# OIG AUDIT OF GLOBAL FUND GRANTS TO SOUTH SUDAN HIGHLIGHTS THAT RISK MITIGATION "NEEDS SIGNIFICANT IMPROVEMENT"

The Global Fund's Office of the Inspector General (OIG), in its second audit of Global Fund grants to South Sudan, found that the country has made progress across the three diseases despite facing long-standing political instability, economic dependence on oil, and inadequate capacity of human resources for health. The number of people living with HIV who are on antiretroviral treatment increased by 102% between 2015 and 2018, the TB treatment success rate is 80%, and deaths caused by malaria decreased by 20 to 40% between 2010 and 2015.

The OIG published the report of the audit of Global Fund grants to South Sudan on 4 November 2019.

The OIG found that the grant implementation arrangements in South Sudan and financial management and assurance of grant funds are partially effective. However, the OIG found that the identification and mitigation of significant risks, including those related to service quality, monitoring and evaluation activities, and procurement and supply chain, need significant improvement. (The OIG uses a four-tier rating: 'ineffective', 'needs significant improvement', 'partially effective', and 'effective'.)

This article summarizes the OIG's audit report.

Global Fund grants to South Sudan

South Sudan has received over $421 million from the Global Fund since 2005. The country received funding from the Global Fund as Southern Sudan before it ceded from the Republic of Sudan in 2011, under the New Funding Model [NFM1], in the amount of $136 million. Since 2011, South Sudan received

additional funding for its HIV program (a Round 4 grant signed in 2005) through the continuity of services and transitional funding mechanism.

The country has three active grants in the current 2018-2020 implementation period, managed by two Principal Recipients (PRs): United Nations Development Programme (UNDP) for HIV- including the health-systems-strengthening component – and TB grants, and Population Services International (PSI) for the malaria grant (see Table 1). The audit covered all the grants, except for activities or procurements that UN agencies directly implemented, during the period from January 2017 to December 2018. (The UN General Assembly adopted the 'single audit principle' whereby the UN and its subsidiaries cannot consent to third parties accessing their books and records. The UN's oversight bodies audit and investigate UN agencies.)

Table 1: South Sudan's active Global Fund grants*

| Principal Recipient | Grant Number | Component | Grant Period | Grant Signed Amount (US$) | Grants D |
|---|---|---|---|---|---|
| United Nations Development Programme | SSD-H- UNDP | HIV | January 2018 to December 2020 | 32,681,295 | |
| | SSD-T- UNDP | TB | | 9,000,000 | |
| Population Service International (PSI) | SSD-M- PSI | Malaria | | 45,000,000 | |
| | | | | 86,681,295 | |

*Note: The OIG audit covered the first 12 months of the grants listed in Table 1, as well as grants from 2015-2017 for the three diseases.

The OIG noted that the grants' performance generally exceed expectations. However, a few malaria indicators reported zero rates of achievement due to poor-quality data; the Secretariat rejected the data presented in the progress update and disbursement request (PUDR).

Country context

South Sudan is a low-income country with an estimated population of 11.06 million people. The country is one of the most challenging environments in the Global Fund portfolio marked by political instability and violence. South Sudan became independent in 2011 after a long civil war and a referendum that allowed it to secede from Sudan.

South Sudan is the most oil-income-dependent country in the world. A fall in oil prices led to a drop in the share of health in government funding, from 7% in 2012 to 1% in 2016. The health sector is thus predominantly funded by donors. The Global Fund is a key development partner, providing 31% of HIV, 64% of TB, and 39% of malaria funding in the 2018-2020 implementation period. South Sudan has inadequate human resources and infrastructure for health across the country.

The Global Fund has classified South Sudan as a 'core' country – i.e., larger portfolios, higher disease burden and higher risk, and also as a Challenging Operating Environment (COE). COEs are countries or regions characterized by weak governance, poor access to health services, and man-made or natural crises. South Sudan is also under the Additional Safeguard Policy (ASP) as a direct consequence of ongoing insecurity, insufficient public accountability, rebuilding of systems, infrastructure and capacity after decades of conflict. The ASP is a set of measures that the Global Fund can put in place to strengthen fiscal and oversight controls in a country. Specific safeguards applied in South Sudan are:

- The Secretariat selects the PR (in other countries, the Country Coordinating Mechanism does);
- The Local Fund Agent (LFA) assesses sub-recipients (instead of the PR conducting the assessments);
- Procurement agents (UNDP and PSI) purchase commodities needed for the grants;
- The Secretariat requires additional capacity assessments of the national programs.

Malaria remains a major public health issue in South Sudan and is endemic across the country. It accounts for 45% of all health facility visits and is one of the major causes of illness and death among children under five. Adult HIV prevalence in the general population is 2.5%, while among men who have sex with men (MSM) it is 3.3%. UNAIDS has set an ambitious target of 90-90-90 by 2020: 90% of people know their HIV status, among them 90% are on treatment and among those on treatment, 90% have a suppressed viral load. Those target percentages in South Sudan are currently 24-16-83, indicating that the country is falling far short of the target.

South Sudan is yet to conduct a national TB prevalence study; estimates on epidemiological status and trends are currently based on WHO modeling. The country notified an estimated 14,371 TB cases in 2018, the OIG reported.

Key achievements

South Sudan has made progress in the response against the three diseases. For HIV, the OIG noted an increase in the number of sites offering antiretroviral treatment (ART) and prevention of mother to child transmission (PMTCT) services, and the introduction of early infant diagnosis (EID). Consequently, the number of people on ART went up by 102% between 2015 and 2018 but remains very low at 17% (31,586) of all people living with HIV.

The OIG also noted that more health facilities are testing and treating for TB. TB treatment coverage increased from 54% in 2015 to 56% in 2017, and the TB treatment success rate was 80% in 2018 (up from 71% in 2015). Also, more people living with HIV are being tested and treated for TB (96% in 2018 compared to 87% in 2017).

The OIG noted that the coverage of intermittent preventive treatment of malaria in pregnancy (IPTp) increased from 32% in 2013 to 57% in 2017. Increased availability and use of rapid diagnostic tests (RDTs) and microscopy provided by the Global Fund and other partners contributed to increased testing for malaria in children under five. Although South Sudan lacks accurate national malaria case-management data, the WHO estimates that malaria mortality decreased by 20-40% in the period 2010-2015, according to the OIG.

Key issues and risks

The OIG identified some key issues in the Global Fund grants to South Sudan:

- Gaps in the risk mitigation actions required to improve data quality and enhance planning and monitoring of interventions;
- Gaps in governance, oversight and partner coordination
- Weaknesses in the internal controls over quantification, financial, and asset management:

We describe these issues in detail in the next section.

Summary of main findings and related agreed management actions

The OIG highlighted five main findings that resulted in an equal number of agreed management actions (AMAs), which we describe after each finding.

1. Key initiatives aiming to generate quality data not implemented

The country lacks reliable data to make strategic decisions and measure performance, according to the OIG. The OIG notes that the PRs and SRs did not implement some key initiatives that the Secretariat designed earlier to generate quality data. For instance, the country postponed the roll-out of the DHIS2 (District Health Information

Software), to December 2020. This rollout was planned for December 2017.The OIG noted that the delays were due to inadequate funding and staffing at the Monitoring and Evaluation Directorate; challenges in recruitment and retention in the Ministry of Health (MoH); and delays in the roll-out and delivery of equipment necessary to facilitate the roll out of the DHIS2. The delayed roll-out of DHIS2 contributed to delayed Health Management Information System (HMIS) reports in 2017 and 2018.

The country is also yet to finalize key national-level studies and health surveys, including the AIDS Indicator Survey. Some of those studies have not started while others were not completed. This situation is due to inadequate oversight by the respective national disease programs because of insufficient human resource and budget at the MoH. The country has delayed the completion of the National Monitoring and Evaluation Framework by 18 months.

AMA 1: The Secretariat will support efforts to improve program data availability and quality across the three disease programs, by working with the Ministry of Health and other partners to prioritize completion of the key national surveys and studies, and finalize the National Monitoring and Evaluation Framework for the health sector (due by 31 December).

2. Insufficient planning, monitoring and limited accountability over bed-net distribution

The OIG noted that the lack of reliable population data due to the lack of a recent census and the displacement of people has led to difficulties in setting program targets and monitoring performance. Furthermore, the OIG noted insufficient planning and monitoring of the mass campaign for insecticide-treated nets. For instance, the country did not undertake behavioral change and communication (BCC) activities designed to educate users before and during mass campaigns in 2017 and 2018, and distributed the nets outside the malaria peak season. Also, PSI, which is the PR for malaria, the National Malaria Control Program and the County Health Directorates were only able to execute limited supervision during the mass distribution due to in-country challenges.

In 2017, the Global Fund approved South Sudan's use of flexibilities under the Global Fund's COE policy. However, the OIG noted that the implementers made limited use of some flexibilities in the Challenging Operating Environment (COE) policy due to the lack of clearly defined risk appetite. The flexibilities include those that relate to grant revisions and the performance framework. Otherwise, the malaria PR took full advantage of flexibilities on bed-net distribution and the opportunity to use service providers to support distribution.

AMA 2: The Secretariat, in conjunction with the MoH and PR will:

- Develop a time-bound action plan to improve the quality of future mass campaigns;
- Ensure the LFA undertakes a review of accountability for LLIN distribution across the 2018 mass distribution; and
- Clarify the minimum level of evidence required to support flexibilities in the context of LLIN distribution.

(Due by 31 December 2020.)

3. Weak internal controls over financial management, procurement, and management of assets

Although South Sudan grants were better managed than in the past, gaps remain, according to the OIG report. For instance, PSI charges a rate of 7% of Indirect Cost Recovery (ICR) instead of 3% as stipulated in the Global Fund's operational policy manual. ICR are overheads charged by international non-governmental organizations (INGOs) to compensate them for services that their headquarters, regional offices, and/or parent organization provide for grant implementation or oversight. The use of the 7% rate on approximately US$8.3 million of freight and insurance, instead of the 3%, raised the ICR by $300,000 between 2017 and 2018.

The OIG also identified payments without adequate supporting documents and non-competitive procurement practices by PSI and its SRs. The OIG attributed these gaps to inadequate oversight by PSI and limited assurance from the LFA on SR expenditures, which form 35% of all expenditures.

Also, the OIG could not physically verify grant assets under both PRs, worth $340,000 which were recorded in the asset register.

AMA 3: The Secretariat will support the PRs to improve procurement, finance, and asset management controls to safeguard Global Fund investments by ensuring that the PR updates the asset register, and the LFA reviews the fixed-asset register and conducts six-monthly SR expenditure verification reviews (due by 31 October 2020).

4. Gaps in implementation arrangements, governance, oversight, and partner coordination delayed key activities

The OIG noted gaps in implementation arrangements, governance, oversight, and partner coordination, which delayed the execution of key activities. For instance, the Global Fund's policy stipulates that the Country Coordinating Mechanism (CCM) should not be funded directly by the PR to preserve the CCM role of oversight and to avoid conflicts of interest. However, in South Sudan, the PR funds some of the CCM's activities (mainly logistics), according to the OIG.

South Sudan faces challenges coordinating the various partners supporting the health sector, which has impacted program effectiveness at the national and state levels, the OIG said. The poor coordination of donors has led to inefficient use of rare resources as parallel commodity distribution, parallel reporting systems, and delayed implementation of some key activities demonstrate.

The OIG also noted that PSI contracted WHO as a sub-recipient during the previous grant cycle, even though PSI has limited capacity to oversee the UN entity. So, PSI was unable to verify financial and programmatic information from WHO or validate completion by WHO of activities with associated expenditures amounting to $1.1 million.

AMA 4: The Global Fund Secretariat will work with the MoH, the CCM, and the critical partners to develop a timebound Stakeholder Engagement and Coordination plan to strengthen the CCM's engagement with partners and other coordination structures, and map donor contributions to key commodities at facility level across the three diseases (due by 30 September 2020).

5. Poor quantification, forecasting, and supply-chain management led to wastage and stock-outs.

The OIG noted that South Sudan did not use Global Fund-negotiated pooled procurement prices for commodity forecasting. The PRs do not review the forecast accuracy of health commodities for HIV and TB and adjust them timely. The OIG noted that the gaps in quantification and forecasting contributed to stock-outs and expiries of key commodities.

AMA 5: The Secretariat, in collaboration with the PRs, will help to coordinate Technical Working Groups of the Ministry of Health and improve quantification and forecasting, and strengthen the Logistics Management Information System (LMIS). (Due by 31 December 2020.)

Further reading:

- This audit report, Audit report of Global Fund grants in the Republic of South Sudan, 4 November 2019 (GF-OIG-19-021)
- An Investigation Report, Global Fund grants to South Sudan: Caritas Torit, 5 July 2016 (GF-OIG-16-018)
- Audit of Global Fund grants to the Republic of South Sudan, 5 October 2015 (GF-OIG-15-016)

- Audit of Global Fund grants to Population Services International (PSI) South Sudan, 31 October 2011 (GF-OIG-10-019)
- Executive summary, Audit of Global Fund grants to Population Services International (PSI) South Sudan, 31 October 2011 (GF-OIG-10-019).

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