



Audit Report

Global Fund Grants to the Republic of Chad

GF-OIG-18-023
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Geneva, Switzerland

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The Office of the Inspector General (OIG) safeguards the assets, investments, reputation and sustainability of the Global Fund by ensuring that it takes the right action to end the epidemics of AIDS, tuberculosis and malaria. Through audits, investigations and advisory work, it promotes good practice, reduces risk and reports fully and transparently on abuse.

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Audit Report

OIG audits look at systems and processes, both at the Global Fund and in country, to identify the risks that could compromise the organization's mission to end the three epidemics. The OIG generally audits three main areas: risk management, governance and oversight. Overall, the objective of the audit is to improve the effectiveness of the Global Fund to ensure that it has the greatest impact using the funds with which it is entrusted.

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1. Executive Summary

1.1. Opinion

The implementation of Global Fund programs in Chad is complex, due to its weak infrastructure, limited number of health workers and security challenges. For these reasons the Global Fund has classified Chad as a Challenging Operating Environment (COE) and put in place measures to minimize risks and achieve program objectives under the Additional Safeguard Policy (ASP).

The COE and ASP classifications mean the Chad portfolio receives extra attention from the Global Fund, including additional flexibility in implementing the grant programs. Chad has also received Global Fund investments in building country capacity through initiatives such as technical assistance, training and support for the establishment of a project management unit within the Ministry of Health.

Additional safeguard measures, including a Fiscal Agent, limited cash policy, a procurement agent and capacity building support have helped to reduce, but not sufficiently mitigate, significant financial and programmatic risks. The overall grant performance indicators are not improving, raising questions about the effectiveness of these measures.

Despite the challenging environment, Global Fund programs in Chad have increased their capacity to absorb the allocated funds and are piloting the integration of community health workers for malaria and the use of District Health Information System (DHIS2) for tuberculosis.

HIV and TB grant performance has been stagnant since 2013. Neither the HIV nor the TB grant have been rated above B1 (adequate) in the past five years, while the malaria grant rating improved from inadequate (B2) in 2016 to meeting expectations (A2) at the end of 2017. The quality of services and of data – specifically for HIV/AIDS program – remains a concern, and HIV program achievements are limited. A previous 2010 OIG audit found that the number of HIV patients under antiretroviral treatment had been overstated by about 50%. In 2016, the cohort audit initiated by the Global Fund Secretariat and in-country partners confirmed the same finding from the 2010 OIG audit. In response, the number of people registered as being under antiretroviral treatment was reduced by 33%. Furthermore, about one third of current patients are lost to follow-up after one year on treatment. Monitoring of HIV patients under treatment is also weak: only 41% of current patients have had a CD4 test and only 2.3% (1,193 patients) have had viral load testing.

These weaknesses in service quality and data stem from the limited capacity of the Principal Recipient (FOSAP) to oversee program implementation, from overall shortcomings in the supply chain and from a lack of authority from Principal Recipients and National Programs over health districts and regions. The split of regions between the Global Fund and the government has resulted in intervention gaps between Global Fund-led regions and government-led ones. For HIV and malaria programs, the Global Fund and the government divided their regions of intervention for the Prevention of Mother-to-Child Transmission of HIV (PMTCT) and for the procurement and distribution of Insecticide Treated Nets (ITNs). Significant disparities in service provision exist across these regions. For example, the mass campaign to distribute bed nets to prevent malaria reached only 13 out of 19 priority regions – 12 funded by the Global Fund and one region under the country's responsibility (this region was eventually funded by the Global Fund). The remaining six regions under the government's responsibility, covering an estimated 3.8 million people or a quarter of the population, were not covered because of the continuing economic crisis.

1.2. Key achievements

Assurance activities provided by the Local Fund Agent (LFA) and the Country Team.

The OIG recommendation from the 2010 audit report to strengthen the role of the LFA – specifically in financial areas and oversight of the Fiscal Agent – has been addressed effectively. The Local Fund Agent is providing assurance that the funds are being used for the intended purpose and the agent's assessments facilitate the Country Team's decision-making process.

Oversight by the Country Team is improving, specifically regarding the implementation of the Challenging Operating Environment policy and improving flexibility for Chad grants. Reprogramming is performed regularly as needed.

Program achievements:

- Despite the challenging environment, the malaria program has made progress. In the 2016-2018 implementation period, the Global Fund program has successfully distributed bed nets through mass campaigns in 13 out of 19 prioritized regions.
- While malaria remains the most important reason for consultations, hospitalization and mortality in Chad, the program has lowered incidence of all three. The incidence rate fell from 112.5 to 99.74 per 1,000 between 2014 and 2016.
- The tuberculosis program has increased the treatment success rate to 77% in 2017 from 69% in 2010. The mortality rate fell from 34 to 31 per 100,000 between 2006 and 2016.
- For the HIV program, despite stagnant overall performance, between 2010 and 2017 a few achievements were noted - new infections and AIDS-related deaths fell by 8% and 16% respectively.

Initiatives to improve future program impact. While portfolio performance has showed limited improvement over the last few years, the Global Fund Secretariat and in-country implementers have undertaken initiatives to drive progress:

- **Supply chain diagnostic review.** The Global Fund finalized the supply chain diagnostic review in Chad, one of 20 pilot countries planned for such reviews. If the review's recommendations are implemented successfully, the resulting improvements in supply chain could have a positive impact on the treatment and quality of services. This report was published in June 2018.
- **Community outreach intervention.** The HIV and malaria programs are piloting an initiative to train community health workers. Involving community workers is a key element for Chad to ensure it has enough health workers. However, the audit noted that the design of this initiative could be improved. The Ministry of Health recently established a working group to support the community outreach intervention. For the new funding cycle, the Ministry of Health also plans to use a performance based approach to improve future program impact.
- **Capacity building plan for the Ministry of Health.** Although delayed, the UNDP capacity building plan has been finalized and is currently being carried out.

1.3. Key challenges

Additional safeguard measures, though relevant to Chad's context, need improvement. The Principal Recipient, *Fonds de soutien aux activités en matière de population et de lutte contre le SIDA de la République du Tchad* (FOSAP), Country Coordinating Mechanism and the Global Fund Secretariat have not performed a holistic review of the effectiveness of the

measures under the Additional Safeguards Policy (ASP). Some of these measures have been assessed recently (e.g. fiscal agent in 2017 and zero cash policy in 2016) but in the absence of regular assessment, the Global Fund has not been able to significantly improve the results of the ASP measures in Chad.

- Since its implementation, **the Fiscal Agent** has played an important role in mitigating risks related to misuse of grant funds, including a reduction in non-compliant expenditures. The average annual cost of the Fiscal Agent is EUR343,000 (US\$400,000). However, despite this investment in oversight, the overall internal financial controls and procurement processes of the Principal Recipient continue to need improvement, and financial problems persist, including lack of proactive management of issues raised by the external auditors and LFA. The external auditors issued a qualified opinion for the financial statements of the HIV grant in 2017 and for the tuberculosis grant in 2016, and the Local Fund Agent and the external auditor continue to find inadequate supporting documents for payments, including EUR2.8 million of inadequately justified expenditures and EUR300,000 of ineligible expenditure between 2013 and 2017. To ensure better performance in the future, the Fiscal Agent was replaced in early 2018 following an assessment by the Country Team. In the most recent LFA review the amount of ineligible expenditures had reduced to EUR1.9 million.
- The effectiveness of **zero cash policy** has been assessed by the Secretariat in 2016 and replaced by a limited cash policy. Implementer compliance with this policy needs improvement. The Principal Recipient implemented this mechanism inconsistently and was not always flexible in making adjustments based on programmatic priority. This resulted in delays or non-execution of some key activities by Sub-Recipients. Almost 26% of the non-executed activities as of 31 December 2017 were due to the application of the Limited Cash Policy.
- Between 2013 and 2017, the Global Fund grants have invested EUR2.1 million in technical assistance to the Principal Recipient, *Fonds de soutien aux activités en matière de population et de lutte contre le SIDA de la République du Tchad (FOSAP)*. However, this significant investment in technical assistance has failed to deliver meaningful improvements due to the lack of a clear assessment of needs, of a definition of performance indicators against which to gauge progress, and of an exit strategy or roadmap for completion of the support interventions.
- Both planning and implementation of the **UNDP capacity building** plan to prepare the Ministry of Health to assume a Principal Recipient role started late, preventing the Ministry of Health from assuming a Principal Recipient role for Malaria for the 2018-2020 grant cycle.

Quality of service and data is weak. The audit found that the quality of service for HIV interventions remains weak, due to below-average monitoring of patients under antiretroviral treatment. In addition, performance is low in maternal health care for HIV, there are gaps in the design of training for community health workers in the malaria program and overall data quality is weak. In addition to contextual factors outside the Global Fund's control such as the challenging operating environment, limited human resources, inadequate health system infrastructure and limited finance for the health sector, these deficiencies are due to:

- Weak implementation arrangements, such as the lack of authority over health districts/regions for reporting and implementation of the programs, and weak oversight of the Country Coordinating Mechanism.
- The inability of the Chad government to meet its co-financing requirements due to the financial crisis, resulting in stock-outs of key commodities and the inability to distribute bed-nets through mass campaigns in six of 19 priority regions.
- Weak capacity demonstrated by the Principal Recipient, FOSAP, to oversee grant implementation, weak arrangements for supervision visits and a dysfunctional FOSAP Board of Directors.

- Weak supply chain arrangements, such as frequent stock-outs of key drugs, reagents and testing kits for the three diseases.

1.4. Rating:

Needs significant improvement	Objective 1. Measures put in place under the Global Fund’s Additional Safeguard Policy to address country emerging risks as a Challenging Operating Environment.
Needs significant improvement	Objective 2. Implementation arrangements to support sustainable achievements of grant objectives.

1.5. Summary of Agreed Management Actions

The OIG and the Global Fund Secretariat have agreed on four management actions as a result of the audit findings. To address risks relating to the limited effectiveness of Additional Safeguard Policy measures, the Secretariat will conduct a holistic review of their effectiveness and implement changes where necessary.

The Secretariat will review the terms of reference for Fiscal Agents to identify areas where agents can be more efficient and effective, and will develop a corporate approach towards performance management of Fiscal Agents and a communication protocol for periodic performance reviews.

To address risks relating to implementation arrangements gaps which affect the quality of services, the Secretariat will work with the Ministry of Health and in-country technical partners to develop a plan to improve service quality. The plan will include elements to clarify/improve coordination between national programs and regional health structures as well as to improve community health programs.

In response to the finding related to gaps in data quality, and to address risks due to weak supervision arrangements, the Secretariat will request the PRs and the Ministry of Health to develop a plan to ensure adequate supervision coverage and frequency for the Malaria, HIV and TB programs.

2. Background and Context

2.1. Overall Context

Economic and social overview

Chad is a landlocked country in Central Africa, with a large surface area of 1.2 million square kilometers, 47% of which is desert in the north of the country. The population is approximately 15 million people, of whom 76% live in rural areas.

Chad is a low-income country. Its gross national income (GNI) was US\$720 per capita in 2016¹. Chad was ranked 186th of 188 countries on the 2016 Human Development Index.² Due to its high dependence on oil and its price fluctuations, Chad has been experiencing a severe economic crisis that has drastically reduced public resources. The government budget fell from EUR2,370 million in 2014 to EUR790 million in 2017.³ The country has long faced the threat of terrorism and a recurring influx of refugees from neighboring countries such as Sudan, Central African Republic and Nigeria – 411,482 by 31 December 2017, according to the United Nations High Commissioner for Refugees (UNHCR).⁴ All of these circumstances place additional burdens on an already weakened health system.

Health sector structure




The health system in Chad has four levels: the central (national) level, 23 regions, 138 districts and 1,652 peripheral units. The central level includes the Ministry of Health, national programs and tertiary reference hospitals, whose mission is to develop national health policy, regulate the system and mobilize resources. The national hospitals organize and deliver tertiary referral health care. At the intermediate level, 23 regional health delegations are responsible for regional coordination of implementation of the national strategic plan and provide technical support to the peripheral level. Each health district includes a district hospital and subordinate health centers. Each responsibility zone is managed by a nurse or a midwife and covers 5,000 to 10,000 inhabitants. The mission of responsibility zones is to provide a basic package of services.

The Global Fund provides support by sharing responsibility with the government either on a regional basis or on the basis of the funding allocation. For the 2016-2018 grant implementation period, the government committed to funding 34% of HIV drugs, managing the prevention of mother-to-child transmission (PMTCT) programs in 13 regions, funding 15% of anti-tuberculosis drugs and distributing bed nets in seven regions (mass campaign and routine distribution). Domestic expenditure on health averaged 7% of the national budget over the implementation period.

2.2. Differentiation Category for Country Audits

The Global Fund has classified the countries in which it finances programs into three portfolio categories: focused, core and high impact. These categories are primarily defined by size of allocation amount, disease burden and impact on the Global Fund's mission to end the three epidemics.

Chad is classified as:

-  Focused: (Smaller portfolios, lower disease burden, lower mission risk)
-  **X Core: (Larger portfolios, higher disease burden, higher risk)**
-  High Impact: (Very large portfolio, mission critical disease burden)

¹ World Bank – GNI per capita in Chad

² UNDP – Human Development Index

³ CCM report - counterparty financing in Chad between 2014 and 2017

⁴ UNHCR – Chad profile

X Challenging Operating Environment

X Additional Safeguard Policy

2.3. Global Fund Grants in the Country

The Global Fund has invested EUR188 million (US\$236 million) in Chad since 2003.⁵ Of the three grants audited (see table below), one ended on 30 June 2018 (malaria) and the others will end on 31 December 2018 (HIV and tuberculosis). A new malaria grant of EUR33.5 million (US\$39 million) has been signed for the period 2018–2020.

The HIV and tuberculosis grants have been implemented by a government Principal Recipient, FOSAP, since 2004. The malaria grant has been implemented by UNDP since 2009; in prior funding years, FOSAP implemented a malaria grant between 2013 and 2015.

Grant number	Principal Recipient	Period	Signed amount EUR for 2016–2018
TCD-H-FOSAP	Fonds de soutien aux activités en matière de population et de lutte contre le SIDA de la République du Tchad (FOSAP)	January 1, 2016 to December 31, 2018	34,575,742
TCD-M-UNDP	United Nations Development Programme (UNDP)	January 1, 2016 to June 30, 2018	57,583,180 ⁶
TCD-T-FOSAP	Fonds de soutien aux activités en matière de population et de lutte contre le SIDA de la République du Tchad (FOSAP)	January 1, 2016 to December 31, 2018	4,994,743
Total			97,153,665

⁵ The Global Fund – Chad profile

⁶ Grant signed amount does not include the existing cash balance in country

2.4. The Three Diseases⁷

HIV/AIDS:



HIV in Chad accounts for 0.63 % of the global HIV burden. The 2016 audit of the cohort in anti-retroviral treatment (ART) led to a reduction by 33% of the registered number of people actually receiving ART from 66,014 to 44,207.

ART coverage increased from 36% in 2015 to 47% in 2017.

HIV/tuberculosis co-infection: 86% of tuberculosis patients have the HIV test result in the tuberculosis register; for HIV patients, 118% (685) of target of 581 HIV-infected tuberculosis patients receiving ART.

110,000 people estimated to be living with HIV in Chad in 2017.

HIV prevalence in the general population fell from 3.3% in 2010 to 1.3% in 2017.

New infections fell to 4,800 (in 2016) from 5,000 (in 2015) and 5,800 (in 2014).

Malaria:



Malaria in Chad accounts for 2% of the global malaria burden.

Malaria remains the most prominent reason for consultation, hospitalization and mortality in Chad.

2016 incidence rate fell to 99.74 from 112.5 (in 2014) per 100.000 people.

2016 hospitalization rate fell from 36.15% to 30.9% between 2014 and 2016.

2016 mortality rate of children under 5 due to malaria was 3.8%, compared to 5.47% in 2014.

Tuberculosis:



Chad accounts for 0.22 % of the global tuberculosis burden. The number of tuberculosis cases notified in all forms increased by 8% from 11,077 in 2016 to 11,942 in 2017.

The tuberculosis treatment success rate increased from 69% in 2010 to 77% in 2017 but is still far from the rate of 90% recommended by the World Health Organization (WHO).

The incidence rate (all cases) has been stable for 10 years at an average of 153/100,000 people.

The mortality rate fell to 31/100,000 people in 2016 from 34/100,000 people in 2006.

⁷ Summarized from latest country funding requests and the Global Fund Secretariat Briefing notes, funding request 2018-2020, and the 2017 UNAIDS, WHO TB and World Malaria reports

3. The Audit at a Glance

3.1. Objectives

The audit sought to give the Global Fund Board reasonable assurance as to the effectiveness and adequacy of controls and processes over Global Fund grants to Chad in supporting the achievement of the grant objectives. In particular, the OIG audit reviewed the adequacy of design and the effectiveness of:

- Measures put in place under the Global Fund’s Additional Safeguard Policy to address country emerging risks as a Challenging Operating Environment; and
- Implementation arrangements to support sustainable achievements of grant objectives.

3.2. Scope and Methodology

The audit covered the period between January 2016 and 31 December 2017. All the active grants and the Principal Recipients, at the time of the audit, were included in the scope. Auditors visited 20 health facilities including hospitals and health centers in N’Djamena, met with the Principal Recipients and their Sub-Recipients, the Fiscal Agent, the Local Fund Agent, the Country Coordination Mechanism and some in-country partners. The audit did not include the Global Fund’s Pooled Procurement Mechanism (PPM) activities and the in-country supply chain because the Global Fund Secretariat’s supply chain diagnostic project includes Chad as one of the countries piloted for a supply chain diagnostic review.

The United Nations General Assembly has adopted a series of resolutions and rules which create a framework known as the “Single Audit Principle”. Under this framework, the United Nations and its subsidiaries do not consent to third parties accessing their books and records. All audits and investigations are conducted by the UN’s own oversight bodies. The Global Fund Board and its committees have considered this assurance over funds managed by UNDP and other UN subsidiary bodies and rely on the assurance provided by these UN oversight bodies. Accordingly the OIG did not audit UNDP expenditures.

3.3. Progress on Previously Identified Issues

The OIG previously audited the Global Fund grants to Chad in 2010. All agreed management actions resulting from that audit and followed up by the OIG have been implemented by the Global Fund Secretariat and in-country stakeholders.

Previous relevant OIG audit work

[GF-OIG-10-017 Audit of Global Fund Grants to the Republic of Chad](#)

4. Findings

4.1. Measures under Additional Safeguard Policy in Chad have limited effectiveness

The Global Fund classifies Chad as a Challenging Operating Environment and the country is rated as very high risk according to the Global Fund's External Risk Index. Since 2009, the Global Fund Secretariat has invoked the Additional Safeguard Policy in Chad due to historic issues around transparency of the Principal Recipient selection process, the security context and irregularities in financial management.

The implementation of Additional Safeguard and Challenging Operating Environment policies has improved grant absorption rates and financial performance, by putting in place accounting systems and controls over advance payments. In particular, financial management of the tuberculosis program has improved significantly: in 2017 its financial statements received an unqualified opinion from the External Auditor for the first time in 5 years and the program reduced the level of unsupported expenditures. OIG site visits confirmed that the tuberculosis program has been managed well at the health facilities level, including improved documentation of patients' data and management of tuberculosis drugs.

The Secretariat has continuously applied the Challenging Operating Environment policy in Chad, focusing on improving flexibility, partnerships and innovative approaches. This includes approving regular changes of activities through reprogramming based on program needs and stepping in when necessary; for example through emergency procurement.

In line with the Additional Safeguard Policy, the Secretariat has put in place a Fiscal Agent, international technical assistance, a zero/limited cash policy, third-party procurement agents and country capacity building. However, the effectiveness of these measures has not been consistently and fully evaluated.

(i) *Improving financial accountability through the Fiscal Agent*

Since 2009, a Fiscal Agent has been in place for one of the Principal Recipients, FOSAP, at an average cost of EUR343,000 (US\$400,000) per year. The main roles of the Fiscal Agent include reducing the risk of fraud, misuse and ineligible expenditures, by checking the adequacy of supporting documents for payments, and supporting the Principal Recipient's reporting to the Global Fund. However, despite the relatively large investment in the Fiscal Agent, the audit noted the following gaps in performance and implementation arrangements:

- **Review of supporting documents for payments is inadequate.** Though the Fiscal Agent has made progress in reducing non-compliant expenditures from Round based grants to New Funding Model (NFM) grants, it has not yet been effective in improving the quality of supporting documents to support grant expenditures; this has resulted in significant volumes of non-justified amounts as identified by the Local Fund Agent and External Auditors, totaling EUR 3.1 million, particularly for the HIV grant. The Local Fund Agent also identified a suspected fraud regarding a procurement initiated by one Sub-Recipient that had been previously reviewed by the Fiscal Agent (on-going review). While marginal improvements were noted, the overall Principal Recipient accounting and reporting processes are still ineffective, as shown by the qualified opinions issued by the External Auditor for the HIV grants (from 2013 to 2017) and tuberculosis grants (until 2016). The qualified opinions are due to a weak accounting reconciliation process

between the financial statements and the progress update/disbursement requests, and the non-reporting of sub recipient expenditures in the PR's financial statements.

- **Evaluation process.** The Global Fund Secretariat has regularly reviewed the work performed by the Fiscal Agent and provided feedback on areas that need improvement. However, the Secretariat has not established detailed expectations such as key performance indicators (KPIs) for each agreed objective, therefore it is difficult to assess whether objectives have been achieved. For example, one role of the Fiscal Agent is to reduce ineligible expenditures, but this objective is not elaborated further and no quantitative measures are established. Despite problems being noticed in 2015, the lack of adequate evaluative measures led to a delay in replacing the underperforming Fiscal Agent.

(ii) *Improving Sub-Recipient financial accountability through the Zero/Limited Cash Policy*

The Zero Cash Policy enables the Principal Recipient to make direct payments to third parties without passing through Sub- and Sub-Sub-Recipients. It was replaced with the Limited Cash Policy at the beginning of the 2016-2018 implementation period, which requires Sub- and Sub-Sub-Recipients to justify 80% of advance payments received with adequate documentation before any new disbursement takes place. Both policies are aimed at improving Sub-Recipients' accountability but the latter gives more responsibility to Sub- and Sub-Sub Recipients. The application of the Limited Cash policy reduced the outstanding advance payments to Sub-Recipients to a total of 6% of the EUR1.8 million total payment to Sub and sub-sub recipients for the cumulative grant period up to 31 December 2017. However, the audit noted that the policy is implemented inconsistently and has limited flexibility to adjust based on program needs. As a consequence, key activities of the national HIV program (*Programme sectoriel de lutte contre le SIDA*, or PSLs), such as supervision, training and data validation, are not being performed, due to Sub-Sub-Recipients at regional and district level not being able to justify 80% of expenditures in advance. Out of all the activities budgeted and planned to be performed by the end of 2017, almost 26% (EUR1.8 million out of a budget of EUR 7 million) were not executed due to the limited capacity of Sub- and Sub-Sub-recipients to comply with the Limited Cash Policy.

The Limited Cash Policy is inconsistently applied. Some Sub-Sub-Recipients are allowed to receive further disbursement regardless of the 80% justification requirement. On the other hand, some well-performing Sub-Sub-Recipients are penalized due to the underperformance of other Sub-Sub-Recipients under the same Sub-Recipient.

(iii) *Building country capacity: FOSAP technical assistance and UNDP capacity building.*

For the 2015-2017 period, the Global Fund allocated EUR 3.5 million from the grants to build the capacity of FOSAP and the Ministry of Health. In addition, budgets were allocated for other capacity building activities, including training for government health and community health workers.

FOSAP international technical assistance:

From 2013 to 2017, FOSAP was supported with eight international technical assistance packages (EUR 2.1 million) in areas such as finance, public health, monitoring and evaluation, procurement and supply chain, and internal audit, as indicated by the Local Fund Agent. Despite these significant investments in technical assistance over several years, no needs analysis has been performed to identify the capacity gaps and actual weaknesses that the TA interventions are intended to address. In the absence of such analysis, the technical assistance provided is neither specific nor targeted.

In addition, no key performance indicators have been defined to assess progress in the different areas supported with technical assistance. Thus, no evaluative mechanism exists to gauge the impact the investments in technical assistance and to take corrective measures as needed.

There is also no timeline or exit strategy defining the timelines for the implementation of the technical assistance activities or the success indicators that would eventually trigger the conclusion of those interventions.

As a result of these weaknesses, substantial investments in technical assistance over several years in Chad have not yielded notable improvements. Significant capacity gaps remain in key areas such as HIV programmatic implementation or financial management capability. There is also a risk of creating over-reliance on technical assistance resources and a related failure to build local capacity in the long term. For example, several years after the initiation of this support, technical assistance staff still perform tasks such as reviewing Sub-Recipient financial supporting documents or preparing reports for the Global Fund, as local staff have not been trained to discharge these responsibilities. The recruitment of a national procurement and supply chain expert is proving challenging due to a shortage of skilled candidates.

UNDP capacity building

In every ASP country where it operates, the Global Fund expects UNDP⁸ to fulfil two objectives: program implementation and capacity building. UNDP Chad was designated as a Principal Recipient in 2009 and since then has been responsible for managing grants through the *Programme d'appui à la lutte antipaludique au Tchad* (PALAT), while providing the necessary technical support to the National Malaria Control Program (NMCP). Although UNDP Chad has been a Principal Recipient since 2009, it did not prepare a formal capacity building and transition plan, and the Global Fund Secretariat did not request one until March 2016. In March 2016, the Global Fund Secretariat formally requested that UNDP prepare a coordinated plan by September 2016 to enable capacity building and a transition of the Principal Recipient role to the Ministry of Health by September 2016.

Despite the deadline of September 2016 to draw up the capacity building plan, UNDP started preparing the plan only in March 2017. In late September 2017, UNDP finalized the capacity building plan, which focused on establishing and developing the capacity of the Project Management Unit and other entities within the Ministry of Health. The Project Management Unit was established in October 2017 and is expected to manage funds from other donors, such as GAVI and the French government. The Global Fund's contribution to the capacity building is estimated around EUR1.4 million. According to UNDP Chad, its Global Fund program for Malaria (UNDP PALAT) was not in a position to prepare and implement capacity building and transition plan until the appointment of the future Principal Recipient and its beneficiaries.

The UNDP capacity building plan was delayed due to the limited readiness of Ministry of Health structures and the lengthy process within UNDP to prepare the plan. As a result, at the audit date (early June 2018⁹) less than 40% of the capacity building activities planned had been finalized and therefore, national structures may not be able to assume a Principal Recipient role until after the 2018-2020 Implementation Period.

⁸ As per the ASP manual, the Principal Recipient is expected to build local capacity and ensure local entities are capable of taking over the implementation of the portfolio once the ASP is revoked.

⁹ At the end of June 2018, after audit fieldwork ended, UNDP reported to the Global Fund a completion rate of 86% on the capacity building plan.

Agreed Management Action 1:

The Secretariat will conduct a holistic review of the effectiveness of the measures under the Additional Safeguards Policy (ASP) and implement changes to the arrangements where needed based on the findings of this review.

Owner: Mark Edington

Due date: 31 December 2019

Agreed Management Action 2:

The Secretariat will perform the following actions that relate to the work of Fiscal Agents:

- Review the terms of reference of the Fiscal Agent to identify areas where the agent can be more efficient and effective, including ensuring that terms of reference prescribes key performance indicators for each agreed objective.
- Develop a corporate approach on the performance management of Fiscal Agents and communication protocol on the periodic performance reviews.

Owner: Jacques LePape

Due date: 31 December 2019

4.2. Gaps in implementation arrangements have affected the quality of services provided to patients

By the end of 2017, Chad's capacity to absorb Global Fund grants had improved significantly since the previous period; in particular, the absorption rate for the HIV program improved from 48% in 2013 to 67% in 2017, and for the tuberculosis program from 43% in 2013 to 82% in 2017 (the malaria program remained at 84% for 2013 and 2017).

However, HIV and TB grant performance has stagnated since 2013. Neither the HIV nor the TB grant have been rated above B1 (adequate) in the past five years, while the malaria grant rating improved from inadequate (B2) in 2016 to meets expectations (A2) at the end of 2017. Despite measures implemented to improve performance, to simplify implementation arrangements (for example, by reducing the number of Principal Recipients and Sub-Recipients) and to ensure that grant objectives are achieved, quality of services remains a concern.

Weak monitoring of patients under antiretroviral treatment. The OIG audit in 2010 highlighted that the number of patients receiving antiretroviral treatment had been overstated by about 50%. As a follow-up measure, at the end of 2016 the Country Team commissioned a cohort audit to assess the reliability of the number of registered HIV patients. The study confirmed the OIG's 2010 finding of overstated patient numbers, which led to a reduction of the number of registered patients by 33%, from 66,014 to 44,207. The current audit further noted ineffective monitoring of people under antiretroviral treatment and the lack of an adequate process to ensure that treatment is effective, through regular monitoring of Viral Load and CD4 testing. Only 1.08% of expected Viral Load tests¹⁰, a key tenet of the performance framework, were performed (1,029 out of 97,530) and only 41 % of patients accessed CD4 testing. CD4 and Viral Load testing were low because the number of viral load and CD4 equipment was limited, the maintenance process was weak and reagent stock outs were frequent. In addition, weak monitoring of patients under antiretroviral treatment has contributed to the high proportion – one third – of patients lost to follow-up after a year of treatment.

Low performance of maternal healthcare (HIV and malaria) and lack of community network: The Global Fund supports implementation of PMTCT activities in 10 regions and Intermittent Preventive Treatment of malaria in pregnancy (IPTp) in all regions. Achievement of both of these key indicators is low: 29%¹¹ for PMTCT and 63%¹² for IPTp. The audit found that one of the main reasons for these low achievements was poor procurement and supply chain management, leading to stock-outs of anti-malaria drugs for IPTp and of rapid diagnostic test kits (RDTs). A second reason is the inadequate support to help pregnant women reach these services. Structural barriers for access to maternal and child health services, such as distance to health centers and costs associated with medical follow-up of pregnant women, hinder the achievement of PMTCT and IPTp targets. Some activities in the grant agreement, such as training antenatal health providers, have been only partially effective. These activities can work effectively in well-serviced urban environments where there is better availability of maternity services and a more affluent population. However, in the context of Chad where 76% of the population live in rural areas, activities pertaining to community outreach through qualified traditional birth assistants and/or mobile clinics, which have been used in similar contexts, were not considered. Furthermore, the lack of a community network to follow up with pregnant women is another reason for low performance in achieving these indicators.

¹⁰ Impact outcome indicators

¹¹ Progress Update S1-2017, TCD-H-FOSAP, Result is 1,644 of 16,009 or 10.26%; and 1,644 of target 5,653 (29%)

¹² PU/DR S2-2017, TCD-M-UNDP, Result is 144,715 of 515,593 or 28%; and 144,714 of target 223,093 (63%)

Gaps in the design of the malaria community health program. Community health workers have an important role to play in Chad due to the limited available human resources. Chad has only 2.7 health workers and 0.96 health facilities per 10,000 inhabitants, far below WHO standards of 23 health workers and 2 health facilities per 10,000 inhabitants. These two factors may affect the scale-up of the malaria program and the quality of services provided.

The Chad government is in the process of unifying Integrated Community Case Management (iCCM). The government has established a working group that includes various health partners, with a mandate to develop an updated and harmonized community health system strategy.

Through one of its Sub-Recipients, World Vision, the UNDP Global Fund program in Chad is piloting the use of community outreach to provide malaria tests and first-line treatment in communities. The pilot is being implemented in two regions, Mandoul and Moyen Chari, with 912 community health workers. The review of these activities noted some gaps, including:

- **Absence of continuous training and supervision throughout the process:** While each community health worker received five days of training for the treatment of simple malaria, World Vision does not provide further coaching of community health workers to refresh their knowledge and assist them in solving bottlenecks. As a result, the quality of services provided by the community health workers is weak, as noted by the National Malaria Program (PNLP) during supervision visits. PNLN supervisions at two piloted regions highlighted that prescriptions provided by community health workers do not always follow national guidelines. Being newly recruited and not having public health expertise, some community health workers do not fully understand how to diagnose malaria or do not have enough knowledge of clinical investigation.
- **Absence of mechanism to identify lessons learned during the pilot:** World Vision does not have a process or mechanism to document lessons learned. As a consequence, the program is not able to use lessons learned to improve its efficiency and enable the program to be scaled up.

These gaps arose because the implementation arrangements of the iCCM component of the malaria grant lack implementation monitoring tools, such as an operationalization manual or pilot phase evaluation arrangements.

The weak quality of service is due to:

(i) *Gaps in Principal Recipient oversight of grant implementation*

- **Principal Recipients lack formal authority** over national hospitals, and regional and district authorities in terms of reporting and implementing the program. Both Principal Recipients in Chad, FOSAP and UNDP, are entities outside Ministry of Health structures and have no formal authority from the Ministry of Health to oversee the reporting process. While the two implementers are working with National Programs as sub-recipients, the programs have no formal authority over regional structures in charge of health services.
- Although FOSAP has a board of directors, the board did not meet from 2016 to 2018.

(ii) *Weak country supply chain arrangements.*

A supply chain diagnostic review, sponsored by the Global Fund, identified significant gaps in the current supply arrangements, such as insufficient, unaffordable and poor quality health products, and inappropriate health product use.¹³ The OIG audit and LFA reports confirmed

¹³ The Supply Chain Diagnostic Review is part of pilot covering 20 selected countries that aims to improve supply chain performance

these findings. Stock-outs lasting at least one month were noted in 11 of 18 HIV sites, five of six tuberculosis sites and 12 of 17 malaria sites. For example:

- 7 of 8 HIV sites experienced stock-outs of CD4 reagent, and 12 of 17 HIV sites and nine of 17 malaria sites experienced stock-outs of rapid diagnostic tests.
- Six of 12 malaria sites had drugs with less than 2 weeks shelf-life remaining.
- The General Reference National Hospital in N'Djamena experienced a stock-out of viral load reagents for at least 6 months at the end of 2017 and beginning of 2018.
- The whole country experienced a stock-out of pediatric tuberculosis drugs lasting from September 2017 to January 2018.

(iii) Country context/government commitment

As per the CCM co-financing report¹⁴, Chad was not able to meet the co-financing requirement for NFM1 because of the financial crisis that started in 2015. This resulted in stock-outs of tuberculosis and HIV drugs, as noted during the OIG site visits, specifically of reagents, pediatric antiretroviral drugs and pediatric tuberculosis drugs. The mass bed net campaign that was intended to cover 19 prioritized regions only covered 13 regions (estimated 75% of the population or 3.8 million people) because the government could not provide its contribution for seven regions (one additional region was covered by the Global Fund using program savings). Limited action was taken to reduce the magnitude of stock-outs: the Global Fund made an emergency procurement of antiretroviral drugs at the end of 2016 and the French government provided EUR1.5 million to procure antiretroviral drugs.

Considering Chad is classified as a “Challenging Operating Environment” (COE) and is facing a serious economic crisis, the Global Fund waived the government’s co-financing requirement for NFM1 (2014-2016) in order to fill gaps in essential services and achieve impact. For NFM2 (2017-2019), Chad has proposed a revision to the government contribution for essential services (procurement of drugs etc.) which will be reviewed by the TRP and the Secretariat as part of the grant-making.

Agreed Management Action 3

The Secretariat will work with the Ministry of Health and in-country technical partners to develop a plan to improve quality of services. The plan will include elements to clarify/improve coordination between national programs and regional health structures as well as to improve community health programs.

Owner: Mark Edington

Due date: 31 December 2019

¹⁴ Report 2014 - 2017. Follow-up on the implementation of counterpart funding NFM, Multi-sectoral Committee for the Follow-up of the Implementation of Counterpart Financing under the New Global Fund Financing Model (NFM)

4.3. Gaps in data quality due to weak supervision arrangement

Chad's health data reporting system is not able to accommodate Global Fund data disaggregation requirements for the three diseases. The process for data collection in Chad is still paper-based, including at central level. This has resulted in parallel systems for data collection, put in place by the Principal Recipients. The District Health Information System (DHIS2) pilot is ongoing for tuberculosis data collection but only in the capital, N'Djamena.

Between 2016 and 2018, a significant amount of Global Fund grants for the three diseases was budgeted for supervision activities – EUR6.5 million – including for data quality and data validation activities. While average data completeness is good – 82% for HIV, 75% for tuberculosis and 95% for malaria, expressed as percentage of districts/regions reporting data to national programs – data timeliness and especially data accuracy represent a concern. In particular, while deadlines for data reporting are established at each level of the health system and controls for data completeness and accuracy are in place, both the accuracy and timeliness of HIV data are low. Data accuracy and timeliness are better for malaria and tuberculosis.

- The same number of people living with HIV under ART was reported for five consecutive quarters during 2017 and 2018 by three hospitals – 2,904 patients – even though changes in the cohort were registered during the same period, with new HIV cases and patients lost to follow-up;
- In 11 of the 16 malaria health facilities visited in N'Djamena, OIG identified a 10% average difference between the number of new malaria cases tested by RDTs and reported by health facilities, and the number in patient registers;
- Reports are not transmitted on a quarterly basis to national programs, as required by national guidelines – data was reported in 2017 for 2 quarters or less, for both HIV (in five of 23 regions) and tuberculosis (in four of 23 regions). For malaria, 1 hospital and 1 health Facility in N'Djamena did not report any data for 1 quarter (Q4 2017);
- Data validation was performed in only 7 of 13 sites visited for HIV, four of 9 sites visited for tuberculosis and nine of 16 sites visited for malaria.

Paper-based reporting and the need to obtain data from remote regions make it difficult to obtain accurate, complete and timely data. Furthermore, the data validation process is overly dependent on supervision activities, and the existing reporting lines have limitations. For example, national hospitals report data directly to the Ministry of Health, and do not necessarily share it with each national program. Incomplete, inaccurate or untimely data can lead to incorrect and inconsistent reporting of performance.

The weak quality of data is due in part to weak arrangements for supervision visits. Supervision tools such as guides, templates and terms of reference are available at the national program level. However, coverage and frequency of supervision activities by the national program is limited for HIV (10 of 23 regions have had no national program supervision since 2016) and tuberculosis (only 2 out of 4 national program supervisions performed in 2017). Supervision is better for malaria (each region has been covered at least once in the past 12 months). The main causes of the low achievement of supervision objectives are the late on-boarding of national programs as Sub-Recipients (August 2016 for HIV and tuberculosis, May 2016 for malaria) and the late justification of the initial advances received by the Sub-Recipients.

Agreed Management Action 4

The Secretariat will request the PRs and the Ministry of Health to develop a plan to ensure adequate supervision coverage and frequency for the Malaria, HIV and TB programs.

Owner: Mark Edington

Due date: 31 December 2019

5. Table of Agreed Actions

Agreed Management Action	Target date	Owner
<p>1. The Secretariat will conduct a holistic review of the effectiveness of the measures under the Additional Safeguards Policy (ASP) and implement changes to the arrangements where needed based on the findings of this review.</p>	31 December 2019	Mark Edington
<p>2. The Secretariat will perform the following actions that relate to the work of Fiscal Agents:</p> <ul style="list-style-type: none"> • Review the terms of reference of the Fiscal Agent to identify areas where the agent can be more efficient and effective, including ensuring that terms of reference prescribes key performance indicators for each agreed objective. • Develop a corporate approach on the performance management of Fiscal Agents and communication protocol on the periodic performance reviews. 	31 December 2019	Jacques LePape
<p>3. The Secretariat will work with the Ministry of Health and in-country technical partners to develop a plan to improve quality of services. The plan will include elements to clarify/improve coordination between national programs and regional health structures as well as to improve community health programs.</p>	31 December 2019	Mark Edington
<p>4. The Secretariat will request the PRs and the Ministry of Health to develop a plan to ensure adequate supervision coverage and frequency for the Malaria, HIV and TB programs.</p>	31 December 2019	Mark Edington

Annex A: General Audit Rating Classification

Effective	No issues or few minor issues noted. Internal controls, governance and risk management processes are adequately designed, consistently well implemented, and effective to provide reasonable assurance that the objectives will be met.
Partially Effective	Moderate issues noted. Internal controls, governance and risk management practices are adequately designed, generally well implemented, but one or a limited number of issues were identified that may present a moderate risk to the achievement of the objectives.
Needs significant improvement	One or few significant issues noted. Internal controls, governance and risk management practices have some weaknesses in design or operating effectiveness such that, until they are addressed, there is not yet reasonable assurance that the objectives are likely to be met.
Ineffective	Multiple significant and/or (a) material issue(s) noted. Internal controls, governance and risk management processes are not adequately designed and/or are not generally effective. The nature of these issues is such that the achievement of objectives is seriously compromised.

Annex B: Methodology

The OIG audits in accordance with the global Institute of Internal Auditors' (IIA) definition of internal auditing, international standards for the professional practice of internal auditing (Standards) and code of ethics. These Standards help ensure the quality and professionalism of the OIG's work.

The principles and details of the OIG's audit approach are described in its Charter, Audit Manual, Code of Conduct and specific terms of reference for each engagement. These help our auditors to provide high quality professional work, and to operate efficiently and effectively. They also help safeguard the independence of the OIG's auditors and the integrity of their work. The OIG's Audit Manual contains detailed instructions for carrying out its audits, in line with the appropriate standards and expected quality.

The scope of OIG audits may be specific or broad, depending on the context, and covers risk management, governance and internal controls. Audits test and evaluate supervisory and control systems to determine whether risk is managed appropriately. Detailed testing takes place across the Global Fund as well as of grant recipients, and is used to provide specific assessments of the different areas of the organization's' activities. Other sources of evidence, such as the work of other auditors/assurance providers, are also used to support the conclusions.

OIG audits typically involve an examination of programs, operations, management systems and procedures of bodies and institutions that manage Global Fund funds, to assess whether they are achieving economy, efficiency and effectiveness in the use of those resources. They may include a review of inputs (financial, human, material, organizational or regulatory means needed for the implementation of the program), outputs (deliverables of the program), results (immediate effects of the program on beneficiaries) and impacts (long-term changes in society that are attributable to Global Fund support).

Audits cover a wide range of topics with a particular focus on issues related to the impact of Global Fund investments, procurement and supply chain management, change management, and key financial and fiduciary controls./