



Independent observer
of the Global Fund

THE OIG'S LATEST AUDIT OF GRANTS TO ZIMBABWE SHOWS MIXED RESULTS

Zimbabwe received a mixed report card in an audit performed by the Office of the Inspector General. The OIG rated internal controls and grant implementation arrangements as effective, but said that improvements were needed in supply chain management and the quality of services provided. A [report](#) on the audit was released on 13 July.

The audit covered all three active grants, one for each disease, for the period January 2014 to December 2015. The principal recipient for the HIV grant is the United Nations Development Program (UNDP). The PR for the other two grants is the Ministry of Health and Child Care (MOH). The audit included visits to six sub-recipients and sub-SRs, 30 hospitals and health facilities, the national and one provincial warehouse of the National Pharmaceutical Company of Zimbabwe (NatPharm), and district health offices.

As a nation, Zimbabwe faces many challenges. It was ranked 155 out of 188 countries in the UNDP's human development index for 2015; and 150 out of 167 countries in Transparency International's 2015 Corruption Perceptions Index. Allocations to the health sector have declined in recent years due to budgetary constraints. The limited funding provided by the government is spent mostly (90%) on salaries, leaving few resources available to support other interventions not funded by the Global Fund and development partners. As a result, Zimbabwe remains heavily reliant on development partners to fund public health interventions. The Global Fund and USAID are the top donors.

The OIG said that grant implementation arrangements were adequate and effective. It also rated internal controls as effective. However, the OIG said, the quality of services needs to be significantly improved. And it rated the supply chain system as being only partially effective. See Table 1 for a summary of the ratings.

Table 1: OIG ratings of grant performance in Zimbabwe

| Performance area | Rating |
|--|-------------------------------|
| Adequacy and quality of current grant implementation arrangements | Effective |
| Quality of services provided | Needs significant improvement |
| A supply chain that delivers and accounts for quality assured medicines and other health products in a timely manner | Partially effective |
| Internal controls that result in economic, efficient, and effective use of grant funds | Effective |

The OIG is currently using a four-tier rating system. Table 2 provides information on how each rating is defined.

Table 2: The OIG’s audit rating classifications

| | |
|-------------------------------|--|
| Effective | No issues or few minor issues noted. Internal controls, governance and risk management processes are adequately designed, consistently well implemented, and effective to provide reasonable assurance that the objectives will be met. |
| Partially effective | Moderate issues noted. Internal controls, governance and risk management practices are adequately designed, generally well implemented, but one or a limited number of issues were identified that may present a moderate risk to the achievement of the objectives. |
| Needs significant improvement | One or few significant issues noted. Internal controls, governance and risk management practices have some weaknesses in design or operating effectiveness such that, until they are addressed, there is not yet reasonable assurance that the objectives are likely to be met. |
| Ineffective | Multiple significant and/or (a) material issue(s) noted. Internal controls, governance and risk management processes are not adequately designed and/or are not generally effective. The nature of these issues is such that the achievement of objectives is seriously compromised. |

Quality of service

Despite its problems, the OIG said, Zimbabwe has made significant progress in fighting the three diseases. In the last two years, the country has successfully scaled up interventions: The number of people on antiretrovirals (ARVs) is up 30%; almost all malaria cases are diagnosed before treatment; and the TB treatment success rate had increased from 79% to 83%. However, the OIG found that this scale-up has not always been accompanied by corresponding increases in the quality of services, especially for HIV and malaria.

For example, contrary to national guidelines, confirmatory tests on HIV-positive patients were not

consistently performed (among the 30 facilities visited by the OIG, only 13% were performing the tests). In addition, the tests required prior to and after initiation of treatment have not consistently been done.

Citing National Malaria Control Program data, the OIG said that 40% of 179 malaria outbreaks were detected on time but not effectively responded to in a timely manner. These outbreaks accounted for 20% of malaria related deaths. (The OIG noted that grant funds have been subsequently identified to support the implementation of an emergency response plan.)

The OIG said that the challenges in providing quality service stem partially from the fact that the poor economic conditions in Zimbabwe have negatively impacted the government's ability to invest in the disease programs. The government has been unable to pay health workers salaries and has frozen employment in the public sector. As a result, health workers have migrated to other countries, causing a shortage of health workers at facilities in Zimbabwe.

(The Global Fund and other donors are providing incentives to retain workers at health facilities.)

Another reason for the service quality problems, the OIG said, is the delays in procuring critically-needed diagnostic machines and the sub-optimal deployment of available machines.

Supply chain

About two-thirds of grant funds are spent on procurement, storage, and distribution of health products. The OIG said that Zimbabwe's supply chain management system has improved since its last audit in 2012, but that challenges remain which affect the country's ability to effectively distribute and account for medicines and commodities. These challenges include the following:

- the irregular supply of anti-malaria medicines to facilities without an effective redistribution mechanism resulted in both under- and over-stocking and expiries at facility level;
- inaccurate or incomplete record keeping has affected accountability of medicines and commodities. At the central level, 50% of supplies distributed under the "informed push" system could not be traced and the OIG identified stock differences amounting to \$2.0 million at facility level due to inadequate record keeping; and
- the successful implementation of a new distribution system could be hampered by storage constraints at the provincial level, the limited capacity of facility staff to ask for medicines, and a large outstanding government debt of \$23 million to NatPharm.

Internal controls

Although the OIG rated internal controls as effective, it nevertheless identified non-compliant expenditures amounting to \$0.4 million. It also identified gaps in the management of advances, resulting in 40% of advances remaining outstanding for over 120 days. The OIG said that the Secretariat had already identified some of the issues noted by the OIG, but added that corrective actions had not been fully implemented at the time of the audit.

Grant implementation

The OIG said that the country coordinating mechanism provides the required oversight and helps to make course corrections when challenges are faced. For instance, at the time of the audit, the CCM had approved an accelerated implementation plan to address the low absorption of funds by the MOH when it became a PR.

The OIG said that UNDP's effectiveness as PR has been adversely affected by inadequate collaboration between UNDP and its main sub-recipient, the MOH.

AIDS levy

The OIG noted that despite the challenges, Zimbabwe has devised innovative ways to raise domestic financing for HIV. An AIDS levy, established in 1999, procures an estimated \$35 million annually and is recognized as good practice within the region. However, the OIG said, deepening economic difficulties in the country could affect the income that can be generated from this levy since it relies on tax receipts.

Management actions

In response to the OIG's findings, several management actions are planned. The Secretariat will ensure that the MOH develops an action plan to strengthen the quality of services across Global Fund-financed programs in Zimbabwe. The plan will include measures to improve:

- diagnostic and laboratory services under the three programs;
- compliance with national policies and guidelines including HIV diagnosis, monitoring of patients on ARVs, diagnosis and management of malaria outbreaks and active case finding for TB and drug-resistant TB; and
- human resources capacity within the health sector.

In addition, an operational plan will be developed and agreed upon between the Secretariat, the government, and partners to support the ongoing rationalization of the distribution systems in the supply chain, and implementation of an electronic management information system.

According to the OIG, the Global Fund has awarded 19 grants to Zimbabwe amounting to \$1.1 billion, of which \$930 million had been disbursed at the time of the audit.

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