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Independent observer of the Global Fund

OIG Audit Report on Global Fund Grants to Madagascar

On 25 November 2022 the Office of the Inspector General (OIG) issued its report on the audit of Global Fund grants to Madagascar. The audit's overall objective was to provide reasonable assurance on the adequacy, effectiveness and efficiency of the grants. The objectives, ratings and scope of the audit were as set out in the table below.

Objectives	Rating	Scope
HIV and malaria grant design and implementation to ensure grant objectives are achieved.	**Need significant improvement**	**Audit period:** January 2019 to December 2021 **Grants and implementers:** The audit covered the Principal Recipients and sub-recipients of Global Fund supported programs. **Scope exclusion:** TB diagnosis and treatment
Controls and processes in place to ensure continuous availability of quality-assured health commodities and accountability across the supply chain.	**Need significant improvement**	
Implementers' internal controls as well as assurance mechanism to mitigate financial and fiduciary risks.	**Need significant improvement**	

Background

The report provides a general overview of the country context, the COVID-19 situation, Global Fund grants since 2004, and the current Principal Recipients (PRs).

It notes that: (i) at the end of the audit period, active grants (for the 2021-2023 funding allocation period) totalled $113.30 million, of which 47% has been disbursed as of the end of December 2021; (ii) 66.7% of current grants goes towards procuring medicines, health products and equipment; and (iii) the central medical store, SALAMA, is responsible for storing and distributing medicines and health products related to Global Fund grants, except for commodities procured by one of the PRs, Population Services International (PSI). The report does not state how much of PSI's procurement is funded by Global Fund grants.

The status of the three diseases is summarised as follows:

HIV/AIDS (2021)

- In 2020, 60,000 people were living with HIV (PLHIV) of whom 15% knew their status. Among these, 97% were on treatment. However, the 2018 OIG audit report noted that in that year there were an estimated 35,000 PLHIV; and on that basis there was an increase of 71% over the two years.
- Annual new infections increased by 313% from 2,300 in 2010 to 9,500 in 2021.
- AIDS-related deaths increased by 480% from 500 in 2010 to 2,900 in 2021.
- Prevention of mother-to-child transmission (PMTCT) coverage is low, with only 15% of pregnant women who tested HIV positive receiving antiretroviral treatment (ART) in 2021.
- While HIV prevalence is only 0.4% in the adult population, higher prevalence levels prevail among key populations: 14.9% among men who have sex with men, 8.5% among people who inject drugs and 5.5% among sex workers.

Tuberculosis (2020)

- There were 66,000 estimated TB cases, of which 55% were notified.
- TB incidence has been high and stable over the years, with only a slight 1.2% reduction since 2010, from 241 to 238 per 100,000 people in 2020.
- 1.6% of TB patients who knew their status were HIV positive, of which 41% were on antiretroviral drugs (ARVs).
- The TB treatment success rate has remained close to the World Health organization (WHO) target of 90% since 2010 (81% vs 82% of new TB cased in 2019).
- In 2020, there were 73 multi-drug resistant (MDR/RR)-TB reported cases.

Malaria

- Malaria is endemic across the country, with a significantly growing incidence (133.5 per 100,000 people, an increase of 216% since 2010).
- There were 3.6 million estimated malaria cases in 2020 (over four times the 2010 figure), with 1.7 million cases treated with artemisinin-based combination therapy (ACT) compared with 893,000 in 2018.
- Estimated malaria-related deaths grew by 328%, from 2,208 in 2010 to 9,459 in 2020.
- Climate change-related floods and resistance to long-lasting insecticidal nets (LLIN) are contributing to increased incidence and deaths.

According to Secretariat ratings, Global Fund grants in the country had been performing well against targets, as reflected in the tables provided in the report. Those ratings are at variance with the audit findings – see below.

First Finding

Since the last OIG audit in 2018, the number of PLHIV who know their status has increased by 16% from 5,506 in 2018 to 9,300 in 2021. The percentage of PLHIV on ART has more than doubled from 3,510 to 8,995 in the same period. Despite this progress, the “first 90” of the HIV treatment cascade (15% in 2021) in Madagascar remains the lowest in Africa and new HIV infections remain high. Finding new HIV cases remains a challenge, and access to HIV care and restrictions on HIV care guidelines affect treatment retention for PLHIV.

The report goes on to explain that:

1. HIV testing and prevention activities need significant improvement to curb increasing new HIV infections; and
2. Inadequate service coverage affects optimal care for PLHIV on ART.

Second Finding

While malaria case management was relatively good with 98% of suspected cases diagnosed and 85% confirmed cases treated in health facilities, malaria-related death increased in 2021 by 31% compared to 2018 after a 29% decline observed in 2019 and 2020. This is attributed to the late referral of severe malaria cases and coverage gaps for malaria treatment. Malaria cases have more than doubled from 1.07 million in 2018 to 2.5 million in 2021 despite the completion of the LLIN mass campaign in 2018 and 2019. In-country stakeholders have yet to identify the root causes of the resurgence, but some potential contributing factors may include:

- floods;
- improved reporting of cases in the health management information system; and
- limited effectiveness of prevention methods, namely the 2018 LLIN mass campaign distribution.

The results of the 2018 mass campaign show that 82% of households held at least one LLIN but the use rate was low (68%). The distributed LLINs have a limited durability (two years instead of three) due to inadequate use and the reduced effectiveness of the LLIN insecticide.

The OIG noted limited assurance from the Global Fund Secretariat over LLIN mass campaigns, although this activity accounts for half of the malaria grant. The Local Fund Agent review for this activity was limited to routine expenditure controls and analysis of the campaign micro-plan. The audit identified various weaknesses around monitoring, traceability and accountability for the LLIN mass campaign.

The report then explains that:

1. WHO recommendations for LLIN have not been complied with;
2. The household registration process is of limited reliability and this calls into question the relevance of the data quality assessment and the registered population; and
3. There were unsupported expenditure payments amounting to $0.59 million.

Third Finding

Most key health commodities were available in the current implementation period despite some challenges in the storage conditions. Improvement is needed to ensure quality-assured health commodities and accountability across the supply chain, with, at the time of the audit, various health products worth $2 million at risk of expiry or deterioration if not timely distributed.

The report also explains:

1. how poor storage conditions and lack of quality controls and pharmacovigilance risk compromising product quality; and
2. the risk of expiration for COVID-19 and HIV products.

Fourth Finding

The Global Fund had instituted safeguard measures in grants managed by government PRs to reduce the high fiduciary and financial risk in Madagascar. Inadequate design and non-compliance with existing guidelines, however, compromise the transparency and competitiveness of procurement process as well as achieving value for money. There is therefore a need to enhance the design and compliance of financial management and procurement processes to safeguard grant funds.

The OIG identified the following deficiencies in the design and effectiveness of PSI's procurement process:

- procurements valued at $0.55 million were found to be less competitive because the PR adopted either single sourcing or request for quotation, contrary to more competitive processes in its procurement guideline; and
- an inadequate request for quotation (RFQ) process.

With respect to the Project Management Unit (Unite? de Coordination des Projets – UCP) within the Ministry of Health (MOH), the following observations affecting the objectivity of procurement processes and compliance to contract arrangements were noted:

- inadequate segregation of duties to request quotations and evaluate bids; and
- non-compliance with contracts arrangements.

This finding concludes that, based on the allegations received and the control gaps in the procurement process, there is a high risk of collusion between implementer staff and suppliers in Madagascar. In this environment, strengthening the procurement procedures as well as tight compliance monitoring is key to ensure procurement transparency and objectivity.

Agreed Management Actions

The agreed management actions (AMAs) for each finding are as follows:

1. The Secretariat will work with the MOH, development partners and program implementers to:
    - guide and prioritize HIV interventions across geographical regions and set positivity targets for key populations in each region to achieve grant targets; and

    - identify and address key policy and operational barriers including task shifting to improve HIV prevention, care and treatment services.
2. The Global Fund will work with the MOH and implementers to establish an assurance framework over each key milestone of the next LLIN mass campaign.
3. The Secretariat will work with the MOH, development partners and program implementers to strengthen the supply chain from the central warehouse to point of care through the development of a supply chain strategy.
4. The Secretariat will conduct a risk assessment of Madagascar non-health procurement policy and practice and update the relevant GF grant related procurement guidelines.

Commentary

In the country background section, the report notes that “the share of government expenditure towards health meets the Abuja recommendations with health expenditure representing 15% of total government expenditure in 2017”, quoting the World Bank database as the source. While that is correct, the report fails to mention that on the date when the information was accessed, the same source showed that government expenditure on health fell to 10% of total expenditure in 2018 and declined further to under 8% in 2019. Why bother to refer to the Abuja declaration target when it was met in a single year and not sustained?

There is an unexplained discrepancy between UNAIDS and WHO data on people on ARVs. According to the table in section 2.4, UNAIDS data show that 97% of PLHIV in 2020 who knew their status were on treatment whereas WHO data show that only 41% of HIV-positive TB patients (who also knew their status) were on ARVs.

Several of the AMAs are unconvincing:

- AMA 2 could be more specific. A ‘framework’ means what? And why not list the relevant milestones?
- Regarding AMA 3, the Global Fund alone cannot address the supply chain issues. The benefit for developing a costed strategy plan would be to bring all partners and government around the discussion table with a clear visibility on what needs to be financed to strengthen the supply chain. That sounds fine but: (a) there is no guarantee that that will happen and that the Secretariat can deliver such a plan; and (b) corrective action will be more than a year away and there is no indication of what corrective action might be taken and by whom.
- Even if, under AMA 4, the risk assessment is carried out and guidelines updated, what will be implemented? It would have been useful if the report had explained that the new guidelines will address various fraud schemes in their design that would be a major improvement compared to previous guidelines. Focus will be then on deterrence mechanism such as assurance activities which will ensure strict compliance to these guidelines.

Finally, readers should note that:

1. Overall, this audit report is more critical than the 2018 audit report (published in January 2019).
2. There is no mention in this report of the 2018 AMAs. Were they completed and with what effect?
3. There is no mention of the Country Coordinating Mechanism (CCM) anywhere in the report. Apparently, the CCM was scoped out of the audit because it was part of the CCM evolution project. However, the fact remains that the CCM has a monitoring and evaluation role, which was ignored.

And surely the CCM should be party to the AMAs? If not, this suggests that the role and performance of the CCM needs to be reconsidered; and this would have implications for the upcoming funding request submissions.

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