



Independent observer  
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## Major Improvements Needed in Management of Grants to India, OIG Audit Finds

Major improvements are needed in the management and implementation of Global Fund grants in India. This is the main conclusion of an audit of 10 grants to India undertaken by the Office of the Inspector General (OIG).

The audit focused on grants implemented between 2008 and 2012 by three principal recipients (PRs): The Ministry of Finance, the Tata Institute of Social Sciences (TISS), and the India HIV AIDS Alliance (IHAA). In the case of the grants for which the Ministry of Finance was PR, management of the grants was carried out by three organisations. See Table 1 for details.

Table 1: List of PRs, implementing bodies and grants included in the audit

Principal recipient	Implementing body	Grant number	Round	Con
Ministry of Finance	National AIDS Control Organisation (NACO)	IDA-202-G02-H-00	2 RCC	HIV
		IDA-202-G06-H	4 RCC	HIV
		IDA-708-G13-H	7	HIV
	Central TB Division * (CTD)	IDA-202-G03-T-00	2 RCC	TB
		IDA-405-G08-T	4	TB
		IDA-910-G18-T	9	TB
	National Vector Borne Disease Control Programme (NVBDCP)	IDA-405-G07-M	4	Mal
		IDA-911-G23-M	9	Mal
Tata Institute of Social Sciences		IDA-708-G15-H	7	HIV
India HIV/AIDS Alliance		IDA-910-G20-H	9	HIV

\* Also referred to in the audit report as “Revised National TB Control Programme.”

The total value of the 10 grants was \$810 million, of which \$734 million had been disbursed at the time of the review. Field work for the review was conducted between 17 September and 6 December 2012.

As it has done in other recent audits, the OIG applied a rating for each functional area reviewed in the audit. The OIG’s ratings range from “effective” to “critical.” Table 2 explains the ratings system.

Table 2: Rating system used by the OIG

Rating	Explanation
Effective	Controls evaluated were adequate, appropriate, and effective to provide reasonable assurance (that risks are being managed and the Global Fund’s strategic objectives should be met).
Some improvement needed	Some specific control weaknesses were noted; generally however, controls evaluated were adequate, appropriate, and effective to provide reasonable assurance.
Major improvement needed	Numerous control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance.
Not satisfactory	Controls evaluated are not adequate, appropriate or effective to provide reasonable assurance.
Critical	An absence of or fundamental weakness in one or more key controls, or a serious non-compliance. Non-mitigation will jeopardise achievement of the Global Fund’s strategic objectives. Requires urgent attention.

Table 3 shows, for each functional area, the ratings that the OIG applied to the grants it reviewed in the India audit, along summary comments from the OIG.

Table 3: OIG ratings and comments by functional area

Functional area	OIG rating	OIG comments
Oversight and governance	Some improvement needed	CCM oversight can be further strengthened to support program implementation, especially with regard to timely grant initiation and reporting to the Global Fund.
Grant management	Critical	There was non-compliance with conditions in the grant agreements, including procurement of drugs in 2010, which did not comply with Global Fund quality assurance requirements. Accounting ledgers were not maintained by grant implementers, which resulted in qualified external audit opinions for the years 2010-2011.

Programme implementation	Critical	Improving the quality of services in the private sector is critical to the control of multiple-drug-resistant TB (MDR-TB). There is a need to attend to the quality of TB services with regard to adherence to national guidelines. Data and reporting systems were not sufficiently reliable to yield accurate information.
Procurement and supply chain management	Major improvement needed	Procurement of commodities has been outsourced to a government procurement agent to mitigate risk. There have been significant delays in procurement which have resulted in stock outs. Procurement delays are due to administrative bottlenecks. Drugs selected for tuberculosis treatment did not always conform to WHO guidance.

The audit identified \$1.139 million in ineligible expenditures not approved by the Global Fund. Most of this amount – about \$1.0 million – involved staff salaries in grants administered by NACO; it appears from comments in the report by NACO and the Global Fund Secretariat that the Secretariat is reviewing the precise amount involved and that the final amount will be deducted from NACO's next disbursement request.

The remaining expenditures identified as ineligible – \$110,081 – involved the renovation of government medical store depots in the grants administered by CTD. Apparently, the cost of the renovation, an activity in the Round 4 TB grant, was incorrectly charged to the Round 2 RCC TB grant.

### Oversight and governance

The OIG noted that oversight of grants in India is complicated by the large size of the country and the decentralisation of health services to the state level.

The OIG said that India's country coordinating mechanism (CCM) has done a good job with respect to developing proposals and nominating PRs. However, the OIG said, the CCM had not operationalised its oversight plan. A plan was approved in May 2011 and an oversight committee was established in February 2012. The OIG said that aside from the fact that one meeting of the committee was held in April 2012, "planned oversight activities did not take place." The OIG attributed this to insufficient funding for the CCM.

The OIG also said that the CCM could have done more to support PRs to address implementation challenges, including delays in submitting progress reports.

The CCM responded that the CCM is in the process of reconstituting the members of its oversight committee as a result of the fact that membership of the CCM itself was recently reconstituted.

The CCM also said that it had experienced delays in obtaining additional funding for the CCM from the Global Fund Secretariat. The Global Fund Secretariat responded that further CCM funding is dependent on the removal of the CCM secretariat from NACO, a grant implementer. (The Global Fund Secretariat considers this to be a major conflict of interest.)

Comments on the OIG's findings from the CCM, the PRs and the Secretariat were included in the audit report. In addition, when this article was being prepared, the CCM informed GFO that a 10-member oversight committee has been formed and that the committee held its first meeting on 30 April. The CCM said that the committee will finalise its work plan this month (May 2013).

Regarding the OIG's comment that the CCM should do more to help PRs address problems such as delays in filing progress reports, the CCM told GFO that it "finds no role to play in grant signings and delays." The CCM said that the Global Fund contracts with the PRs, and deals directly with the PRs on such matters. The CCM added that the Global Fund should more actively involve the CCM in this process.

Regarding the Global Fund Secretariat's comment that further funding for CCM operations is dependent on the removal of the CCM secretariat from NACO, the CCM told GFO that it does not see any conflict of interest in housing the secretariat in NACO. The CCM said that "the principle of country ownership should not be violated and it is for the CCM to decide where the CCM Secretariat should be located." The CCM also pointed out that in its audit the OIG did not identify the location of the CCM secretariat as a conflict of interest.

#### Grant management

The OIG noted that external audit reports for three implementers – NACO, NVBDCP and CTD – for the year ending 31 March 2011 were qualified on three grounds: (1) ineligible expenses related to advances to the procurement agent; (2) use of grant funds to pay taxes; and (3) differences between statements of expenditure and the PRs' books of accounts. The OIG added that the recommendations of external auditors have not always been implemented by PRs.

With respect to the differences between statements of expenditure and the PRs' books of accounts, NVBDCP told GFO that the differences are due to taxes and duties which the PRs must pay, but which are not charged to the Global Fund.

#### Programme implementation

The OIG said that at none of the sites it visited were there any mechanisms to actively monitor progress of MDR-TB patients during treatment. NVBDCP told GFO that records are kept of drugs issued to patients, and that health providers have been trained on record-keeping. The NVBDCP added that refresher training will be conducted.

The OIG said that the national TB programme faces serious challenges in ensuring that private sector providers adhere to national TB guidelines in the diagnosis, treatment and follow-up of patients.

The OIG noted good practices in the malaria programme, including (a) a well-organised and documented process for the distributing long-lasting insecticide-treated bednets; and (b) appropriate behaviour change communication to promote their proper use. However, the OIG also observed a number of problems, including the following:

- malaria treatment records are not well-maintained;
- rapid diagnostic testing kits were not available at three of the five treatment sites visited by the OIG; and
- three sites visited by the OIG had no artemisinin combination therapy medicines in stock.

The OIG said that the HIV programmes were generally performing well, but that the HIV and TB programmes should be better integrated. NACO told GFO that several steps have been taken to ensure better integration. These include ensuring that drug-resistant TB/HIV activities are closely monitored by all drug-resistant TB (DR-TB) centres and by staff at ART centres; and the appointment by CTD of a DR-TB/HIV supervisor in each of its districts to ensure strong linkages.

#### Procurement and supply chain management

The OIG observed that the average procurement cycle lasted 190 days and that there were no guidelines concerning how much time each step of the procurement process should take. NVBDCP told GFO that the procurement is done as per the standards of the Government of India.

The OIG's report on its audit of grants to India is available on the Global Fund website [here](#).

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