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Audit of Grants to Central African Republic Highlights Difficulties of Operating in Challenging Environments

The report on the audit conducted by the Office of the Inspector General (OIG) on grants in the Central African Republic (CAR) paints a picture of principal recipients trying to implement programmes in an extremely challenging environment, where grant funds are exposed to serious risk and the grants are not succeeding very well – partly because of their own deficiencies and partly because of the measures implemented by the Global Fund Secretariat to minimise the risk.

Because little progress has been made implementing programmes, the OIG said, grant work plans and budgets were out of date and no longer achievable.

The audit, which was conducted in May–July 2012, focused primarily on three grants from Rounds 7–9 with a total value of $40.5 million, of which $19.3 million had been disbursed at the time of the audit. The principal recipients (PRs) involved were the National AIDS Committee and the Ministry of Public Health, Population and Fight Against HIV/AIDS.

(See previous article in this issue for information on findings by the OIG of unsupported and unbudgeted expenditures.)

The OIG said that the expectations placed on the CAR for reporting, management and oversight were not realistic. At the time of the audit, the OIG said, necessary support from the Global Fund and implementing partners, particularly for capacity building, had been insufficient.

“The findings and the conclusions of this report raise questions about the suitability of performance-based funding as practiced by the Global Fund in countries hampered by significant infrastructure and capacity challenges," the OIG said.

The audit report noted that the CAR is a country with an extremely weak infrastructure. There is no electricity in most parts of the country. Less than 3% of the roads are paved. Transportation is unreliable. Mobile phone coverage is limited.

The OIG said that the country is in a permanent state of heightened security. There is armed conflict on the CAR's borders with Chad, Sudan, South Sudan and the Democratic Republic of Congo. The conflicts contribute to periodic famines which, in turn, create large refugee flows.

The CAR is ranked 179th out of 187 countries in terms of life expectancy (source: UNDP Human Development Report 2011). The OIG said the HIV, TB and malaria programmes are dependent on money from the Global Fund because other donors have either withdrawn their support or are in the process of doing so.

The OIG said that at the time of the audit, the country's data and reporting systems were not sufficiently reliable to yield accurate and precise information.

According to the OIG, weaknesses in the capacity of the PR contributed to the poor performance of the grants. There were considerable delays in the submission of disbursement requests by the PR. Drug stock-outs were frequent; some antimalarial and anti-TB drugs were out of stock for more than one year.

In order to minimise stock-outs, in 2010 the Global Fund required that its voluntary pooled procurement (VPP) mechanism be used for all drug purchases. However, the OIG said, the CAR did not have sufficient forecasting capacity. Delays in forecasting led to significant delays in procurement. The stockouts continued, the OIG said, "ultimately resulting in the paralysis of program activities."

Financial and procurement management

The audit revealed significant weaknesses in financial management by the PRs. For example, there were no regular cash reconciliations; the accounting systems were inadequate; and there were no fixed asset registers.

The OIG said that there were a number of irregularities in the procurement process, including no evidence that competitive quotes were requested and no justification provided for not proceeding with the lowest priced bidder.

Oversight

Secretariat

The OIG said that as a result of problems with the grant, the Global Fund Secretariat froze all disbursements in February 2010 and did not initially approve Phase 2 of the Round 7 HIV grant in March 2011. During that period, the OIG said, the Secretariat put in place a number of significant safeguards on oversight and control in an attempt to better manage risks – including strengthening the local fund agent (LFA) team and installing a fiduciary agent to increase the oversight of grant monies. The OIG said that these risk mitigation measures had slowed grant implementation.

In addition, the OIG said, the PRs, the fiduciary agents and the LFA would have benefitted from greater "hands-on" supervision and involvement from the Global Fund team. Between January 2009 and June 2012, the Global Fund Secretariat made only three duty trips to the country; this was not consistent with the risk profile of the country, the OIG said. (The OIG noted that since the audit was completed in June 2012, the Country Team has conducted three missions to the CAR.)

Local fund agent

The OIG observed a number of good practices on the part of the LFA. (The LFA is not named in the audit report; according to the Global Fund website, it is PricewaterhouseCoppers.) Nevertheless, the OIG said, the LFA failed to adopt a proactive approach to reviewing grant activities, such as sharing its findings with the PRs at the end of each visit and advising on innovative ways to tackle the unique challenges in the CAR.

Country coordinating mechanism

The OIG said that there were no defined roles and responsibilities for the country coordinating mechanism (CCM) or its members, and no monitoring of grant outcomes or bottlenecks. Information on grant implementation was not used to anticipate and prevent future problems.

Despite the presence of a conflict of interest (COI) policy, the OIG said, COI declarations are not routinely disclosed or discussed by CCM members. "This has led to a number of actual conflicts of interest including PRs participating in CCM decision-making."

Recommendations

The OIG recommended, as the highest priority, that the implementers, working with technical partners, revise the work plans of the HIV, TB and malaria grants in order to prioritise life-saving activities and treatment. (The Global Fund is the only donor currently funding the provision of antiretroviral therapy in the CAR.)

In terms of oversight arrangements, the OIG said that the Global Fund Secretariat should ensure that a sound financial control framework is established. "Additional safeguards implemented to further mitigate risks should be accompanied by increased oversight and support so that problems are addressed on a timely basis."

The OIG recommended that for future grants, the Global Fund consider measures to support capacity-building initiatives before entering into agreements with low-capacity countries.

Actions taken

The OIG noted that a number of actions had already been taken to address the risks that were identified in the audit findings. These included revamping the malaria programme so that it focused on the provision of essential services, with limited coverage and with the active involvement of partners. The revamped programme was within the capacities of the PR, the OIG said.

In addition, emergency disbursements were processed for essential drugs for HIV and malaria to cover needs up to the end of 2012. Further, the structure of the financial and administrative management teams was revised. Finally, one fund portfolio manager and one programme officer were assigned to focus exclusively on the CAR portfolio.

The report on the audits in Central African Republic is available on the Global Fund website here. Other OIG audit reports are available on the same site.

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