



Independent observer
of the Global Fund

INSPECTOR GENERAL FINDS SIGNIFICANT DEFICIENCIES IN GRANTS TO TANZANIA

An audit conducted by the Global Fund's Office of the Inspector General (OIG) on five Global Fund grants in Tanzania has identified serious problems, particularly in the area of supply chain management and financial and programmatic reporting. The audit was conducted in early 2009 as part of the OIG's regular workplan rather than as the result of any whistle-blower input.

In the area of supply chain management, the OIG found that the inventory management systems being used for Global Fund grants could not be relied upon to provide accurate information. The OIG also found that stock management at service delivery locations was deficient. For example, the audit found that there were missing quantities of artemisinin combination therapies (ACTs) in 2007 representing \$819,000; and that stock-outs of ACTs and antiretrovirals (ARVs) occurred at some health facilities.

The OIG said that unless corrective actions are taken at Tanzania's Medical Stores Department (MSD) and at other key levels of the supply chain, grant resources will be "at risk." (MSD handles all procurement for public sector grant recipients.) The OIG recommended that future disbursements to public sector Global Fund grant recipients be conditional on Tanzania addressing the serious issues in supply chain management.

Also in the procurement area, the OIG found excessive delays in procurement due to capacity shortcomings, lack of coordination in procurement planning and the complex approval process required in government departments. The OIG said that current procedures have resulted in oversupply of ACT in the country, which has led to expired ACTs at all levels of the supply chain. The OIG estimated that the expired ACTs were worth \$130,000.

The OIG attributed some of the problems to serious deficiencies in the computerised inventory control and stock management system used by MSD.

With respect to financial and programmatic reporting, the OIG found that a lack of coordination and information sharing, as well as complex disbursement processes, led to delays in sending grant funds to implementing organisations which, in turn, resulted in delayed implementation of programme activities. Financial reports (mainly, progress updates and disbursement requests) were not prepared and submitted in a timely manner by principal recipients (PRs) to the Global Fund; and it was difficult to verify the accuracy and completeness of, and establish the audit trail for, these reports. The OIG added that there were serious problems in the reporting of performance indicator data for three of the five audited grants.

The OIG found many internal control weaknesses in its review of grant receipts and expenditures at all grant implementing entities. The OIG said that these weaknesses could be attributed to “inadequate supervision of accounting staff, workload issues, high staff turnover and lack of relevant qualified and experienced finance/accounting staff to undertake routine financial control duties.”

In its report, the OIG said that it “cannot give assurance” concerning the accuracy of the financial and programmatic reports prepared by one of the lead implementers, TACAIDS. The OIG found that there were no financial and programmatic reports available from implementing organisations to confirm the figures reported. The OIG recommended that disbursements to TACAIDS for Round 8 grants be conditional on addressing the capacity gaps at TACAIDS.

With respect to grant oversight, the OIG said that “there are multiple players involved in grant oversight in Tanzania with over-lapping responsibilities and inadequately defined roles and responsibilities that invariably leave gaps in ownership and fulfilment of grant oversight responsibilities.”

In conclusion, the OIG noted that the large influx of funds from donor-funded health program initiatives “has overwhelmed the complex bureaucratic processes and procedures of public health sector implementing organizations” such as the Ministry of Health and Social Welfare. “This has resulted in delays in procurement of goods and services for grant implementation that led to Tanzania forfeiting USD 7.6 million of unspent funds at the end of phase 1 for two grants, namely HIV/TB Round 3 and HIV/AIDS Round 4.”

The OIG report contained numerous recommendations for addressing the shortcomings.

In its response, the Government of Tanzania accepted most of the audit findings and stated that it would take appropriate corrective measures. For its part, the Global Fund Secretariat acknowledged that as a result of the massive scale up of health programmes covering the three diseases over the last five years, the health systems in Tanzania have been greatly stretched, resulting in numerous challenges that need to be closely monitored.

A spokesman for the Global Fund Secretariat said in a press interview that contrary to media reports, the Global Fund had not threatened to withdraw funding from Tanzania as a result of the audit’s findings. He said that on the whole, Tanzania’s Global Fund grants have been successful. The spokesman added, however, that the Global Fund has asked the Tanzanian office of the international audit firm PricewaterhouseCoopers to investigate the findings. The Global Fund has committed \$820 million to support programmes to fight HIV/AIDS, TB and malaria in Tanzania; by the end of February, \$384 million of this had been disbursed.

The OIG’s report, entitled “Audit Report on Global Fund Grants to Tanzania” (June 2009) is available at www.theglobalfund.org/documents/oig/Tanzania_Country_Audit_Final_Report.pdf.

