



Independent observer  
of the Global Fund

## GLOBAL FUND GRANTS TO MALAWI NEED IMPROVED FINANCIAL CONTROLS AND INTERVENTIONS FOR ADOLESCENT GIRLS AND YOUNG WOMEN, OIG SAYS

A second audit by the Office of the Inspector General of Global Fund grants in Malawi has highlighted weaknesses in financial controls within two of the country's three Principal Recipients (Ministry of Health and ActionAid International Malawi), and in the country's interventions for adolescent girls and young women (AGYW), among other issues.

Though progress has been made in strengthening the supply chain, the OIG found that medicines' traceability at lower levels within the decentralized system, and in-country quality assurance, needs further strengthening – a critical issue in a setting where 84% of Global Fund grants is spent on procurement of medicines and other health products. The audit report also pointed out weaknesses in the Secretariat's risk mitigation measures.

At the same time, the OIG acknowledged that the country has made “good progress” in addressing the HIV, TB and Malaria epidemics, with significantly reduced death rates across the three diseases, despite low levels of government funding and a drastic shortage of healthcare personnel.

The OIG gave both the areas of AGYW implementation arrangements and Malawi's fiduciary assurance framework ratings of “needs significant improvement”, while data collection and reporting arrangements, and the ability of the supply chain to deliver and account for quality-assured medicines were both rated “partially effective”. (The OIG uses a four-tier rating system ranging from the lowest to the highest: Ineffective, needs significant improvement, partially effective, and effective.)

The OIG published the report of the [audit](#) of Global Fund Grants in Malawi on 9 December 2019. (The [first OIG audit of Malawi](#))

took place in 2016.)

The audit covered an 18-month period, from January 2017 to June 2019, and included the four currently active grants (see Table 1 below) as well as four closed grants, all implemented by three Principal Recipients and their sub-recipients. The audit team visited 25 health facilities in five districts within three regions, central warehouses, and one regional warehouse.

### Global Fund grants in Malawi

The Global Fund has invested \$1.6 billion in grants to Malawi since 2003, with currently active grants amounting to \$464 million (see Table 1 below). The Global Fund is the largest donor for TB in the country (36% in the 2018-2021 funding cycle), and the second largest for both HIV (43%) and malaria (41%). Global Fund grants are performing well against targets set in the performance framework – with the exception of indicators related to AGYW, as noted in the summary of main findings below – with indicator achievements of between 98% and 120% for five out of seven key indicators, across all three grant components.

Table 1: Malawi’s active Global Fund grants at the time of the OIG audit

Principal Recipient	Grant Number	Component	Grant Period	Sig
Ministry of Health	MWI-C-MOH	TB/HIV	Jan 2018 to Dec 2020	
ActionAid International Malawi	MWI-C-AA	TB/HIV	Jan 2018 to Dec 2020	
Ministry of Health	MWI-M-MOH	Malaria	Jan 2018 to Dec 2020	
World Vision Malawi	MWI-M-WVM	Malaria	Jan 2018 to Dec 2020	
Total				

Source: OIG audit 9 December 2019 (report number)

### Malawi country context

Malawi is classified as a ‘high impact’ Global Fund country, with a very large portfolio and a mission-critical disease burden. Malawi has one of the highest HIV-prevalence rates globally, with 10.3% of the population living with HIV. In terms of [UNAIDS’ target 90-90-90 framework](#), and UNAIDS estimations, 90% of Malawi’s HIV-positive population know their status, of whom 79% are on treatment for HIV, of whom 87% are virally suppressed. (According to the Global Fund’s Progress Update and Disbursement Report for July-December 2018, which used a different timeframe, 76% of the people living with HIV who know their status are on treatment.)

Malawi is a low-income country with a population of 19 million, a ranking of 171 out of 189 countries in the UNDP Human Development Index (2018), and a ranking of 148 out of 160 in the UNDP Gender Inequity Index (2018).

### Audit objectives and summary of main findings

The audit’s objectives were to assess the adequacy and effectiveness of: measures to enhance supply chain-management systems for quality-assured medicines and health products; implementation arrangements focusing on data collection and reporting; implementation arrangements for interventions targeting adolescent girls and young women (AGYW) and at community level; and the fiduciary assurance framework and anti-fraud measures.

The OIG highlighted four main findings that resulted in five agreed management actions (AMAs), which we summarize after each finding. (For the complete Table of Agreed Management Actions, see page 22 of the audit report.)

#### 4.1 Progress made in strengthening supply chain, but more effort is required in improving medicines’ traceability at lower levels and in-country quality assurance.

Malawi’s health procurement is managed through the Global Fund’s Pooled Procurement Mechanism (PPM) and the Global Drug Facility. While the audit found that health products supported by the Global Fund are “generally

available” at service delivery points, improvements are needed in the traceability and quality assurance of medicines, and in the management of expiries (expired medicines are not routinely collected from nearly three quarters [72%] of the health facilities the audit team visited).

Traceability has improved at central levels, but “gaps remain at the district health office and health facility levels (example: 24 of 25 health facilities visited had “significant variances” between stock issued from the main store, quantities dispensed, and remaining stocks). The OIG found the main cause of limited traceability at lower levels to be a lack of adherence to proper documentation practices.

In addition, the OIG found that improvement is needed in systematic in-country quality testing of medicines and health commodities. Despite resources provided in Global Fund grants for Malawi to outsource quality testing to WHO pre-qualified laboratories, external providers’ delays in testing medicines as well as delays in funds disbursement from the MoH’s Project Implementation Unit (among other events) have undermined the country’s quality-testing systems’ setup. The Global Fund has been supporting Malawi (since a grant from the previous implementation period that is now closed) to obtain ISO accreditation to perform in-country testing of medicines.

AMA 1: The Global Fund Secretariat, in coordination with partners, will support the Ministry of Health to develop and implement supply-chain strengthening functions, including a strong focus on action plans relating to accountability of medicines and managing expiries at district and health-facility level, revision and implementation of specific actions towards ISO accreditation to perform in-country testing of medicines, and a roadmap for health supply-chain integration beyond December 2020. (Owned by Head of Sourcing and Supply Chain; due 31 December 2020.)

#### 4.2 Good quality HIV and TB data at facility level, but inaccuracies in malaria data

In-country data systems and supervision have improved data quality at the health facility level, the audit report says, with HIV and TB data generated at health facilities considered accurate, but malaria data needs major improvement. Variances between source documents and results reported to the Fund for all three sampled indicators were noted in 22 of the 25 health facilities visited (88%): reported confirmed malaria cases were 28% higher than the underlying records; treated malaria cases were overstated by 29% in figures reported to the Fund; and suspected malaria cases were overstated by 13%. The remaining three facilities could not provide registers for their reported results because of improper filing, or registers having been burnt in a fire outbreak at the health facility.

The OIG report emphasizes that the absence of accurate data risks affecting the quality of decision-making at both country- and Secretariat levels. It attributes data inaccuracies across the selected indicators to be due to human-resource capacity gaps, inadequate supervision arrangements in the malaria program (biannual supervision at only 10% of the country’s total facilities), multiple data systems with limited “interoperability”, and limited coordination and accountability for community-level data.

AMA 2: The Global Fund will support the Ministry of Health in their work with partners to develop a roadmap for “practical interoperability” of existing data reporting systems, and to revise the existing in-country data validation process to increase the focus on malaria and community-level data. (Owned by Head of Grant Management, due by 31 December 2020.)

#### 4.3 Weaknesses in design and implementation of interventions targeting adolescent girls and young women

Though Global Fund grants in Malawi began AGYW interventions during the 2015-2017 funding cycle, aiming to reduce young girls’ and women’s vulnerability to HIV infection. Some of the program’s key components are either not adequately defined, the OIG says, or are not effectively implemented by ActionAid, the PR for this program. An example of the poor definition: the curriculum for program beneficiaries is designed to be completed within one year, but 77% of beneficiaries have been on the program since it began three years ago, because there are no clear metrics on when existing beneficiaries graduate and when new members are recruited.

Weak supervision underlies lack of proper implementation of defined components; though there is a defined referral

mechanism to ensure that program beneficiaries are linked to services at health-facility level, none of the sub-recipients sampled by the audit team has used the referral process. The report describes, as one example, cases of HIV-positive girls and young women not being referred for antiretroviral treatment initiation at health facilities, and as another, some program beneficiaries who did not know their HIV status but were not referred for HIV testing.

It is also difficult to measure the performance of the activities that have been put in place, the OIG report says, because of weaknesses in the indicators and poor data quality.

AMA 3: The Secretariat will review the design of the program including implementation arrangements and institute measures to improve the execution and monitoring of AGYW activities – in addition to the ongoing measures to strengthen the AGYW program. (Owned by Head of Grant Management, due by 30 September 2020.)

[Editor’s note: The Global Fund and other partners are in the process of streamlining the design and implementation of the AGYW program, including greater support to the implementer from an AGYW specialist on the portfolio.]

#### 4.4 In-country financial management controls and Secretariat risk-mitigation measures need improvement

The OIG report discusses two main topics within financial management controls and Secretariat risk mitigation measures: (i) Weak in-country controls over procurement and contract management at the Ministry of Health and ActionAid; (ii) Weak processes for payment of travel-related costs at the MoH (travel costs represent 40% of in-country disbursements). World Vision, a PR that is responsible for 8.6% of Global Fund grants in Malawi, has adequate financial controls and anti-fraud measures, the OIG said, with satisfactory controls over its procurements.

The audit report concludes that the procurement and contract management issues are caused by weak financial oversight, and “gaps in effectiveness of the Global Fund’s risk mitigation measures”. The MoH and ActionAid do not have effective internal mechanisms, the OIG says, that routinely review procurement and financial transactions, and when reviews are performed, their recommendations are not effectively followed up and implemented by the MoH. On risk mitigation, though the Global Fund installed a fiscal agent as a mitigation measure, recognizing the high financial risk at the MoH, the country team did not adequately align the fiscal agent’s and the Local Fund Agent’s roles to the risk levels. Finally, the OIG says, anti-fraud measures need strengthening; World Vision and ActionAid have documented policies and processes to manage fraud, but only World Vision has assessed its anti-fraud activities and put preventive measures in place. The MoH and ActionAid still need to do this, and a fraud specialist should be included in the fiscal agent team now housed in the MoH, the report says.

AMA 4: The Secretariat will review and tailor assurance providers’ scope of work to enhance due diligence and oversight of procurement and contract management activities at the MoH and ActionAid, and will realign the financial risk assessments, mitigation measures and assurance plans for both those PRs. (Owned by the Chief Finance Officer, due by 30 June 2020.)

AMA 5: The Secretariat will accelerate the progress of financial management strengthening activities for the MoH (as part of the CO-LINK initiative), be developing a comprehensive action plan to structure the implementation and monitoring of capacity-building activities, to improve and sustain the PR’s financial controls under the oversight of the fiscal agent. (Owned by the Chief Finance Officer, due by 31 December 2020).

Further reading:

- This audit report, [‘Global Fund Grants in Malawi’](#), 9 December 2019 (GF-OIG-19-024)
- The 2016 audit report, [‘Audit of Global Fund Grants to Malawi’](#), 11 October 2016 (GF-OIG-16-024).

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