



Independent observer  
of the Global Fund

## OIG AUDIT IDENTIFIES MAJOR DEFICIENCIES IN THE IMPLEMENTATION OF GRANTS TO NIGERIA

Despite efforts made the Secretariat and despite significant investments – over \$800 million in the past few years – there are still major deficiencies in the Nigeria portfolio's internal controls, affecting procurement and supply chain management, financial management, and program management.

The OIG rated performance in all three areas as “ineffective,” the lowest of five possible ratings. That means that controls, governance, and risk management processes were not adequate, appropriate, or effective. The “ineffective” rating also means that no plans to address the issues were in place at the time of the audit.

These findings emerged from an audit of Global Fund grants to Nigeria performed on activities between January 2013 and June 2015. A [report](#) on the audit was released on 3 May, about four weeks later than planned. OIG reports are routinely circulated to Board members before they published. In this instance, Board members raised several issues and requested clarifications. The discussion continued at the Board's in-person meeting in Abidjan on 26-27 April (see [GFO article](#)).

The audit covered grants for all three diseases; see the table for details.

Table: Global Fund grants covered by the audit

Disease	Grant Name	Principal recipient
Malaria	<a href="#">NGA-M-SFH</a>	National Malaria Elimination Program (NMEP)
	<a href="#">NGA-M-NMEP</a>	Society for Family Health (SFH)
HIV	<a href="#">NGA-H-NACA</a>	National Agency for the Control of AIDS (NACA)
	<a href="#">NGA-H-ARFH</a>	Association for Reproductive and Family Health (ARFH)

NGA-H-SFHNG	Society for Family Health (SFH)	
TB	NGA-T-ARFH	Association for Reproductive and Family Health (ARFH)
	NGA-T-IHVN	Institute of Human Virology Nigeria (IHVN)

The OIG also rated the Global Fund risk management framework for Nigeria as “ineffective.” It rated the implementation of grants as “partial plan to become effective” – which is one level above “ineffective.” The OIG said that substantial reforms are required to the implementation arrangements in order to achieve the Fund’s strategic objectives in Nigeria.

According to the OIG, the Global Fund has faced a number of challenges in Nigeria, including grants not achieving impact targets, poor quality of health services, treatment disruptions, fraud, corruption, and misuse of funds.

Nigeria has the largest portfolio, having been allocated \$1.1 billion for the period 2014-2016. The OIG noted that in the past two years, The Global Fund has made efforts to reduce the risk in the portfolio (see details below). However, the OIG added, these efforts have resulted in minimal improvements in the risk profile of the portfolio, which, it said, “has even deteriorated.” The OIG also said that key performance indicators across all three diseases have underperformed.

It is impossible in the space available here to list all of the problems identified by the OIG. The following are some examples. (Readers who would like more information should consult the full [OIG report](#).)

- **Procurement.** The OIG said that NACA’s processes and controls for the procurement of non-health services and commodities through a procurement agent were inadequate. The OIG identified payments amounting to US\$20 million made to a procurement agent without confirmation of services rendered or goods delivered.
- **Supply chain management.** The OIG found that significant weaknesses exist, including a lack of effective procedures and controls over inventory management and distribution from central medical stores to the health facilities. The OIG said that these led to stock-outs of critical medicines such as antiretroviral drugs and artemisinin-based combination therapies at all 42 high-volume health facilities it visited.
- **Financial and fiduciary management.** The OIG said the despite minor improvements since the introduction of the fiscal agent in May 2015, financial management controls were found to be inadequate and ineffective with a general lack of financial discipline applied at the PR level. Significant issues were identified during the audit for human resources management, payment approval processes, and advance management. The OIG said that this resulted in a total of \$7.65 million in unsupported expenditures being identified.
- **Program management.** The OIG noted major gaps in the effectiveness of M&E activities. “There is no comprehensive analysis on capacity, volume of patients treated, type of treatment and services provided by the health facilities to support the supervision plans in place for the malaria and HIV programs,” it said. Often, supervisory visits were either not conducted as per the supervision plans or not adequately documented. Action plans on issues identified during visits were not monitored, resulting in many programmatic issues not being adequately resolved in a timely manner.

Limits of current implementation arrangements

In the view of the OIG, ineffective grant implementation arrangements are at the heart of most of the significant challenges and limited progress in the Nigeria portfolio, and have affected the accountability, oversight, and impact of the programs over the long term. Although health care delivery has been fully devolved to the state level governments, Global Fund-supported programs are currently implemented at the national level through federal government agencies and other entities.

The OIG said that current federal government implementers – NACA and the NMEP – have no authority over the state governments and their ministries of health. It said that Global Fund-supported programs are managed by PRs from a central level through a wide range of sub-recipients in a vast geographical area with limited infrastructure and security. “As a result, oversight functions for supply chain management, finance, and monitoring and evaluation of program activities are inadequate and ineffective,” the OIG said. “Oversight functions need to be closer to actual service delivery areas for the effective monitoring and evaluation of program activities and timely resolution of issues identified.”

The OIG said that the Secretariat did not identify this as a risk until May 2015. According to the OIG, the Secretariat has decided to pilot a state level approach in Nigeria starting in early 2016 and has commenced discussions with several state authorities.

#### Message from the Executive Director

In a [message](#) posted on the Fund's website, Executive Director Mark Dybul said that as a politically complex nation with a federal-state structure, Nigeria presents enduring challenges for financial, fiduciary, and program management.

Despite the many challenges, with international support Nigeria has achieved progress against the three diseases, he said. Deaths from malaria dropped by 62% since 2000. Incidence of HIV declined by 52% since that time. Deaths from TB have declined 13%. Overall, programs supported by the Global Fund have saved the lives of 1.2 million people in Nigeria.

Dr Dybul said that information was obtained after the audit closed to support the \$20 million in unsupported procurement expenditures identified in the audit; and to support \$5.1 million of the \$7.65 million in unsupported expenditures related to human resources and the payment approval process.

Dr Dybul said that the Fund has obtained a commitment from the Minister of Health that the government will repay amounts determined to be recoverable from the audit and investigation; and will convene partners to conduct a full assessment of the capacity and gaps of the entire health system and develop an actionable accountability framework.

Dr Dybul revealed that there are now approximately 40 LFA staff conducting oversight in Nigeria.

#### Actions taken prior to the audit

In May 2015, a fiscal agent was installed with a staff of 17 full-time experts, an action that the Secretariat said is designed to prevent the kind of ineligible expenditures identified in the audit. The agent now controls all expenditure made by NACA and the NMEP, and selected SRs, with the exception of major health product procurement, which is handled through the pooled procurement mechanism.

In addition, The Global Fund initiated with partners a supply chain integration project intended to undertake fundamental reform of the national health supply chain. The project has achieved the establishment of new warehousing facilities, consolidated logistics management systems, and governance arrangements for a national supply chain policy.

Other measures implemented prior to the audit included the following:

- instituting spot checks on all SRs to ensure that all spending was aligned with budgeted amounts and with proper documentation;
- replacing the external auditors for the NACA and NMEP grants (moving from a local firm to Deloitte)
- increasing the frequency of audit reports to twice annually;
- terminating the contracts of three different PRs – in 2011 and in 2013 – to address underperformance; and
- steadily increasing the role and scope of the local fund agent.

See separate [article](#) in this issue on the OIG's investigation of one of Nigeria's SRs.

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