



Independent observer
of the Global Fund

OIG audit of Global Fund grants to Papua New Guinea highlights increasing malaria prevalence and inadequate internal controls

The Office of the Inspector General (OIG) of the Global Fund, in its second audit of Global Fund grants to Papua New Guinea (PNG), noted the country's success in expanding HIV services, particularly to key populations, and strengthening civil society organizations that support key populations. However, the OIG raised concerns around an increase in malaria prevalence, reduced HIV testing among the key populations, and lack of actual TB burden estimates. The OIG also noted financial irregularities, non-compliance and inefficiencies within the grants. The audit also highlighted the need to ensure sustainability of Global Fund grants by improving the capacity of the national programs.

The OIG published the report of the [audit of Global Fund grants to PNG](#) on 27 September 2019.

The OIG audit opinion is that PNG's grant implementation arrangements to achieve grant objectives, and the Principal Recipients' internal controls and assurance mechanisms within the financial management processes, are both partially effective. (The OIG uses a four-tier rating: ineffective, need significant improvement, partially effective, and effective.)

This article summarizes the OIG's audit report.

Global Fund grants in Papua New Guinea

The Global Fund has disbursed \$228 million to Papua New Guinea since 2004. In the current 2018-2020 implementation period, Papua New Guinea has two active grants; at the beginning of the current grant cycle, PNG had four grants, of which two were discontinued and their key activities redistributed to the

remaining two PRs (Table 1). The audit covered the four grants over the two-year period from January 2017 to December 2018.

Table 1: PNG's active Global Fund grants covered in the OIG audit

Principal Recipient	Grant Number	Component	Grant Period
Oil Search Health Foundation	PNG-H-OSHF (Discontinued)	HIV	01 July 2015 31 December 2017
Population Services International	PNG-M-PSI(Discontinued)	Malaria	01 April 2015 31 December 2017
		TB	01 April 2015 31 December 2017
World Vision International	PNG-T-WVI	TB/HIV	01 January 2018 31 December 2020
			01 April 2015 31 December 2017
Rotarians Against Malaria	PNG-M-RAM	Malaria	01 January 2018 31 December 2020
Total			

Source: OIG audit 27 September 2019 (report number GF-OIG-19-018)

Country context

Papua New Guinea is the largest Pacific island in geographical area, and has a population of 7.2 million. The country invests a small proportion of total domestic resources on health: it financed 10% of its health expenditure with domestic resources in 2017, down from 13% in 2013. PNG has a critical shortage in its health workforce, and faith-based organizations play an important role in PNG's health system, delivering more than half of all health services.

The Global Fund has classified PNG as a 'core' country – i.e. large portfolio, high disease burden with higher risk. The country has been subject to the Additional Safeguard Policy since 2010, where the Global Fund put in place a set of extra measures to strengthen fiscal and oversight controls. (The OIG has investigated Global Fund grants to PNG three times between 2012 and 2018.)

PNG has one of the highest malaria burdens outside Africa; 94% of the population lives in malaria-endemic areas. Malaria prevalence increased from under 1% in 2014 to 7% in 2017/2018. The country accounts for 70% of HIV cases in the Asia-Pacific region, with an estimated 48,000 people living with HIV in 2017. HIV prevalence is concentrated among key populations – 19.6% among female sex workers and 7.1% among men who have sex with men and trans populations (compared to a national prevalence of 0.9%-1%).

TB kills more people than any other infectious disease in PNG. The estimated rate of TB incidence of 432 new cases per 100,000 people, in 2018, is among the ten highest incidences globally.

Key achievements and issues

The OIG highlighted two main achievements of the Global Fund grants in PNG: improved access to services for key populations and strong civil society organizations (CSOs); and increased access to HIV/AIDS counselling, testing and measurement.

The Secretariat earmarked half of PNG's HIV allocations for activities related to key populations, to ensure that the reduction in the overall 2017-2019 allocation did not affect services to those groups. PNG also secured multi-country grant funding to empower CSOs supporting key affected populations.

The country has also expanded counselling and testing services; antenatal clinics providing these services increased from 17 sites in 2005 to 280 by 2013. The Global Fund also supported the Integrated Bio-Behavioral Survey in 2018 which provided accurate estimates of the HIV burden among PNG's key populations.

However, the OIG noted three main issues:

- The need to enhance ownership and sustainability of Global Fund recipients by strengthening the capacity of the national programs to implement Global Fund grants (currently, non-state entities manage all the grants);
- Increasing malaria prevalence, reduced HIV testing among the key populations and uncertainty about the actual TB burden; and
- Reducing financial non-compliance and exploring greater efficiencies.

We describe these issues in detail in the next section.

Summary of main findings

The OIG highlighted three main findings that resulted in four agreed management actions (AMAs), which we describe after each finding.

Challenges associated with increased malaria prevalence, reduced HIV testing, and unclear TB burden

- Malaria prevalence increased from under 1% in 2014 to 7.1% in 2017/2018, according to the 2018 Malaria Indicator Survey. The country is yet to determine the root causes of the rise in malaria prevalence.
- Delays and non-fulfilment of government commitments led to nationwide stock-outs of HIV test kits, leading to a considerable reduction in the testing of suspected patients from key populations.
- There is a need to assess the accuracy of TB burden estimates. (Since the current TB burden estimates from the World Health Organization rely on the existing TB surveillance information; however, the accuracy of the TB estimates depends on the quality of routine surveillance information).
- A TB/HIV working group established to improve TB/HIV collaboration and joint planning by TB and HIV programs for the distribution of GeneXpert machines has made little progress. Health facilities with GeneXpert machines still do not use them for HIV tests.

AMA 1: The Secretariat will work with the PRs, government and other partners to ensure implementation of the following activities (due by 31 December 2020):

- Conduct a technical evaluation on the resurgence in malaria trends, and develop a plan to address the root causes;
- Develop a procurement plan and engage technical assistance to monitor availability of health commodities for the three diseases;
- Ensure that health workers that will use GeneXpert machines are trained on TB and HIV testing.

Stronger financial management is required to improve implementation efficiencies and strengthen controls

The OIG noted some good financial management practices instituted by the PRs, such as achieving grant operational efficiencies – for instance, obtaining competitive prices for health commodities. However, the OIG also identified some issues, such as:

- High indirect costs (e.g. human resources)
- Need for stronger processes and bases for determining implementers' staff salaries
- Some cases of unrecorded assets procured by some PRs
- Weak compliance with procedures for some procurement activities, such as the absence of bid evaluations or lack of adequate justification for selecting a supplier.

The OIG assigned two AMAs to this finding:

AMA 2: The Global Fund will ensure that World Vision International improves its asset management by revising its asset registers where needed, reconciling them with grant expenditures, and enhancing its internal controls concerning asset management and competitive tendering (due by 30 June 2020).

AMA 3: The Secretariat will ensure that Rotarians Against Malaria enhances its financial controls and efficiencies related to Global Fund investments (due by 31 December 2020) by:

- Developing a manual for enhancing the internal controls around adherence to the approved budgets, baselining salaries, and ensuring competitive tendering;
- Evaluating the costs and benefits of outsourcing the human resource management function, compared to other alternatives.

Capacity building is needed to ensure the sustainability of Global Fund investments

Following significant financial control issues identified in the 2012 OIG audit, the National Department of Health (NDOH) ceased to be PR for HIV, TB and malaria grants; four non-governmental organizations (NGOs) replaced it in the 2014-2016 cycle. Since then, the country has not developed a plan to build the capacity of the national programs to ensure sustainability. Currently, implementation of the grants is highly dependent on non-governmental PRs. For instance, the malaria program is dependent on Rotarians Against Malaria for key grant activities such as malaria vector control and inventory management.

AMA 4: The PRs and the NDOH will assess the current capacities of the national programs and develop, agree and implement a capacity-building plan, and monitor progress against defined targets (due by 30 June 2020).

The Head of the Grant Management Division is responsible for all the AMAs. For the complete Table of

Agreed Actions, see page 17 of the audit report.

Further reading:

- This audit report, [Global Fund grants in Papua New Guinea](#), 27 September 2019 (GF-OIG-19-018).
- An investigation report, [Global Fund grants in Papua New Guinea: Non-compliant expenditures in malaria grant](#) 10 July 2018 (GF-OIG-18-011)
- The [Investigation of Global Fund grants to Papua New Guinea: National Department of Health](#), 31 January 2014 (GF-OIG-14-002)
- The [Investigation of Global Fund grants to Papua New Guinea: Rotarians Against Malaria – Procurement and supply of LLINs and contracting of a human resource services provider](#), 31 August 2013 (GF-OIG-13-022)
- [Audit of Global Fund grants to the Independent State of Papua New Guinea](#) 5 July 2012 (GF-OIG-10-004).

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