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of the Global Fund

## OIG audit in Sudan shows “serious deficiencies” in asset management and procurement

In its second audit of Global Fund grants to Sudan, where the Global Fund is the largest health donor, the Office of the Inspector General (OIG) found “serious deficiencies” in relation to asset management and procurement controls by both Principal Recipients, the United Nations Development Program (UNDP) and Sudan’s Federal Ministry of Health (FMoH). The audit also found gaps in data quality and low bed-net usage that are impeding malaria program success, a need to improve inventory management, and unaddressed capacity and implementation gaps.

The OIG’s review, covering June 2016 to June 2018, was sample-based. The audit team visited 21 localities (sub-regions of the country’s 18 states), including visits to health facilities, hospitals and three state warehouses.

Within this sample, the OIG found that assets totalling \$2.75 million, procured using Global Fund monies, were either not recorded or not located, or were registered as ‘damaged’ but without any supporting documentation to that effect.

In addition, the report discussed asset losses identified by UNDP, a Principal Recipient, during a regular asset verification exercise. UNDP notified its own Office of Audit and Investigations, which conducted a full investigation. UNDP repaid the missing \$846,000 to the Global Fund while the OIG audit was still underway.

The audit report was published on 29 April 2019. On the same day, the Global Fund’s Executive Director, Peter Sands, published [an accompanying statement](#), stating that the OIG’s Investigation Unit would be opening a fuller investigation to identify any additional potential losses. He also said that UNDP and the

Global Fund were working together closely to tighten internal controls and program management arrangements in Sudan.

While the OIG report commended Sudan’s efforts to improve malaria prevention, diagnosis, and drug resistance; TB testing and improvements in MDR-TB treatment; and its HIV/AIDS treatment scale-up and prophylaxis introduction, the main findings – and the OIG’s ratings – reflect serious concerns across a wide spectrum of issues.

Based on these issues (see ‘Findings’ below), the ratings, according to the OIG’s four-tiered rating scheme (effective; partially effective; needs significant improvement; ineffective), were:

- Implementation, financial and assurance arrangements in supporting the achievement of grant objectives, ‘ineffective’
- Systems, processes and controls in place to ensure access to quality services, including data to assist decision-making, ‘need significant improvement’
- Efficiency and effectiveness of procurement and supply-chain processes and systems to ensure the timely availability of quality medicines, health and non-health products, ‘need significant improvement’.

Table 1: Sudan’s active Global Fund grants

| Component    | Grant no.  | Principal recipient                                 | Grant period        | Signed amount (USD) |
|--------------|------------|---|---------------------|---------------------|
| Malaria/RSSH | SDN-M-MOH  | Federal Ministry of Health of the Republic of Sudan | Jan 2018 – Dec 2020 | 100,783,761         |
| Tuberculosis | SDN-T-UNDP | United Nations Development Programme                | Jan 2018 – Dec 2020 | 12,262,049          |
| HIV/AIDS     | SDN-H-UNDP | United Nations Development Programme                | Jan 2018 – Dec 2020 | 16,578,954          |
| Total        |            |   |                     | 129,624,764         |

In January 2018, the current malaria/RSSH grant (SDN-H-MOH) transitioned to Sudan’s Federal Ministry of Health (FmoH), though \$55-million-worth of health procurements are still managed by international partners (UNDP and UNICEF among them). The other two grants will also transition: TB in January 2020, and HIV from 2021. UNDP and the FmoH have jointly developed transition plans.

#### Sudan country context

Since 2005, the Global Fund has signed grants with Sudan for more than \$666 million and disbursed over \$572 million; the current three grants (see Table 1 above) represent a combined investment of almost \$130 million.

The third largest country in Africa with a population of 39 million people, Sudan is classified as a ‘core’ Global Fund country (large portfolio, higher disease burden, higher risk), and a Challenging Operating Environment under Additional Safeguard Policy. Sudan ranks 167 out of 189 countries in the 2018 UNDP Human Development Index and 175 out of 180 countries in Transparency International’s Corruption Perception Index.

In 2011, South Sudan was created from the secession of the country's southern states. Since then, Sudan's economy has been wracked by the loss of oil revenue to South Sudan, and long-standing (since 1997) economic sanctions imposed by the United States, with inflation in 2018 reaching 61%. The OIG acknowledges that conflict in some parts of the country and the displacement of two million people have disrupted health services and grant implementation.

## Main findings and key issues

The report's findings are grouped under four categories (see summary description of each below):

- Need for improved asset management and procurement controls
- Challenges with malaria prevention, data quality and quality of services
- Gaps in quantification and forecasting, supply chain and inventory management at health facilities
- Unaddressed capacity and implementation gaps

The Secretariat, working with Sudan's Federal Ministry of Health and partners where appropriate, will support efforts to complete five Agreed Management Actions (AMAs), which are summarized below, after the finding to which the AMA relates. All AMAs are owned by the Head of the Grant Management Division.

Weak asset management and poor procurement controls are failing to safeguard Global Fund investments

Unrecorded and missing assets heads the list of issues in this category, for both Principal Recipients. For UNDP, these include \$1.3 million worth of assets that could not be located (UNDP's own 2018 annual asset verification did not identify or report this), \$800,000 worth of physical equipment (cars, motorcycles, IT) categorized by UNDP as lost or damaged but without substantiation, and multiple variances between the fixed asset register and the list of assets shared by UNDP (the 'single audit principle' means that the OIG team could not verify UNDP's asset list). For the FMOH, too, several hundred thousand dollars worth of assets procured items were either missing from the fixed assets register or could not be traced or physically located.

In addition, the OIG found irregularities in contracting, and unclear budget approval processes. One example: in the Health System Strengthening grant reviewed, a \$228,000 budget had been approved for the refurbishment of 12 Centers for Professional development; after grant signing, however, the FMOH increased the budget to \$800,000 to build three new centers, instead.

Lastly, the OIG identified specific instances of poor value for money, from a value-for-money analysis requested by the Grant Approvals Committee focusing on UNICEF, UNDP and the Pooled Procurement Mechanism as potential drug procurement agents.

AMA 1: Improve asset management and procurement controls, specifically to revise the scope of the Fiscal Agent's work, and include assurance on the effectiveness of the asset management function within the LFA's scope of work (due 31 December 2019)

AMA 2: Update the analysis of the procurement implementation options for health products financed by the Global Fund (due 31 December 2020)

Low bed net usage and gaps in data quality are hampering programmatic success, particularly against malaria

Despite some remarkable success in Sudan's fight against the three diseases (for example, in 2017,

Sudan exceeded its malaria treatment target, treating 3.6 million malaria cases with Global Fund-financed drugs). But weak progress in malaria prevention has resulted in an increase in prevalence from 3.3% in 2012 to 5.9% in 2016, an increase that is attributable, the OIG says, to low coverage of bed nets (41% of people can access them) plus low use (of these, only 37% use them).

In addition, gaps in quality and availability of data – caused by lack of human resources, inadequate training and supervision, and regular stockouts of Health Management Informations Systems tools in 75% of health facilities visited – has meant an unreliable basis on which programming decisions can be made.

The report details ‘quality of service’ issues for all three diseases at Global Fund-funded facilities, which for space reasons we cannot detail here. These include lack of evidence (and guidelines) for malaria diagnosis, incorrect malaria medicine dosages (which can lead to resistance), changes in use, sub-optimal use (and breakdowns of) PCR machines for HIV viral load testing and early infant diagnosis, and sub-optimal use of GeneXpert machines for MDR-TB diagnosis, resulting in missed cases and lack of treatment. Gaps in HIV-related services are contributing to high mortality, treatment disruption, and high rates of loss to follow-up, the OIG said, with retention rates at 44% 60 months after treatment initiation (for one 2015 cohort analysis).

AMA 3: Support efforts to improve program and data quality across the three disease programs, including ensuring that the health ministry: conducts surveillance assessment systems for HIV, TB and malaria data; develops a costed and time-bound quality of services improvement plan; obtains technical assistance to conduct a technical evaluation to assess the quality of current rolling mass campaigns, and of root causes related to the resurgence of malaria (due 30 June 2020).

Quantification and forecasting, and inventory management processes require improvement and optimization

The OIG acknowledged great improvements in Sudan’s procurement and supply chain issues, thanks to impressive advances in the processes, controls, warehouses, and training and capacity building for government staff, led by the National Medical Supply Fund (NMSF), the lead agency for procurement and supply-chain services in Sudan’s public health sector.

Nonetheless, the OIG report points out several remaining challenges, in the areas of gaps in quantification and forecasting, and in inventory management deficiencies. Sudan’s drugs quantification is based on an epidemiological estimation, with adjustments made for actual consumption. The committee charged with updating quantification and forecasting data, made up of the NMSF, CNCD/CD and UNDP, is not routinely adhering to meeting quarterly to do so. As a result, expiries and treatment disruptions are “commonplace,” the report says.

The list of inventory management deficiencies is long. The OIG names nine sub-categories of inventory management controls that need strengthening: poor inventory management related undefined minimum stock levels at state (regional) levels; variances between physical stocks and records; erroneous reporting (stock reports consolidating numbers of tablets with numbers of doses, for example); variances in stock consumption (of up to 40%) between health facility and state/locality records; weak management of expired commodities (78% of health facilities visited had no records of expiries; expired HIV test kits at one location were not removed from the system or from stores, risking misuse and overstating stock balances); emergency orders; telephone reporting and ordering (without documentation); other missing supporting documentation (66% of the 12 facilities visited lacked delivery notes or updated stock records); and inaccurate performance reporting.

The OIG's strong point regarding all of these issues is that weak supervision is the main contributing factor.

AMA 4: Support efforts to improve quantification, forecasting, and supervision of Global Fund-financed health commodities (due 31 March 2020).

Ministry of Health and partners need to collaborate effectively to tackle unaddressed capacity and implementation gaps

After the OIG audit in 2015, UNDP led – with the participation of the FMoH and others – the creation of a capacity development plan and then a transition plan, finalized in 2017. These plans focused on conducting joint transition activities, and strengthen the ministry's systems to ensure absorption of increased funding and any other consequences of transition. The OIG reports, though, that various key activities in the plan have not been implemented, including joint quantification and forecasting activities (involving training). The FMoH's implementation capacity has been affected. Nonetheless, the transitioning of grants to the FMoH has continued, the OIG says, despite the inadequate capacity, with transition dates remaining fixed the grant agreements for the three diseases, alongside provisions relating to implementation capacity. Notably, the malaria/RSSH grant of about \$100 million, has already transitioned, despite the delays in capacity initiatives that have been highlighted.

AMA 5: Ensure that the existing Transition and Systems Development Plan 2018-2020 is reviewed and updated (due 31 December 2019).

Further reading:

- This audit report, [Global Fund Grants in the Republic of Sudan](#) (30 April 2019, OIG report number GF-OIG-19-010)
- The 2015 OIG report, [Global Fund Grants to the Republic of the Sudan](#) (4 June 2015, OIG report number GF-OIG-15-009)
- [Message from the Executive Director](#) on Global Fund grants to Sudan (30 April 2019)

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