



Independent observer
of the Global Fund

AUDIT OF GLOBAL FUND GRANTS IN SOUTH AFRICA HIGHLIGHTS SYSTEMIC ISSUES NEEDING ATTENTION

Background

This Office of the Inspector General (OIG) audit report on the Global Fund Grants in the Federal Republic of Nigeria was published on 24 March 2022. It provides good background information on the disease situation in Nigeria and why it is the Global Fund's biggest recipient. Since 2003, The Global Fund has disbursed almost \$3 billion to Nigeria. While progress has been made, the country has the third highest number of HIV infections in the world: 1.7 million people are living with HIV. It has the highest TB burden in Africa, and the sixth highest globally. Nigeria also had the highest number of global malaria cases in 2019, as well as the highest number of deaths. The country was accordingly allocated over \$1.5 billion for the 2017-2019 and 2020-2022 funding cycles. The allocation for the current implementation cycle (NFM3) starting in 2021 exceeds \$1.1 billion, of which 25% had been disbursed by December 2021. The Global Fund has also allocated an additional \$294 million to Nigeria to mitigate the impact of COVID-19.

The report notes that in 2018 government health spending was equivalent to 0.5% of gross domestic product. Out-of-pocket expenditure accounted for over 75% of total healthcare expenditure, among the highest in the world, and 25% of the population spent more than 10% of their income on health.

The full audit report is available [here](#).

Audit objectives, ratings and scope

The table in the report, reproduced below, summarizes the audit objectives, ratings and scope.

Objective	Rating	Scope
Global Fund support, including grant flexibilities and C19RM funds utilization to maintain or scale up disease programs achievement in the face of COVID-19 challenges.	Needs significant improvement	The audit covered the Principal Recipients and Sub-Recipients of Global Fund supported programs in Nigeria.
Grants design and implementation arrangements to ensure efficient and sustainable achievement of grant impact.	Partially effective	The audit covered grants from April 2019 to June 2021, as well as the design of future arrangements for the implementation of grants in Nigeria.
Procurement and supply chain management system to deliver and account for quality assured medicines and health products.	Needs significant improvement	Scope exclusion: None

Key achievements and good practice

The report notes four achievements/good practice:

- An “HIV alignment agreement” between the Government of Nigeria, the US President’s Emergency Fund for AIDS Relief (PEPFAR) and the Global Fund defines roles and responsibilities, and contributes to improved coordination and reduced risk of duplication.
- The TB program has made significant progress with the National Tuberculosis and Leprosy Control Program (NTP). The NTP was made a grant Principal Recipient (PR) with all states as sub-recipients (SRs), which has improved coordination and ownership at state level.
- There was a successful insecticide-treated net mass distribution campaign amid the pandemic due to the use of technology-supported timely payment of campaign personnel, and real-time tracking of campaign activities that improved accountability and oversight.
- While lockdowns and movement restrictions impacted health facility visits and caused an initial dip in programmatic performance, programs have adapted and recovered.

Key issues and risks

The report raised five key issues/risks:

- Only 57% of C19RM 2020 funds had been spent by the end of the implementation period (30 June 2021).
- Weak internal controls are hampering supply chain management. HIV and malaria supply chains have been outsourced to a private organization, Chemonics, which provides services to both Global Fund and US Government-funded programs. Significant controls gaps on inventory management and warehouse management systems (WMS) were noted. WMS are missing application controls to ensure expired items are not selected for dispatch and only valid quantities are processed, and that errors or issues in facility data are flagged. This resulted in expired commodities being distributed to health facilities as well as a 49% order fulfilment rate by a third-party logistics provider for the September 2020 to September 2021 period. Significant gaps in Chemonics’ oversight also were noted. Chemonics could not reconcile stock movements between goods received and distributed.
- Delays and non-fulfilment of government commitments are affecting program impact.

- The design and implementation of programs for key and vulnerable populations (KVPs) need improvement.
- Relevant data is needed to inform TB program design and implementation, to reach the most at-risk groups and focus on the most effective interventions.

Portfolio Risk and Performance Snapshot

The report provides two comprehensive tables listing the PRs and their performance ratings which, in summary, are:

NFM2 (July 2019 – Dec 2020)

Principal Recipient	Grant	Budget	Spent	Absorption %	June 2019	Dec 2019	June 2020	Dec 2020
		\$m	Dec 20 \$m	Dec 20				
Family Health International	HIV	98.3	81.0	82%		B1	n/a	B1
National Agency for Control of AIDS	HIV	52.1	20.7	40%		B2	n/a	B2
Society for Family Health	HIV	15.9	13.0	82%		B2	n/a	B1
Catholic Relief Services	Mal	286.9	268.8	94%	n/a	B1	A2	A2
National Malaria Elimination Programme	Mal	21.8	20.2	93%	n/a	B1	B1	B1
Institute of Human Virology Nigeria	TB	56.0	46.3	83%	B2	B2	B2	B2
National Tuberculosis & Leprosy Control Programme	TB	39.3	33.3	85%	B1	B1	n/a	B1
Lagos State Ministry of Health	HIV/M	20.2	15.5	77%	n/a	B1	n/a	B1
Management Sciences for Health	RSSH	43.0	35.1	82%		B2	B1	B1
		633.5	533.9	84%				

NFM3 (Jan 2021 – Dec 2023)

Principal Recipient	Grant	Total	Budget at	Expenditure	Absorption %	June 21
		Budget	30 June 2021	to June 21		
		\$m	\$m	\$m		
Family Health International	HIV	290.5	84.5	58.0	69%	C

National Agency for Control of AIDS	HIV	37.4	42.3	17.6	42%	B1
Catholic Relief Services	Mal	323.9	49.1	9.5	19%	A2
National Malaria Elimination Programme	Mal	79.7	7.8	5.4	69%	B2
Institute of Human Virology Nigeria	TB	53.2	4.6	3.4	74%	B1
National Tuberculosis & Leprosy Control Programme	TB	89.5	7.9	3.5	44%	B2
Lagos State Ministry of Health	HIV/M	12.8	1.9	1.3	64%	B2
Management Sciences for Health	RSSH	282.5	1.7			
		1,169.5	199.8	98.5	49%	

The tables show that, under NFM2, only Catholic Relief Services (CRS) had a satisfactory rating; the other eight PRs were rated B1 or B2. For NFM3, again only CRS was rated as satisfactory, five were rated B1 or B2 and Family Health International was rated unsatisfactory.

Based on its audit results, OIG rated: (a) procurement, program quality and efficiency, and program design and relevance as high risk; and (b) warehouse and distribution systems and logistics management and information systems as very high risk.

Findings

The report has five findings.

The first finding is that ineffective supply chain controls are affecting the traceability and accountability of commodities received and distributed.

This is of great significance because health commodities, procurement and supply chain costs account for 62% of total NFM2 and NFM3 grants. Despite the implementation of a commodity ordering management system (COMS), OIG found that inadequate controls remain across the supply chain at all levels, including weak information technology controls. If not addressed, OIG considers that these could increase the risk of loss and diversion of Global Fund commodities, and compromise grant achievements.

The weak information technology (IT) controls in the Nigeria Health Logistics Management Information System (NHLMIS) and the WMS used by the two contracted third-party logistic (3PL) companies include:

- Inconsistent facility and commodity master data between the company engaged to manage the storage and distribution of malaria and HIV commodities on behalf of PRs (Chemonics) and the 3PL WMS.
- The COMS implemented by Chemonics lacks an order validation mechanism and reconciliations are not performed on COMS and WMS data.
- The expiry alert functionality on the two 3PL WMS has not been enabled. Additionally, commodities' expiry dates are not always entered into the systems upon receipt at warehouses.
- There is no comprehensive back-up procedure to validate the restoration of data. Product codes, names and units of commodities are not consistent across COMS and the two WMS, and there are no controls to flag duplications in the WMS at the Lagos and Abuja warehouses.

The audit also noted weak controls in the NHLMIS. Some of its modules, including pipeline information and electronic proof of delivery, are not functional.

Several aspects of the sub-optimal oversight of storage and distribution of commodities were noted. Key reconciliations to ensure inventory accuracy are not performed. For example, there is no reconciliation between warehouse and health facility level data and ineffective controls allow unexplained adjustments in the warehouse management systems. Unexplained differences had been flagged by the PR during service level agreements reviews but this was not effectively followed up on or resolved by Chemonics.

Significant gaps in Chemonics' oversight and monitoring of 3PL during distribution of commodities were noted. Ineffective IT controls and weak oversight by Chemonics contributed to the following significant variances:

- Quantities received through the Global Fund's Pooled Procurement Mechanism (PPM) delivery reports differ from those recorded in the stock reports in both central warehouses.
- Differences between the opening and closing stock balances of monthly stock reports at the two central warehouse; for example, there were differences of 4.2 million artemisinin-based combination therapy (ACT) blisters (worth \$2.5 million) and two million malaria rapid diagnostic tests (RDTs) (worth \$413,000) between December 2019 closing stock balance and the January 2020 opening stock balance.
- Differences between the stock issued by the warehouses and those recorded by the health facilities in the NHLMIS: for example, WMS reported that seven million Global Fund-supported Determine tests were issued, but NHLMIS recorded 3.8 million tests as received by health facilities.

The OIG concluded that, because of these control gaps, and in the absence of adequate inventory movement documentation, there is limited assurance over Global Fund-funded commodities, both at central and lower levels.

The second finding is the weaknesses in the management of C19RM funds, including low utilization of funds and non-compliance with procurement guidelines and supply chain controls. Various factors contributed to delays, such that, at the end of the C19RM 2020 implementation period (June 2021), Nigeria had only spent 50% of the \$11.7 million approved grant flexibilities funds and 57% of the C19RM funds of \$59.7 million received in 2020.

The audit noted non-compliance with COVID-19 procurement controls and a need to improve inventory management processes and commodity distribution controls:

- Non-adherence with eligibility requirements for 67% (six out of nine) of sampled procurements totalling \$7.5 million. For example: a joint venture was awarded two contracts worth \$3.5 million without being legally registered, and without providing the bank/performance guarantee. In addition, eight of nine sampled vendors were awarded contracts amounting to \$8.6 million despite not providing certified financial statements. The procurement evaluation process of the National Agency for the Control of AIDS (NACA) lacks technical and financial scoring criteria to assess the best-suited bidder beyond the set eligibility criteria; as a result, contracts were awarded to the lowest price bidder regardless of their technical capacity. On average, commodities were procured with delays of 142 days against procurement plan targets.
- While safety measures are well designed and strictly adhered to at the central warehouse in Abuja, the audit noted weakness in inventory management and in the distribution of COVID-19

commodities. It took on average 15 days for NACA to physically verify and record C19RM commodities delivered to the warehouse due to limited human resources capacity and lack of procedures to ensure efficient receipt of commodities. The late distribution of COVID-19 commodities risks their expiration; for example: (i) 77% (27 out of 35) of sampled commodities amounting to \$5.2 million received in May 2021 had not been distributed at the time of the audit in November 2021; and (ii) 77% of Antigen RDTs received in the warehouse over six months previously had not been distributed and 66% of \$43.5 million worth of Antigen RDTs were ordered without a national COVID-19 testing plan. The gaps in procurement controls, inventory management and distribution have contributed to stock-outs of COVID-19 commodities as well as expirations. 41% of 14,835 packs of COVID-19 sampler kits worth \$0.8 million, which have a 12-month shelf life, expired, and 16% have been in the warehouse since May 2021. The main root cause is NACA's insufficient capacity to manage the C19RM grant in addition to its other responsibilities.

The third finding is that, while government contributions have increased, significant delays and non-fulfilment of government commitments have affected program interventions. Uncoordinated programmatic and logistics data systems are impacting sustainability and resulting in inefficiencies.

HIV, TB and malaria interventions are mostly financed by external donors but the Government has progressively increased its investments with its co-financing commitments for the three disease programs; these increased to \$1.2 billion for the period 2020-2022, 83% higher than the 2017-2019 period. However, significant delays and in some instances non-fulfilment of government commitments, along with parallel systems, are putting the sustainability of the country's response to the three diseases at risk:

- In some cases, the Government has fallen short on, or been significantly delayed in, fulfilling its commitments.
- There is limited reliability of data and systems which are still largely driven by the availability of donor funds, resulting in parallel and uncoordinated health and logistics systems.
- The NFM2 Resilient and Sustainable Systems for Health (RSSH) grant budgeted interventions to strengthen data management and district health information software (DHIS) 2 integration through updating tools, providing IT equipment, and capacity building. However, only 23% of the funds (\$5.7 million) had been spent as of October 2021.
- Parallel and uncoordinated supply chain systems exist, leading to inefficiencies and hindering integration and sustainability. Storage and distribution of TB, multi-drug resistant (MDR) TB medicines and TB-related laboratory reagents and consumables is performed by the National Tuberculosis and Leprosy Control Programme, while the Institute of Human Virology Nigeria stores and distributes GeneXpert cartridges. HIV, malaria and COVID-19 commodities are stored and distributed by Chemonics. This has complicated the Nigeria Supply Chain Integration Project (NSCIP) and could undermine investments.
- One of the objectives of NSCIP, to establish a supply chain agency, has not yet been actioned, limiting integration efforts.
- It is difficult to analyze national data in the current context, meaning that decision-making and program planning risks being based on incomplete and unreliable data. It is also challenging to reconcile the use of commodities with the number of patients.

The fourth finding is that, while Global Fund programs are achieving real impact in fighting the three diseases, interventions to support pregnant women, children under five, adolescents and other KVPs need improvement. The report outlines the progress that has been achieved over time but notes that

despite the progress, KVP interventions are not performing well.

Insufficiently adapted interventions are leading to low service coverage for pregnant women and children:

- Pregnant women are hard to reach by formal healthcare services, with only about one-third receiving HIV testing services. Of an estimated 7.5-8 million pregnant women per year, only about 2.7 million (34%) attended antenatal care (ANC) services in 2020, of whom 2.5 million received HIV testing services. Prevention of mother to child transmission (PMTCT) coverage for pregnant women who are HIV positive has remained stagnant since 2018, at around 45%. The number of HIV- positive women who received antiretroviral therapy (ART) during pregnancy fell from 59% in 2017 to 45% in 2020.
- Regarding malaria, in the first half of 2021, only 21% of pregnant women received full intermittent preventive treatment (down from 47% in 2020, 51% in 2019 and 57% in 2018). Persistent stock-outs of sulfadoxine-pyrimethamine due to procurement delays by the Government are contributing to the low coverage.
- Routine distribution of insecticide-treated nets (ITNs) to at-risk populations fell by 15% from 2019 to 2020, likely impacted by COVID-19. Government procurement was delayed and few nets were left from the mass distribution campaign, contributing to shortages.
- Limited use of existing State/Local Government Area primary health care facilities contributed to the low PMTCT coverage. The report notes that these facilities do not have the capacity to provide all the required PMTCT services which, apart from cost, may explain why most pregnant women prefer to consult the non-health sector, as opposed to facility-based services. Most private sector data are not captured in the national database; and recorded data were incomplete for sampled PMTCT interventions.
- The Government's Community Health Influencers, Promoters and Services (CHIPS) program, launched in 2018 to provide services in hard-to-reach communities, is not fully funded or functional.
- There is high HIV burden among children under five with one out of seven children born HIV-positive globally being born in Nigeria. Despite this, all three disease programs are producing low results for this group. In 2019, 20% of new HIV infections were due to MTCT during pregnancy and birth. ART coverage for children is low (45%). 15% of all missed TB cases each year in Nigeria are children. In 2020, there were 20% fewer notifications of childhood TB (under five years old) than in 2019. ACT coverage and ITN use among children under five are also low at 52% and 48% respectively.
- Poor sample collection from sites, including insufficient specimens for testing and inappropriate containers, and long turnaround times (averaging 32 days) for early infant diagnosis (EID) test results are contributing factors for the low levels of testing. 20% of dry blood spot results were not received between October 2020 and August 2021.

Key populations account for 3.4% of the population in Nigeria but 32% of new HIV infections; yet the situation has worsened due to delays in implementing interventions for these populations:

- In 2021, very few prevention interventions, such as targeted, community-based behaviour-change activities took place. By June 2021, six months into the grants, Global Fund performance was close to nil on key indicators such as the percentage of KVPs who received defined package of HIV prevention services, the number of KPs tested for HIV and who received test results, the number of needles and syringes distributed to people who inject drugs, and the number of KVPs initiated on ART.
- There was a slow start-up of the grants with delays in onboarding sub-recipients (SRs) and subsequent delays in selecting, and onboarding community-based organizations (CBOs). Agreements with CBOs still had not been signed at the time of the audit in November 2021.
- The delays in starting grant activities have also impacted the implementation of activities for

adolescent girls and young women/adolescent young people. This 15–24 years age group accounts for 32% of all new HIV infections in Nigeria. A mapping and assessment exercise to inform activities was delayed and is yet to be completed, resulting in delays to programs. Despite catch-up plans being developed to accelerate implementation, one year of prevention activities for this important group of beneficiaries has been lost, further increasing the risk of new infections.

The fifth finding is that the TB program has seen improvements in coordination with States, service coverage and private sector collaboration. But despite this, Nigeria has the highest TB burden in Africa and ranks sixth in the world, with high numbers of missing cases. Interventions are being planned and prioritized using outdated data.

Other root causes for the high TB burden and persistent high number of missing cases include:

- Limited human resource capacity and resources to identify presumptive cases and diagnose them at the community and primary care level. A comprehensive training plan was developed in 2019 but implementation was delayed in 2020 due to COVID-19.
- Although the use of GeneXpert machines has increased, access to GeneXpert machines is currently at 58% due to high downtime of the machines because of delays in repair and maintenance.
- TB treatment coverage is low. In 2021 it was only 40%.

Agreed Management Actions

1. The Secretariat will work with relevant Government agencies, development partners and program implementers, including Chemonics, to (by June 2023):
 1. Strengthen the oversight framework to ensure that key reconciliations and triangulations are performed and consolidated for visibility to all stakeholders, stock adjustments reviewed and third-party logistical service providers are adequately monitored.
 2. Design and implement systems improvements to strengthen controls in the relevant supply chain IT systems to address the issues identified including (i) ensuring expired items are not selected for dispatch; (ii) defining effective controls to validate order quantities; and ensuring errors or duplications in data are flagged; and (iii) implementing back up procedures and define standard format for product codes, names and units of commodities across the relevant electronic management systems.
 3. Improve procurement and supply chain processes and procedures, including (i) updating relevant procurement manuals/procedures, and (ii) establishing a well-defined system that enables adequate monitoring and accountability of donor-funded commodities.
2. The Secretariat will finalize the capacity assessment of the Nigeria Centre for Disease Control (NCDC) and develop a costed and timebound capacity building plan for NCDC and NACA (by June 2022).
3. The Secretariat will work with the Country Coordinating Mechanism (CCM) and relevant partners to develop an integrated domestic resource mobilization and sustainability plan for the HIV, TB, malaria and RSSH programs (by October 2022).

4. The Secretariat will work with the PRs, relevant Government agencies and partners to develop an Action Plan to improve PMTCT service coverage in Nigeria – specifically to fill the huge gaps in testing pregnant women, scale-up ARV coverage and improve EID. The plan should include at a minimum mechanism to (by December 2022):

1. Scale-up availability of PMTCT and EID services to all facilities (including primary health care facilities) and through engagement of private health facilities and expanding services at community level (such as through traditional birth attendants, community health workers and volunteers).
2. Strengthen EID – including referral system, sample transportation and turn-around time.
3. Improve the data system for PMTCT and EID.

5. The Secretariat will, in collaboration with the National TB and Leprosy Control Programme, relevant partners and stakeholders, support efforts to develop a roadmap for a TB prevalence survey highlighting the major survey milestones, indicative budgets and timelines (by April 2023).

Commentary

The situation described in this audit report is worrisome. After 20 years of supporting disease programs in Nigeria, the procurement and supply chain management system still ‘needs significant improvement’. In fact, so many weaknesses were found that it is surprising that the report did not conclude that the system is ‘ineffective’.

The executive summary notes that “Since 2016, the organization has contracted Chemonics to provide supply chain services for HIV and malaria commodities. Chemonics’ internal controls are inadequate, and we found multiple unexplained variances. Information technology systems do not generate accurate and reliable supply chain data and information.” What this report omits to mention is the [OIG report](#) published in March last year on its investigation into the Nigeria Supply Chain managed by Chemonics which also found considerable weaknesses.

Given the history of the weakness in the procurement and supply chain management systems and their high and very high risk ratings, it is difficult to understand why another 15 months is allowed for the management actions. Where is the sense of urgency at a time when it is so important to maximise the use of available finance for health?

Finally, again in the context of the considerable size of the Global Fund grants to Nigeria, it is surprising that, in the recent report in the Lancet ‘[Nigeria Commission: Investing in health and the future of the nation](#)’ – a very comprehensive report on the health system in the country – published on 15 March 2022, there is no mention at all of Global Fund support. The senior members of the Nigerian medical fraternity appear not to rate Global Fund support sufficiently.

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