



Independent observer
of the Global Fund

PROBLEMS OPERATIONALIZING SAFEGUARDS TO MITIGATE FINANCIAL RISKS CREATE DELAYS IN IMPLEMENTING GLOBAL FUND'S MALARIA GRANT TO CAMBODIA, OIG SAYS

After an investigation in 2013 by the Office of the Inspector General (OIG) into allegations of fraud and kickbacks paid to government officials in Cambodia (see [GFO article](#)), the Global Fund Secretariat took steps to improve its management of financial and fiduciary risks in grants to Cambodia. The good news is that the safeguards put in place by the Secretariat have effectively mitigated those risks. The bad news is that implementers encountered significant challenges in operationalizing these safeguards, and this has resulted in prolonged delays in implementing some key activities in Cambodia's malaria program.

This is one of the main findings of an audit of Global Fund grants to Cambodia. A [report](#) on the audit was released on 6 September.

The audit covered the four active grants in Cambodia (see table for details) and the Cambodia portion of the Regional Artemisinin-resistance Initiative (RAI), for which the principal recipient (PR) is the United Nations Office for Project Services (UNOPS).

Table: Grants included in the OIG audit in Cambodia

Grant name	Principal recipient	Component	Grant period	SI
KHM-H-NCHADS	National Center for HIV/AIDS, Dermatology and STI (Ministry of Health)	HIV/AIDS	October 2015 to December 2017	

KHM-T-CENAT	National Center for Tuberculosis and Leprosy Control (Ministry of Health)	TB	January 2015 to December 2017
KHM-M-UNOPS	United Nations Office for Project Services	Malaria	July 2015 to December 2017
KHM-S-PRMOH	Ministry of Health	Health System Strengthening	October 2015 to December 2017

Additional safeguards

The safeguards implemented after the OIG's 2013 investigation included the appointment of a fiscal agent for most of the government implementers. They also involved the adoption of an electronic payment mechanism to address control weaknesses identified at the sub-national level and community levels. The government PRs are required to use the electronic system for the \$20 monthly allowance payments to community workers and village malaria workers (VMWs). The approximately 5,000 VMWs provide frontline services in local communities for early detection and treatment of malaria. Finally, the safeguards included the introduction of stringent, pre-approved travel plans to verify the validity of per diems. In addition to review and pre-approval of each travel plan by the fiscal agent, the local fund agent subsequently checked the execution of the plans.

The OIG said that the implementers' "perceived" unwillingness and inability to implement these additional safeguards and the lack of alternative strategies from the Global Fund Secretariat present significant challenges in the Fund's capacity to effectively safeguard its investments "without compromising the implementation of key activities and ultimately the achievement of the grants' programmatic objectives."

According to the OIG, the VMWs, a key component of Cambodia's national strategy to eliminate malaria, have not been able to provide services to communities since June 2015 due to delays in the implementation of the additional safeguards. Compared to other providers (i.e. health facilities and private providers) involved in malaria case management, the VMWs have historically been the most effective in malaria case finding, the OIG reported.

The interruption of services provided by the VMWs led to a decline in the share of diagnosis and treatment of confirmed malaria cases reported by these workers from 53.3% in 2014 to less than 8.7% at the end of 2016, the OIG said. In addition, at the time of the audit, almost 400,000 insecticide-treated nets funded by the Global Fund had been in storage for six months and were awaiting distribution by the VMWs to high-risk communities.

The OIG explained that VMW activities were not being performed mainly because of delays in the implementation of various mechanisms put in place by the Secretariat to ensure prudent use of funds. The OIG cited delays of over four months in signing a memorandum of understanding between the PR, UNOPS, and the National Malaria Program. In addition, a memorandum of agreement between the national malaria program and the provincial health departments was signed six to eight months' late due to delays in agreeing the mechanisms to account for the use of funds for travel-related costs at the sub-national level.

(In February 2016, Aidspan [reported](#) that a dispute over how travel costs should be accounted for resulted in delays in the implementation of two malaria grants.)



Further, the OIG reported delays of more than 22 months to develop, pilot and implement the electronic payment mechanism. Alternative temporary mechanisms were not considered, the OIG said, in order to avoid disruption in services while the long-term mechanism was being developed.

“In the context of the Global Fund’s zero tolerance for fraud and corruption, which is crucial to donor confidence and the continued flow of funding to support programs, maintaining effective financial safeguards is crucial,” the OIG stated. “The strict financial control measures adopted by the Secretariat are both a strong signal to donors and the country alike, as well as a key step towards remediating the fraud, corruption and nepotism risks identified in Cambodia.” However, the OIG added, the operational modalities of these safeguards “need to be carefully evaluated by the Secretariat to ensure an effective balance in the mitigation of fiduciary risks and programmatic risks.”

According to the OIG, contributing to the delays were gaps in the program management capacity of the National Malaria Program and implementers at provincial levels to effectively undertake their role and to manage and account for their funds. This affected their ability to develop budgets, work plans and terms of reference to procure the services of providers to undertake critical activities, the OIG said.

Ratings

Because of the delays caused by the implementation of the additional safeguards, the OIG rated the design and effectiveness of implementation arrangements as “needs significant improvement.” This is the second lowest tier of the OIG’s four-tier rating scheme.

However, the OIG rated the design of the internal financial controls and the effectiveness of assurance mechanisms in safeguarding Global Fund resources as “partially effective,” the second-highest tier of the rating scheme.

Achievements

There was plenty of good news in the OIG’s audit report, particularly with respect to the achievements of the HIV, TB and malaria programs: Cambodia is one of the few countries in the world that has met the MDG targets for the three diseases. About 80% of people living with HIV are on antiretroviral therapy, with more than 83% viral load suppression rates among those who had a viral load test. In addition, the country is on the verge of virtually eliminating mother-to-child transmission of HIV, with infections declining from 7% in 2014 to less than 3% at the end of 2016. Cambodia is working towards achieving virtual elimination of HIV transmission by 2030.

In 2016, 23 of out of Cambodia’s 25 districts reached the malaria pre-elimination stage, up from 12 in 2014. There was a decline in the incidence of malaria from 4.4 per 1,000 in 2004 to 2.82 at the end of 2016, and malaria related deaths declined from 18 in 2014 to less than one in 2016.

The TB treatment success rate in the country is above 90%.

The OIG said interventions are generally based on evidence and are strategically focused on key populations. In addition, it said, programs financed by the Global Fund complement investments by the government and development partners. There is no duplication of activities in the design of HIV, TB, malaria and health system strengthening grants.

Other areas of concern

The OIG identified other area of concern in addition to the problems implementing the additional safeguards. These included the following:

Delays in the roll-out of new treatment regimens to fight malaria drug resistance. Cambodia is the epicenter of artemisinin drug resistance. As such, the country is expected to change malaria regimens often to manage resistance of first line antimalarial medicine. Due to delays in the revision of the national treatment guidelines, in the

delivery of the recommended regimen by the supplier, and in the registration of the recommended regimen with the relevant authorities, the roll out of new malaria treatment regimen in selected provinces in January 2014 was delayed for 14 months.

The OIG noted that despite improvements in the monitoring of private sector providers in Cambodia, there is sub-optimal coverage in the training, supervision and quality assurance of private sector service providers. At the time of the audit, 60% of the 1,495 public-private-mix providers had not been trained in national treatment guidelines or received any supervision. Weaknesses in supervision and quality assurance increase the risk of malaria treatment not being done according to the national guidelines, the OIG said.

The OIG attributed the weak oversight of the private sector to delays in the transition of the responsibility for oversight and supervision from non-governmental implementers to the Cambodia National Malaria Program. In 16 of the Cambodia's 25 districts, the transition had not yet been effected 22 months after it was slated to happen.

Duplication in implementation arrangements. The OIG noted cost inefficiencies arising from a high level of duplication in support and supervision functions. Program support personnel make up 22% of the \$26.5 million human resources cost in the program budgets. Each of the Ministry of Health PRs has its own support and supervision functions for finance, procurement, and data gathering and reporting.

Limited measures to promote institutional sustainability. Although Cambodia has progressively increased its investments in the national response to HIV, TB and malaria, donors contributed more than 75% of available funding for the current period (2015-2017). However, the OIG noted, in 2018-2020 Global Fund investments will decrease by 30%, and U.S. funding for HIV is expected to decline.

In order to improve institutional sustainability, the OIG said, a specific health systems strengthening (HSS) grant of \$12.1 million was approved by the Global Fund for implementation in 2015-2017. However, the OIG said, there have been significant delays in the delivery of HSS interventions – including those related to pharmaceutical and health product management, and health management information systems – and in the integration of HIV, TB and malaria services within existing primary health care packages. Consequently, only 25% of the funds for this grant had been spent by the end of 2016.

Weaknesses in programmatic and supply chain data. The audit revealed limitations in the completeness, timeliness and accuracy of reported HIV, TB and malaria data. For example, one in five health facilities offering pre-antiretroviral therapy and antiretroviral therapy services do not routinely report on selected HIV indicators, including those related to viral suppression and HIV/TB collaborative interventions. HIV, TB and malaria interventions are being implemented using mapping, size estimations and surveys that are outdated, the OIG said.

The inventory management database used by the disease programs in stores and hospitals to account for health commodities is fragmented and built on old technology with no technical support from the service provider or vendor, the OIG said. In addition, the inventory management database does not have the capability of providing early warnings of impending stock-outs or expiries.

Gaps in internal financial control systems. The OIG said that although significant improvements have been made in mitigating financial risks, certain gaps still exist in key fiduciary controls over financial records and management of advances. Access controls for accounting software used by government implementers are very weak, the OIG found, allowing implementers to backdate accounting entries, to edit or delete entries after a hard close, or to change payroll and other sensitive information without approval.

Agreed management actions (AMAs)

In response to the audit findings, the following AMAs were agreed:

- The Secretariat will update its risk and assurance plan for the Cambodia grants, based on new implementation arrangement and capacity assessments, in order to minimize implementation delays, improve efficiency, limit

duplications of grant funded cross-cutting functions and develop capacity to support institutional sustainability. [Due 31 May 2018]

- The PRs and the national disease programs, in coordination with the Ministry of Health and technical partners, will develop data quality assurance plans for the three disease components. The plans will include details on the timelines and frequency for data quality assessment, routine data collection and data flow models, and a description of the roles and responsibilities of stakeholders in data collection and data quality assurance. [Due 31 December 2018]
- The Secretariat will work with the PRs and the national programs to address gaps in the existing accounting procedures. The work will include the segregation of duties and access rights to the accounting systems, and the establishment of procedures for monthly close-out, accounting for fixed assets and data backup. [Due 30 June 2018]

Previously identified issues

The last OIG audit of grants in Cambodia was in 2009 with the [report](#) published in 2010 (see [GFO article](#)). The audit identified weaknesses mainly in financial management and procurement and supply chain management. This year's audit noted improvement in the financial management of the portfolio, largely due to the safeguards put in place by the Secretariat. There is also an improvement in the storage conditions at the central medical stores. However, there have been delays in the implementation of measures to assure the quality of reported programmatic and supply chain-related data, including strengthening of the health management information systems and the logistics management information system.

Message from the Executive Director

In a letter attached to the audit report, Interim Executive Director Marijke Winjroks said that the OIG “rightly points out there remain opportunities to minimize implementation delays and improve efficiency; build more robust systems for routine data collection, data quality assessments and flow of data; and improve accounting procedures. The Secretariat is committed to updating our own risk and assurance plans for Cambodia, and working with the PRs and national disease programs to address these gaps.”

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