya HIV Estimates Portal, NSDCC (accessed on 9th November 2024 at 1:57)
[4] HIV Estimates Portal, NSDCC (accessed on 9th November 2024 at 1:57)
[5] Global TB report 2024 country profile Kenya https://worldhealthorg.shinyapps.io/tb_profiles, accessed 15-11-2024
[6] Global TB report 2024 country profile Kenya https://worldhealthorg.shinyapps.io/tb_profiles, accessed 15-11-2024
[7] National Strategic Plan, National Tuberculosis and Leprosy programme 2023/24-2027/28 (final draft), Kenya, Ministry of Health, 2023
[8] NSP, National Tuberculosis and Leprosy programme 2023/24-2027/28 (final draft). Kenya, Ministry of Health, 2023.
[9] Global TB report 2024 country profile Kenya https://worldhealthorg.shinyapps.io/tb_profiles, accessed 15-11-2024
[10] World Malaria Report 2023, Annex 4 -J, Malaria reported deaths, page 280

1.3 Key Issues and Risks

Better program design and implementation of community-based interventions necessary to reduce new HIV infections among key and vulnerable populations

The design of HIV key population interventions for Grant Cycle 6 and 7 was based on an outdated IBBS survey, due to delays in finalizing the IBBS survey. This has contributed to a gap in estimating HIV transmission patterns and key population needs. Despite a sub-optimal fund absorption level for key population related interventions, the recorded achievement rates for programs exceeded population size estimates, raising concerns about the reasonableness of program targets.

The implementation coverage of interventions for key and vulnerable populations, who have a high HIV prevalence and high infection risk, remains suboptimal. While there has been a general decline in new infections, Kenya missed its target to reduce infections by 10%. Four out of the 47 counties reported increases in new HIV infections, ranging between 4% and 94% in 2023, and none of the 47 counties achieved the target of reducing the HIV case rate to less than 50 per 100,000 live births. Insufficient supervision, inadequate sub-recipient selection and management, and non-fulfilment of government counterpart financing commitments affected the effective implementation of key and vulnerable population interventions.

Challenges in identifying missing cases and low TB Preventive Therapy (TPT) coverage among eligible household contacts threaten TB epidemic control

The TB notification rate improved post-pandemic to 171/100,000, but has still not reached the national target of 194/100,000. In 2023, 22% of TB cases remained missing, with rates stagnating in the private sector and in prisons since 2019. Community public-private mix (PPM) are underperforming against targets for active case findings. This can be attributed to underreporting of community interventions, due to weak referral systems, the incomplete implementation of Public-Private Mix activities in some counties, and other operational challenges, such as the underutilization of GeneXpert platforms. Additionally, there are no strategic targets for key and vulnerable populations, including cross-border mobile populations. As a prevention mechanism, TPT coverage remains low for household contacts, primarily due to inconsistent supply of TPT medicines.

Despite cost-effective procurement and enhanced warehousing, significant procurement delays persist, and improvement needed in accountability and management of quality health products

Procurement and supply chain management has improved since the 2022 audit. While fewer procurement delays were observed, delays remain significant, averaging over 250 days for KEMSA and the Principal Recipients. Additionally, suboptimal contract management contributed to delays in implementing key interventions, which affected service delivery and programmatic performance. For example, procurement-related Resilient and Sustainable Systems for Health (RSSH) investment absorption was low at 49%, contributing to the reprogramming of over US$30 million in unutilized funds. Challenges in monitoring and supervision, governance and management issues affecting KEMSA, and delays in government counterpart financing commitments contributed to ongoing procurement and contract management issues.

The audit also identified gaps in stock management controls and in the accountability of commodities at health facility level. Discrepancies were found between KEMSA and the Ministry of Health's facility master lists. The suboptimal utilization of electronic proof of delivery (ePOD) hindered near real-time confirmation of commodity receipts, and reduced transparency. Incomplete documentation of stock receipt transactions and variances between stock counts and stock card records were also noted.

Additionally, inefficiencies in product recall processes, and inconsistencies in quality control procedures were identified.

Good controls design, but improvement needed in governance guidelines compliance and ERP financial controls to ensure efficient and effective use of grant resources

While Kenya Coordinating Mechanism (KCM) guidelines are well-documented, there have been instances of non-compliance with the KCM constitution regarding terms of service. As part of the Global Fund CCM Evolution project, the term of service has been revised from two to three years. The KCM is finalizing the process of reviewing the KCM's Constitution, and will review and update the terms of service for its members based on the review recommendations.

The rollout of the accounting system (ERP, NAVISION) by all three Principal Recipients contributes to the timely reporting of complete financial information. However, delays in the Kenya National Treasury's implementation of post-implementation review recommendations[11] may contribute to system vulnerabilities that affect the completeness and accuracy of financial reporting.

1.4 Objectives, Ratings and Scope

The audit's overall objective was to provide reasonable assurance to the Global Fund Board on the adequacy and effectiveness of Global Fund Grants to the Republic of Kenya. Specifically, the audit assessed the governance, risk management, and controls for effective implementation of:

Objectives	Rating	Scope
Community based interventions to ensure access to quality services by beneficiaries, with a focus on[12]: • HIV vulnerable and key populations; and • TB and TB/HIV interventions.	Partially Effective	Audit period: July 2021 to June 2024. The audit covered the Principal Recipients and sub-Recipients of Global Fund supported programs. No scope exclusions
Sustainable procurement and supply chain management processes and systems to ensure timely availability and accountability of quality assured commodities at all levels.	Need Significant Improvement	
Oversight and in-country assurance mechanisms in safeguarding Global Fund resources.	Partially Effective	

OIG auditors visited 29 health facilities and hospitals across five counties. These counties represent 53% of the HIV burden and 23% of TB case notifications between July 2021 and June 2024.

Details about the general audit rating classifications can be found in Annex A.

[11] In 2023, the Global Fund Secretariat performed a post implementation review (PIR) of the roll out of NAVISION ERP at The National Treasury (Government PR). The PIR recommended actions to address gaps noted in the ERP control environments. However, out of 70 sampled PIR key recommendations, only 33% had been fully implemented at the time of the audit, while 63% had not been implemented and 4% were partially implemented

[12] The Malaria program is generally doing well. Malaria mortality decreased by 78% between 2019 and 2022, with malaria prevalence decreasing from 8.2% in 2015 to 6% in 2023. Additionally, four out of Kenya's 47 counties were in the malaria pre-elimination phase in 2023. Therefore, the malaria audit focus on supply chain and procurement/finance perspective

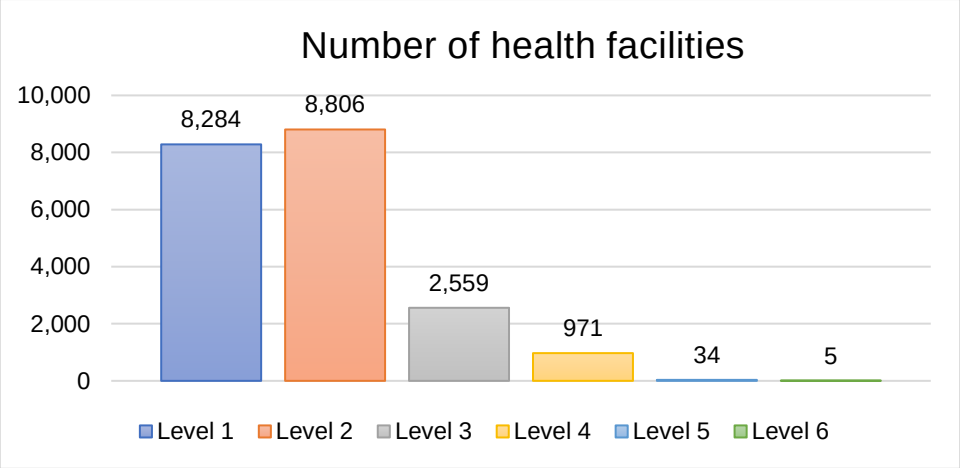
2. Background and Context

2.1 Country Context

Country data[13]	
Population	55.10 million (2023 estimate)
GDP per capita	US$1,949.9 (2023)
Corruption Perception Index	126/180 (2023)
UNDP Human Development Index	146/193 (2022)
Government spending on health (% of GDP)	4.55% (2021)

A lower middle-income country, Kenya is one of the fastest growing economies in the region, with GDP growth of 5.4% in 2023. Significant political and economic reforms have contributed to sustained economic growth, social development, and political stability gains over the past decade. However, key development challenges remain, including poverty, inequality, youth unemployment, transparency and accountability issues,[14] climate change impacts, and limited private sector investment.

Kenya service delivery structures comprise of six levels: level 1 functional community services; level 2 dispensaries and clinics; level 3 health centers, maternity homes, and nursing homes; level 4 sub-county hospitals and medium-sized private hospitals; level 5 county referral hospitals and large private hospitals; and level 6 national referral hospitals.[15] See below for the number of facilities for each level.



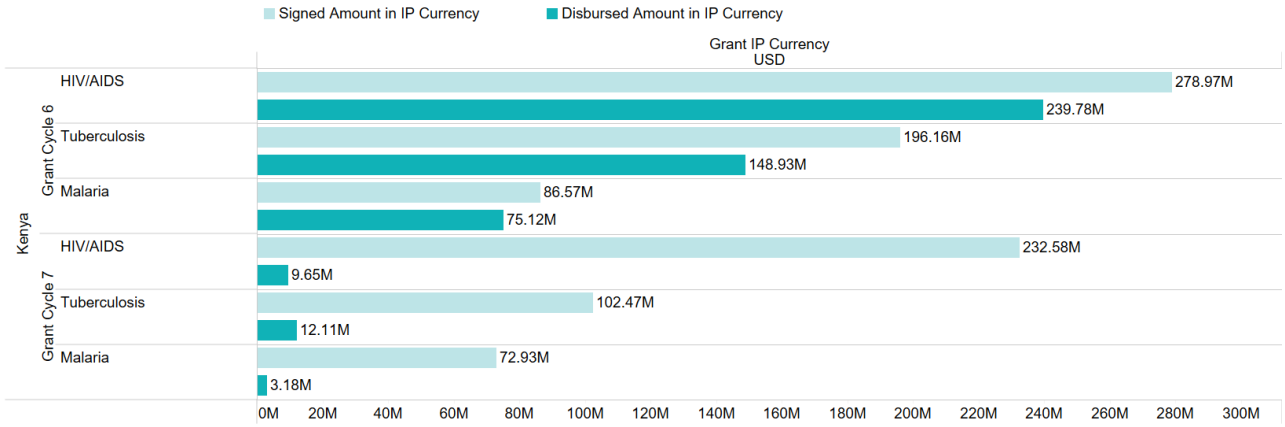
[13] UNFPA estimates 2023 (Accessed on 4 November 2024)
[14] Corruption Perception Index (2024) - https://www.transparency.org/en/countries/kenya - Accessed on 16 December 2024
[15] Kenya Health Facility Census Report 2023

2.2 Global Fund Grants in Kenya

Since 2003, the Global Fund has signed grants totaling over US$2.4 billion and disbursed US$1.91 billion to Kenya. Active grants for GC6 (i.e. 2021-2024) amounted to US$577 million, of which US$463 million[16] has been disbursed. For this period, The National Treasury, Kenya Red Cross Society (KRCS), and AMREF International are grant Principal Recipients.

The National Treasury, as the State Principal Recipient, has a project management unit overseeing grant interventions implemented by the disease programs within the Ministry of Health, as well as other sub-recipients, including the Health Systems Strengthening Department. AMREF coordinates community-based TB and malaria interventions funded by the Global Fund, with 36 sub-recipients under the TB grant and 17 sub-recipients under the malaria grant. KRCS coordinates community-based HIV interventions funded by the Global Fund, with 69 sub-recipients implementing community-based interventions for HIV.

The Kenya Medical Supplies Authority (KEMSA) is responsible for procuring, warehousing, and distributing health products and equipment to public health facilities.



[16] Global Fund data sets Finance insights (Accessed on 4 November 2024)

2.3 The Three Diseases in Kenya

HIV / AIDS	TUBERCULOSIS	MALARIA
An estimated 1,400,000 people are living with HIV as of 2023, of whom **96%** know their status. **98%** are on antiretroviral treatment, **97%** have suppressed viral loads. **AIDS-related deaths decreased by 43%** from 35,821 (2015) to 20,480 (2023). About **13,000** new HIV infections were averted in 2023 due to PMTCT treatments and interventions. **Annual new infections decreased by 78%** from 77,647 (2015) to 16,752 (2022). **38%** of all new HIV infections are among Adolescents and Young People (15-24 years).	Kenya transitioned out of the list of **30 high MDR/RR-TB** burden countries. Kenya recorded a **41%** reduction in TB incidence between 2015 and 2023. TB related deaths reduced by **60%**, from **57,443 in 2015** to **23,149 in 2023**. Notifications for Drug Susceptible-TB increased by **14%,** from **81,292 cases (2015)** to **94,653 cases (2023)**. **TB treatment success rate of all new and relapse cases** has almost stagnated, representing **87%** in 2015 and **89%** in 2023. The rate of **TB/HIV co-infection** reduced by **51%** between 2015 and 2022, from **59,000** to **29,000.**	Kenya has been delivering the **malaria vaccine RTS, S/AS01 (RTS, S)** through the Malaria Vaccine Implementation Programme since 2019. Kenya is the **20th contributor** to total malaria cases globally and carries **1.4%** of the global malaria burden. Kenya recorded an estimated **3,417,499 malaria cases** in 2022, a **6%** increase from 2015's **3,212,566 estimated cases**. Estimated malaria-related deaths increased by **11%**, from **10,642** in 2015 to **11,788** in 2022.
Source: 2023 UNAIDS DATA, 2024 GLOBAL AIDS UPDATE	*Source: 2023 WHO TB DATA, STOPTB DATA, WORLD BANK DATA*	*Sources: WORLD MALARIA REPORT 2023*

3. Portfolio Risk and Performance Snapshot

3.1 Portfolio Performance

GC6 (July 2021 – June 2024) grant performance and grant ratings are shown below[17]:

Component	Grant	Principal Recipient	Grant Period	Total amount signed (USD)	Total amount disbursed (USD)	% disbursed	Dec.21	Jun.22	Dec.22	Jun.23	Dec.23	Jun.24
HIV	KEN-H-KRCS	Kenya Red Cross Society	1 July 2021 - 30 June 2024	94,364,636	93,736,194	99%	D	C	C	C	A	B
							5	5	3	2	1	1
	KEN-H-TNT	The National Treasury	1 July 2021 - 30 June 2024	184,607,839	169,180,376	92%	C	C	C	C	C	C
							1	5	2	4	3	4
TB	KEN-T-AMREF	Amref Health Africa	1 July 2021 - 30 June 2024	120,227,432	101,417,098	84%	B	C	A	B	C	B
							5	5	5	5	3	3
	KEN-T-TNT	The National Treasury	1 July 2021 - 30 June 2024	75,933,435	61,444,603	81%	C	C	C	C	C	C
							5	5	5	5	4	4
Malaria	KEN-M-AMREF	Amref Health Africa	1 July 2021 - 30 June 2024	24,652,208	24,002,691	97%	A	B	B	B	C	C
							5	5	5	5	4	3
	KEN-M-TNT	The National Treasury	1 July 2021 - 30 June 2024	61,915,396	56,655,549	92%	B	B	A	B	B	C
							4	3	4	4	5	3
Total				**561,700,946**	**506,436,510**	**90%**						

[17] Effective January 2022, Global Fund Revised PU/DR and Performance Ratings with programmatic performance assessed via alphabetic ratings while financial performance assessed via numerical ratings. The Global Fund, "Revised Progress Update and Disbursement Requests (PU/DR) and Performance Ratings", accessed 22 April 2024, https://www.theglobalfund.org/en/updates/2022/2022-02-23-revised-progress-update-and-disbursement-request-and-performance-ratings/

3.2 Risk Appetite

The OIG compared the Secretariat's aggregated assessed risk levels for the key risk categories covered in the audit objectives with the residual risk identified in the OIG's assessment, mapping these risks to specific audit findings for the Kenya program. The full risk appetite methodology and explanation of the differences are provided in Annex B of this report.

Audit area	Risk category	Secretariat aggregated assessed risk level	Assessed residual risk based on audit results	Relevant audit issues
Programmatic	HIV: program quality	**Moderate**	**Moderate**	Finding 4.1
	TB: program quality	**Moderate**	**Moderate**	Finding 4.2
Procurement and supply chain management	Procurement	**Moderate**	**High**	Finding 4.3
	In-country supply chain	**Moderate**	**High**	Finding 4.4
Oversight and in-country assurance mechanisms	In-country governance	**Moderate**	**Moderate**	Finding 4.5
	Accounting & Financial Reporting by Countries	**Moderate**	**Moderate**	Finding 4.5
	Health Financing	**High**	**High**	Finding 4.1, 4.3 and 4.4

4. Findings

4.1 Strong HIV results in general population, but need for enhanced prevention, including community-based interventions

A lack of relevant recent data, suboptimal implementation of community-based interventions, insufficient supervision, inadequate sub-recipient selection and management, and non-fulfilment of government counterpart financing commitments have all contributed to increased HIV infections among key and vulnerable populations.

Kenya's HIV program is one of the region's top performers, demonstrating significant success in achieving the UNAIDS 95-95-95 targets. Between 2015 and 2023, new HIV infections and AIDS related deaths fell by 78% and 43%, respectively. Several factors contributed to this success, including robust partner collaboration and engagement in grant proposal development. Technical Working Groups have been established to address the needs of key populations, adolescents, and prevention of mother-to-child transmission (PMTCT). Additionally, Civil Society Organizations are actively engaged at all levels (Country Coordinating Mechanism, counties, and sub-counties) in program design and delivery. A private sector engagement framework has been launched, and key studies and assessments are underway.[18]

Kenya has made significant strides in HIV testing and treatment within the general population; however, the prevention and treatment of key and vulnerable populations still faces several challenges impacting program design and effective implementation of interventions.

Lack of relevant recent data, and challenges in data collection and management, hinder effective HIV program design and monitoring

Key population HIV interventions for funding cycles 6 and 7 were based on integrated biological and behavioral surveillance (IBBS) survey data conducted over 12 years ago. A new IBBS was expected to inform the design of GC7 grants, but it has been delayed by nine years, primarily due to inadequate oversight of the process, and hesitation from key populations regarding data use, driven by concerns over stigmatization and related issues. At the time of the audit, the IBBS was expected to be finalized in March 2025. This has contributed to gaps in understanding current HIV transmission dynamics and the needs of key populations. To illustrate this, despite suboptimal absorption of funds for HIV prevention activities, the numbers of female sex workers and men who have sex with men reached by programs was significantly higher than country estimates.[19] This suggests data used to inform program design may not reflect the current dynamics and needs.

In the absence of recent IBBS data, Kenya was able to leverage routine program data for program design and decision making. However, the audit noted significant challenges due to the presence of multiple and parallel data systems with limited interoperability. These have constrained the visibility, utilization and impact monitoring of key and vulnerable population data. For example, there are parallel reporting systems for key population and the adolescent girls and young women (AGYW) programs, which hinders streamlined data aggregation and analysis. Community-level indicators are not adequately captured in the Kenya Health Information System, the national system used to store and report population health information. The electronic medical record systems for key populations

[18] Kenya population-based HIV Impact Assessment (KENPHIA), IBBS, and the National HIV and AIDS Stigma and Discrimination Index Study

[19] 249,961 female sex workers were reached with a package of services in 2023 against a population size estimate (PSE) of 197,096. Similarly, 70,975 men having sex with men received services against a PSE of 61,650 (Kenya cascade data KP National page 1&2)

and the HIV PMTCT program are not optimally utilized, with the system not fully operational in Drop-In-Centers (DICEs) where relevant key population information is collected.

These challenges have contributed to data quality issues and insufficient tracking of progress on key HIV outcome and impact indicators. For example, a proactive data cleaning exercise revealed that the number of people living with HIV (PLHIV) on antiretroviral treatment was overstated by approximately 22,400. Additionally, while mortality surveillance has been implemented, it remains limited in scope, currently covering only seven mortuaries. The Global Fund Technical Review Panel's recommendation to use innovative and data-driven county-specific approaches was not implemented, due to the IBBS delays. Additionally, GC6 funds for addressing data challenges were not fully spent.

Suboptimal implementation of key and vulnerable population interventions has hindered progress against HIV case reduction targets

Despite the high prevalence[20] and high infection risk among key and vulnerable populations, coverage of interventions remains insufficient. HIV testing rates are low,[21] and HIV Pre-Exposure Prophylaxis (PrEP) uptake is limited among groups accessing this preventive measure.[22],[23]

Despite AGYW (ages 15-24) having a fourfold risk of HIV infection, accounting for 38% of new HIV infections, AGYW programs currently cover only 15 of 47 counties. Key population programs are supported by the Global Fund, billateral donors, and UNAIDS, with overlaps in four counties for female sex workers (FSW), five counties for men who have sex with men (MSM) and one county each for PWID and transgender (TG) individuals. Only 54% AGYW demonstrate adequate HIV prevention knowledge, and the use of condoms among non-marital, non-cohabiting partners remains low at 37% for women,[24] highlighting critical gaps in coverage and awareness.

In 2023, 12% of pregnant women did not receive any antenatal care, and of those attending their first antenatal care visit, 15% were not tested for HIV. National early infant diagnosis (EID) coverage stood at 86%, yet significant gaps persist.[25] Of 53,889 HIV-exposed infants (HEIs), 85% received prophylaxis, but only 45% were tested for HIV within the first two months.[26] EID testing challenges, such as availability of dried blood spots (DBS) test kits, or sample transportation issues including turnaround time, were identified in 84% (16 out of 19) of facilities visited by the OIG.

Consequently, antiretroviral coverage among key populations remains low: 34% for FSW, 39% for MSM, 26% for PWID, and 7% for TG.[27] Although Kenya recorded a decrease in new HIV infections, the target was missed by about 10%. New HIV infections increased in 4 out of 47 counties, and no counties met the WHO mother-to-child transmission of HIV (MTCT) target of fewer than 50 HIV cases per 100,000 live births, with a national MTCT rate of 8.6% in 2023.[28] Fourteen counties reported rising MTCT rates.[29] While Kenya's overall HIV prevalence remains stable, prevalence among women aged 15+ increased by 16%.[30]

[20] The 2011/2012 prevalence among FSW (29%), MSM (18%), and PWID (19%) is significantly higher compared to the general population (15-49) of 3.7% (2022)
[21] Only 53% of female sex workers (FSWs) and 66% of men who have sex with men (MSM) tested
[22] 58% of FSW, 37% of MSM, 26% of people who inject drugs (PWID), and 44% of transgender individuals (TG)
[23] National Multisectoral HIV Prevention Acceleration Plan 2023–2030, page 4 and Kenya cascade data KP National page 1-2
[24] Kenya Demographic and Health Survey 2022, pages 61 and 64
[25] Kenya Strategic Framework for Tripple Elimination 2023-27, page 5
[26] PMTCT Data 2019 to 2023, Kenya Strategic Framework for Tripple Elimination 2023-27 pages 5 and 7
[27] UNAIDS data 2023, page 137, accessed 16 November 2024
[28] Kenya Strategic Framework for Tripple Elimination 2023-27 page viii
[29] Kenya Strategic Framework for Tripple Elimination 2023-27 page 2
[30] UNAIDS data (by country) 2023, page 136, accessed 16 November 2024

The following factors contributed to the suboptimal implementation of key and vulnerable population interventions:

Sub-recipient selection and management

Contrary to Global Fund policies, sub-recipients are selected through assessments performed by a technical review committee and approved by the Kenya Coordinating Mechanism, with limited involvement from Principal Recipients, weakening PR accountability over SR selection. Significant delays of more than 82 days for GC6 and 61 days for GC7 in SR selection, and gaps including a lack of review of fraud risk and external audit arrangements during sub-recipient capacity assessment, have contributed to performance issues. The delays also disrupt timely execution of community-based activities, and gaps in the sub-recipient selection process give rise to conflict-of-interest risks, such as members nominating affiliated organizations.

Implementation oversight

Program monitoring has been insufficient, with only 55% of community-based reports submitted to oversight mechanisms. Utilization of funds for integrated support supervision was limited to 31% across 47 counties. National Transgender Guidelines[31] from 2020 are still awaiting approval.

Irregular supply of HIV prevention commodities

Only three of the 32 KP implementing sites (including drop-in centers and Outreach), received the required number of HIV test kits. 84% (16 of 19) health facilities visited experienced condom stockouts, averaging 650 days, 58% (11 of 19) faced Determine test kits stockouts averaging 25 days, while 63% (12 of 19) reported stockouts of First Response test kits averaging 48 days. Only 18% of the lubricant packs scheduled for procurement in GC6 were delivered, and these arrived after the grant period ended.

Non-fulfilment of government counterpart financing commitments contributed to the shortages. HIV accounts for 79% of the government counterpart financing commitment, but only 22% was expended in GC6, failing to meet the counterpart financing requirement.

Agreed Management Action 1

The GF Secretariat will work with the Principal Recipient, The National Treasury and in collaboration with the Ministry of Health and other key HIV stakeholders to perform a focused desk review of the current HIV interventions for key populations (KPs). The review will consider extrapolated population size estimates (PSEs), stigma, discrimination and condom use metrics and HIV care cascades for KPs from the preliminary 2024 IBBS report findings.

OWNER: Head, Grant Management Division

DUE DATE: 30 November 2025

[31] Draft National Guidelines for HIV and STI Programming among Transgender People, NASCOP

4.2 Significant progress on TB, but challenges around preventive therapy coverage and in identifying missing cases

TB case notifications have remained stagnant in recent years, and community contribution remains below National Strategic Plan targets.

Kenya has made significant progress in TB control. The estimated TB incidence rate is 223 per 100,000 population, down from 380 in 2015. DS-TB treatment coverage increased from 45% in 2015 to 77% in 2023,[32] with a treatment success rate of 89%, exceeding 2023 targets.[33] The DR-TB treatment success rate improved from 73% in 2017 to 78% in 2023 (2021 cohort), and Kenya is no longer listed among WHO's high-burden DR-TB countries. Additionally, TB-related deaths decreased by 60% between 2015 and 2023.

Various factors have contributed to these achievements, including: country stakeholders at all levels (including counties and communities) supporting TB programs; enhanced community and private sector case finding; agile and proactive responses to TB stock outs, such as borrowing TB medicines from other countries; and using Global Fund grant savings for additional procurements of first line TB drugs to help bridge commodity gaps resulting from the non-fulfilment of government counterpart financing commitments.

Despite the progress made, a significant number of cases are being missed, due to suboptimal progress in community and public-private mix, as well as in key population interventions. Low TB Preventive Therapy (TPT) coverage also remains a challenge.

Data quality challenges, suboptimal public-private mix engagement, and under-utilization of GeneXpert platforms hinder TB control efforts within communities and in the private sector

The following factors impact case finding efforts in the community and private sectors:

Data quality challenges

At community level, underreporting of referrals for new presumptive TB cases persists. None of the facilities visited had a system to ensure proper recording of community referrals. Additionally, 16% (3 of 19) of facilities visited do not consistently register community referrals, a mechanism for ensuring further TB screening by a community health worker, and essential for identifying individuals with TB who do not seek care on their own.

The data monitoring system (TIBU) lacks visibility of lost-to-follow up (LTFU) cases during the pre-treatment stage, specifically between community referral and laboratory confirmation.[34] Losing individuals at this stage means losing those who, without treatment, pose a risk to their own health and the health of their community. While there is no current data on pre-treatment LTFU, a 2015 Kenya Inventory Study estimated up to 21% of smear-positive patients were lost between diagnosis and treatment initiation. Key activities to enhance surveillance and epidemiology capacity were not implemented, including three planned county-level trainings on data quality, epidemiology, and surveillance skills development.

[32] Global TB Report 2024
[33] 2023 NSP targets: TB incidence rate – 281 per 100,000, treatment success rate – 87%
[34] End-Term Review of the National Tuberculosis, Leprosy and Lung Health Strategic Plan, 2019-2023, p.39

Challenges in Public-Private Mix (PPM) engagement

Less than half of the 47 county authorities actively engage in Public-Private Mix activities, and not all private providers are reached within these counties.[35] High staff turnover in private facilities further hampers sustained engagement, requiring continuous retraining efforts.

Under-utilization of GeneXpert platforms

The percentage of new and relapse TB cases tested with a molecular WHO-approved rapid diagnostic (mWRD) declined from 60% in 2019 to 50% in 2023. GeneXpert utilization rate was 53%; when excluding the utilization of machines placed in sparsely populated counties, the rate remains largely unchanged at 55%. The low rate contributes to insufficient testing to detect DR-TB. As a result, 49% (or 47,544) of TB patients are at risk of being treated with the wrong treatment regimen, increasing TB-related mortality and morbidity. Contributing factors include nationwide cartridge stockouts during January - March 2022, April - June 2023, and January - March 2024, partly due to non-availability of funds, extended equipment downtimes averaging 8 - 12 days, and the partial implementation of the Integrated Sample Referral System in 20 out of 47 counties.

TB notification among key and vulnerable populations remains low

Despite outreach programs for some key and vulnerable populations such as PLHIV, children, household contacts, and the elderly (55+years), TB notification remains very low among other vulnerable and mobile communities. In 2023, notifications among prisoners, refugees, people with diabetes, and alcoholics, accounted for only 5% of total notifications, with refugees representing less than 0.01% (40/691,868). No TB notifications were recorded for health care workers, informal settlement residents, miners, people who inject drugs (PWID), mobile populations, or other vulnerable groups identified in past and current National Strategic Plans (NSPs).

The lack of group-specific monitoring data,[36] including size estimates, hampers targeted intervention, and stems from an absence of strategic policies for these populations. Additionally, there is no policy on how to integrate mobile and cross-border populations into TB (and HIV) systems or to resolve follow-up challenges. Fund absorption for key and vulnerable related activities was also low at 48%.

As a result of the above challenges, between 2019 and 2023, community and Public-Private Mix contributions to TB notifications were 11% and 20% respectively, falling short of the TB NSP targets.[37] The low contribution of key population, community and private sector referrals to notified TB cases contributed to stagnant TB notification rates. The 2023 TB notification rate was 171/100,000, a marginal increase from the pre-pandemic level of 165/100,000, but below the NSP target of 194/100,000. Notifications from the private sectors and prison facilities remain at 2019 levels. The large number of missing cases increases the risk of TB transmission among household contacts and within the community.

Low coverage of TB Preventive Therapy (TPT) for household contacts threatens TB epidemic control

Prior to 2019, only household contacts under 5 years of age were eligible for TPT. From 2021, eligibility expanded to include all age groups.[38] While TPT coverage among people living with HIV was 94% in 2023,[39] coverage for eligible household contacts of bacteriologically confirmed TB

[35] End-Term Review of the National Tuberculosis, Leprosy and Lung Health Strategic Plan, 2019-2023, p.27
[36] TB surveillance data does not capture key populations by type of population including the cross border mobile populations
[37] TB national strategic plan targets: Community contribution – 14% (current NSP) and Public-Private Mix contribution – 34% (previous NSP)
[38] Integrated Guideline for Tuberculosis, Leprosy and Lung Disease 2021, p. 243/244
[39] 2025 NSP target for TPT among PLHIV – 90%

patients was 22%, leaving 78% (131,436) at risk of developing active TB. Inconsistent TPT medicine supplies, with stockouts averaging 77 days (range: 9 to 603 days), exacerbated the issue.

Despite exiting the list of 30 high DR-TB burden countries, these challenges, among others, keep Kenya on the high-burden list of DS-TB and TB/HIV co-infection.

Agreed Management Action 2 - Cross-cutting AMA for Finding 1, 2, 3 and 4
The Global Fund Secretariat will work with the Principal Recipient, The National Treasury (TNT) in collaboration with the Directorate of Budget, Fiscal and Economic Affairs to advance the annual Government of Kenya (GoK) HIV, TB and malaria commodity Counter-Part Funding (CPF) mechanism under the TNT, prioritizing its funding allocation and utilization.
OWNER: Head, Grant Management Division
DUE DATE: 31 July 2026

4.3 Significantly delayed procurements and sub-optimal contract management are affecting service delivery

Systematic procurement delays across all Principal Recipients continue to affect service delivery and program performance. Additionally, non-fulfilment of Government counterpart financing commitments have further exacerbated gaps in service delivery.

The Global Fund's decision to support Kenya to procure most health and non-health commodities has enhanced country ownership and strengthened the procurement implementation framework. Proactive market research and price comparisons through Kenya Medical Supply Agency (KEMSA), Kenya's national procurement and distribution agency, yielded over US$39 million in savings compared to international price references. The pre-award review process, requiring no objection for procurement, minimizes the risk of misappropriation. Yet despite the progress made, significant procurement delays and suboptimal contract management affect service delivery.

Significant delays in procurements

Improved procurement timelines at the Government Principal Recipient, the National Treasury (TNT) were noted compared to the previous OIG audit. TNT and KEMSA developed a framework for Global Fund - funded procurements, with standardized timelines for procurement stages from procurement initiation to delivery. Since July 2023, KEMSA has been tracking procurement timelines, showing a 21% improvement in the average duration for procurement completion in FY 2023-2024 (272 days, compared to 345 days in the 2022 audit report).

However, delays remain significant: of the 74 procurements initiated for Global Fund grants in 2023-2024, 70% (52) were completed by October 2024, with 92% exceeding the standard 128-day timeline (excluding delivery). There are delays at all stages of the procurement process. Based on the OIG sample, KEMSA's CEO took on average of 32 days (vs seven days in the standard timeline) to approve procurement initiation. The Procurement Director took nine days (vs one day target) to submit evaluation reports to the Global Fund, and provided opinions in an average of 18 days (vs five days target). Purchase Orders were processed and approved in an average of 32 days (vs five days target); and Global Fund feedback on pre-award reviews was delayed by an average of 13 days.

At the Civil Society Principal Recipients (Kenya Red Cross and AMREF), progress has been made on complying with procurement guidelines, but both PRs face significant procurement delays and inefficiencies. For one PR, the delays increased to 293 days, compared to 180 days in the previous audit, with an average lead time of 272 days. For the other PR, the average delays increased to 343 days, compared to 180 days previously.[40]

Sub-optimal contract management

KEMSA's procurement team started tracking delivery status and turnaround time in 2023, but there is no established procedure for comprehensive, end-to-end contract management from contract signing to delivery. The audit noted that 74% (201 out of 272) of items delivered during GC6 were delayed. As of October 2024, 94 items scheduled for delivery between February to September 2024 remained undelivered. Inadequate contract management led to the termination or failure to sign seven tenders, valued at over US$15 million.

Significant procurement delays and suboptimal contract management have severely impacted Resilient and Sustainable Systems for Health (RSSH) and Covid-19 Response Mechanism (C19RM)

[40] Audit of the Global Fund Grants in the Republic of Kenya, GF-OIG-22-005, March 2022 (Audit period: 1 January 2018 to April 2021)

investments, with an absorption rate of just 49% for RSSH-related procurements by the Government PR. Unutilized funds of about US$30 million were reprogrammed to procure health and non-health products and services, diverting resources intended for critical system strengthening interventions.

The main drivers for the procurement delays and contract management are:

External and internal governance and management challenges affected KEMSA's operations

Frequent leadership changes at KEMSA, including three CEOs and six Procurement Directors during the three years of the GC6 period, disrupted oversight of the procurement process. There is no evidence of proactive analysis of procurement delays by KEMSA management, the National Treasury, or the Ministry of Health program team. In addition, poor coordination among stakeholders contributes to extended response times for feedback from the Ministry of Health, the National Treasury, and the Global Fund Secretariat, compounding delays and inefficiencies in the procurement process. External interference has contributed to recurring non-compliance in procurement, requiring the process to be revisited and further delaying procurement activities.

Inadequate monitoring and supervision

The Global Fund Secretariat performs pre-award reviews for all procurements of selected entities. However, no mechanisms are in place to implement lessons learned from the pre-award feedback. This has led to recurring non-compliance in procurement, requiring the process to be revisited and further delaying procurement activities. Delays in following up on and tracking recommendations from assurance providers were also noted. Additionally, there is no defined framework for analyzing supplier performance. While the KEMSA contract management team tracks vendor performance in terms of time, quantity, quality, and cost, this data is not analysed or used for decision-making, particularly in addressing underperforming vendors. No established procedures are in place to guide procurements from contract signing to delivery, and there is no evidence of follow-up on procurement delays by KEMSA management, or by the PR's program management unit. Procurement plans are not tracked during monthly procurement or stock planning meetings.

Non-fulfillment of government counterpart financing

Of the total GC6 commitment of US$114 million, the Government budgeted 60% (US$68 million) and fulfilled only 27% (US$31 million). This is significantly lower than the GC5 counterpart financing realization of 71%, which was based on a commitment of US$102 million. In 2021, the Government of Kenya developed the Kenya Health Sector Transition Roadmap, to guide the shift from donor financing to domestically funded strategic health programs and health systems, but this had not been rolled out at the time of the audit. A county-level transition roadmap is yet to be developed. There is no clear responsibility or accountability structure in place to ensure that the implementation plan is followed and monitored. Furthermore, grant funds of US$186,000, budgeted for County Advocacy on transition preparedness for health financing across the 47 counties, were not utilized.

Agreed Management Action 3

The Global Fund Secretariat will work with the Principal Recipient, The National Treasury (TNT) to establish a new Memorandum of Agreement (MoA) between TNT and Kenya Medical Supply Agency (KEMSA) that details the respective responsibilities for optimal service delivery in terms of timely procurement and contract management. The MoA will include M&E Framework with relevant Key Performance Indicators, and a mechanism for quarterly review to identify service delivery bottlenecks.

OWNER: Head, Grant Management Division

DUE DATE: 31 June 2026

4.4 Improvement needed in supply chain controls to ensure accountability and management of quality health products

The efficiency and effectiveness of supply chain processes have improved compared to the previous audit. However, gaps remain in stock management controls, and in the accountability of commodities at health facility level.

Supply chain management has improved since the 2022 OIG audit, which rated it as ineffective. Key improvements include a new 15,000-pallet capacity warehouse funded by the Global Fund, better visibility for malaria commodities via the KHIS/iLMIS e-dashboard,[41] and enhanced inventory control through improved traceability and stock management. KEMSA reforms have enhanced inventory accuracy, and the upcoming SAP-based ERP system is set to address Warehouse Management System gaps, improving stock movement accuracy and minimizing variances.

Several challenges remain, however, that hinder the full implementation of stock management controls, and accountability at health facility level.

Discrepancies between KEMSA and Ministry of Health facility master lists increase the risk of commodities being delivered to unauthorized facilities

The audit noted discrepancies between KEMSA's and the Ministry of Health's facility master lists. Of the 11,380 facilities in KEMSA's database, 5% (616 facilities) lacked a unique facility code, traceable to the Kenya Master Health Facility Registry (KMHFR). While this 5% figure represents an improvement from 14% in the 2022 OIG audit, the risk remains of Global Fund commodities being delivered to unauthorized facilities. Between July 2021 and June 2024, 136 of the 616 facilities received Global Fund commodities worth US$7.8 million. While an OIG sample confirmed all 18 sampled facilities were operational, their codes did not align with the KMHFR. The discrepancy reduces the assurance that all Global Fund commodities are being delivered to approved facilities.

709 facilities in the KEMSA database were marked as closed and non-operational in the KMHFR, yet 29 of these received Global Fund commodities in FY 2023/2024. An OIG sample found that nine of 10 facilities were operational, while one had closed before the audit period, raising concerns about the KMHFR's accuracy in reflecting facility operational status.

Discrepancies in facility master lists can be attributed to inadequate coordination and the absence of a mechanism to reconcile and periodically update data between the Ministry of Health and KEMSA. There was no evidence of discussions to address variations, clean data sets, or reconcile differences. Budget constraints affected the Ministry of Health's quarterly reviews with counties to update the KMHFR. KEMSA's Customer Data Base Management Standard Operating Procedures are not fully implemented, and a quarterly reconciliation of the customer database with counties (covering unique facility codes, facility names, operational status, grouping, and level) is not conducted. Additionally, while the Ministry of Health accredits stand-alone laboratories, the Ministry of Health did not establish reference list with unique codes for these laboratories as a control measure.

Suboptimal utilization of electronic proof of delivery (ePOD) limits near real-time confirmation of commodity receipts and transparency

Between April 2023 and June 2024, the real-time proof of delivery (POD) app had an average adoption rate of 56%, while the timely return of hardcopy PODs was only 38%. This hinders real-time confirmation of commodity deliveries and weakens ePOD-based invoicing controls. The issue

[41] Kenya Health Information System (KHIS) has a dashboard for logistics data as well as the Integrated Logistics Management Information System (iLMIS)

is partly due to ineffective performance management of third-party logistics (3PL) providers. KEMSA completed only 67% (4 out of 6) of planned quarterly performance evaluations with 3PL service providers between January 2023 and June 2024; when held, these meetings repeatedly highlighted the same unresolved challenges. There is no real-time support for the POD app, and user issues are only addressed during performance review meetings, delaying their resolution.

Stock management control gaps impact commodity accountability at the health facility level

The OIG identified gaps in commodity traceability from KEMSA issuance data to health facility records. Among the 19 health facilities visited: nine (47%) lacked corresponding PODs and records of transactions in the stock card for at least one commodity traced. 16 facilities (84%) had corresponding PODs, but stock receipts were not recorded in stock cards for at least one commodity traced. Of the US$1.4 million sampled from KEMSA issuance data, US$0.46 million (33%) could not be traced to health facility stock cards.

Significant issues were noted in stock records at health facility level. Among the 19 facilities visited: 15 (79%) had variances between physical stock counts and stock card records on the day of the visit; actual and expected stock movements did not reconcile at all facilities visited; and 16 facilities (84%) visited had unexplained and erroneous stock balance adjustments, with no source or justification provided for the changes.

The primary driver of the issues noted was inadequate and ineffective PSM supervision at the health facility level. Only 7 of 19 (37%) facilities visited showed evidence of addressing recommendations from previous supervision visits. Supervision tools at health facilities lacked mechanisms to review previous visits' action points, including responsibilities, deadlines, or status updates. Procedures outlined in the Supportive Supervision Manual for Health Products and Technologies (October 2020) were not consistently followed, with no evidence of follow-up on negative adjustments, verification of commodity data at the facility, or physical counts performed. Additionally, no supply chain reviews were conducted to reconcile stock movements of key indicator commodities. US$1.1 million was budgeted for a "Joint Health Products and Commodity Supportive Supervision" activity, however only 25% was utilized, despite similar issues at sub-national level having been identified in the 2022 OIG audit.

Inefficiencies in product recall, and inconsistencies in quality control procedures could limit commodities effectiveness

Defective condoms were not recalled promptly, and some lacked adequate evidence of quality control testing. A major batch recall took 56 days to complete, exceeding the 30-day policy requirement. Approval for the supplier to retrieve defective commodities was granted 42 days after the recall decision, causing delays. During this period, 3,289 out of 24,912 quarantined condoms at one facility went missing before pick-up.

Inadequate Quality Assurance (QA) on commodities can undermine the effectiveness of prevention efforts. One batch of defective condoms that failed the *freedom from holes* test (i.e. indicating a major defect), was distributed without sufficient investigation or documentation of decisions. Furthermore, the QA manual lacks guidance on key health product-related issues essential to KEMSA's operations, such as Quality Control (QC) testing, QC testing planning, decisions on retesting products, resolution of QC test disputes, product recall procedures, and handling/investigating product quality complaints.

Agreed Management Action 4

The Global Fund Secretariat will work with the Principal Recipient, The National Treasury (TNT), Ministry of Health (MOH) and Kenya Medical Supply Agency (KEMSA) to ensure last mile distribution to authorized health facilities or other prioritised distribution points designated by the MOH.

OWNER: Head, Grant Management Division

DUE DATE: 31 June 2026

4.5 Controls are well designed, but improvement needed in governance guidelines compliance and ERP financial controls

A strong oversight structure is in place, with well-documented policies designed to ensure adequate grant oversight and safeguard resources. However, non-compliance with governance guidelines may lead to conflict-of-interest issues. Delays in addressing Enterprise Resource Planning (ERP) financial control gaps increase the risk of incomplete financial reporting.

The Kenya Coordinating Mechanism (KCM) is fully constituted, with inclusive representation from key populations, Community-Based Organizations, and Faith-Based Organizations. This structure fosters active civil society organization engagement within the KCM, including participation in the grant-making process. The KCM has a documented strategic plan and oversight framework, along with a dashboard to monitor program implementation results. Additionally, sub-committees, such as the oversight, ethics, and positioning[42] committees, ensure overall active engagement in grant oversight.

All Principal Recipients use NAVISION ERP for recording, processing, and reporting grant financial transactions. The Global Fund Secretariat conducted a post-implementation review (PIR) of NAVISION at the Government Principal Recipient, to ensure a robust ERP control design and control environment. A strong in-country oversight mechanism is in place, with high-risk transactions reviewed by the Global Fund Secretariat and timely external audits conducted by the Kenya's Office of the Auditor General for the National Treasury, Government Principal Recipient. There has been improved absorption of C19RM funds and better management of advance payments by Principal Recipients since the last OIG audit in 2021.

Non-compliance with KCM terms of service could lead to conflict of interest among members

The KCM constitution stipulates that a member's term of office is two years, with a maximum of two consecutive terms. However, it was recently revised to extend the term to three years. The OIG noted that approximately 32% (6 out of 19) of KCM members had exceeded the four-year maximum term as of November 2024. According to the KCM, the term for members was extended to allow for the review of KCM Governance Guidelines as part of the Global Fund CCM Evolution project. Exceeding the maximum term creates the risk of potential or perceived conflict of interest when members perform their duties. This non-compliance with the guideline is due to the lack of a monitoring mechanism within the KCM to ensure that terms of service are not exceeded.

Delayed configuration of NAVISION system functional controls poses risks to the accuracy and completeness of grant financial reporting

The post-implementation review (PIR) of NAVISION was shared with the Government Principal Recipient in April 2024. However, of 70 sampled PIR key recommendations,[43] only 33% (23 out of 70) had been fully implemented at the time of the audit, 63% (44 out of 70) had not been implemented and 4% (3 out of 70) were partially implemented.[44] The absence of documented timelines contributed to the delays in implementing the recommendations. Also, the absence of documented ERP policy guidelines resulted in unclear data controls protocol which subsequently resulted in some data

[42] The positioning committee is an adhoc committee that provides guidance on specific technical tasks assigned by the KCM. The committee's work also includes positioning the Kenya Coordinating Mechanisms and/or their functions within existing health platforms to centrally coordinate health programs and policies

[43] The sampled recommendations cover controls around payroll, procurement, general ledger and financial management and Information Technology General Controls.

[44] Partially implemented – ERP system controls have been configured, but are yet to be rolled out into the ERP LIVE environment

migration inconsistencies. Because of this, the Global Fund is yet to sign off the completeness and accuracy of data migrated into NAVISION.

The Principal Recipient's GC7 allocation represents about 72% (US$293 million) of the total portfolio of grants to the Republic of Kenya, meaning ERP system vulnerabilities could lead to significant issues relating to the safeguarding of grant assets, and result in incomplete or inaccurate financial reporting.

Agreed Management Action 5
The Global Fund Secretariat will work with the Kenya Coordinating Mechanism (KCM) to conduct an independent review of KCM processes, with specific attention to the sub-Recipient selection process and member terms of service.
OWNER: Head, Grant Management Division
DUE DATE: 31 June 2026

Annex A: Audit rating classification and methodology

Effective	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.
Partially Effective	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.
Needs significant improvement	One or few significant issues noted. Internal controls, governance and risk management practices have some weaknesses in design or operating effectiveness. Until they are addressed, there is no reasonable assurance that the objectives are likely to be met.
Ineffective	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.

The OIG audits adhere to the Global Institute of Internal Auditors' definition of internal auditing, as well as international standards for the professional practice of internal auditing and the 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 safeguard the independence of the OIG's auditors and the integrity of OIG's work.

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 determine whether risk is managed appropriately. Detailed testing is used to provide specific assessments of these different areas. 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 B: Risk appetite and risk ratings

In 2023, the Global Fund operationalized a new Operational Policy Note (OPN), setting recommended risk appetite levels for 13 key risks affecting Global Fund grants, formed by aggregating 35 sub-risks. Each sub-risk is rated for each grant in a country, using a standardized set of root causes and combining likelihood and severity scores to rate the risk as Very High, High, Moderate, or Low. Individual grant risk ratings are weighted by the grant signed amounts to yield an aggregate Current Risk Level for a country portfolio. A cut-off methodology on high risks is applied (the riskiest 50% of grants are selected) to arrive at a country risk rating.

OIG incorporates risk appetite considerations into its assurance model. Key audit objectives are generally calibrated at broad grant or program levels, but OIG ratings also consider the extent to which individual risks are being effectively assessed and mitigated.

OIG's assessed residual risks are compared against the Secretariat's assessed risk levels at an aggregated level for those of the 13 key risks which fall within the audit's scope. In addition, a narrative explanation is provided every time the OIG and the Secretariat's sub-risk ratings differ. For risk categories where the organization has not set formal risk appetite or levels, OIG opines on the design and effectiveness of the Secretariat's overall processes for assessing and managing those risks.

Global Fund grants in Kenya: comparison of OIG and Secretariat risk levels

The updated Secretariat risk levels assessment (April 2024) is aligned with the OIG audit rating except for the Procurement and In-country supply chain.

Procurement: The Global Fund Secretariat rated the risk as "Moderate". However, the OIG has made relevant observations regarding the health and non-health products procurement processes and outcomes under this risk area. This is due to contract management issues and significant delays in the procurement process for all Principal Recipients, as highlighted in finding 4.3. These delays, which were identified in the previous audit, continue to impact program implementation, thereby indicating that the overall risk level is 'High.'

In-country supply chain: The Global Fund Secretariat rated the risk as "Moderate". However, the OIG has raised relevant observations regarding the Health Products Warehousing and Distribution Systems sub-risk under this risk area. This is due to the significant gaps in accountability for commodities distributed, particularly adjustments made without adequate justification, as highlighted in finding 4.4. These issues have impacted availability of commodities, including stock outs. Therefore, the overall risk level is assessed as 'High'.