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SHOULD THE GLOBAL FUND TRY TO RECOVER ALL "LOSSES"?, SUB-COMMITTEE ASKS

Report touches on several issues related to the OIG

Sub-committee says that imposing more and more requirements on implementers may cause some of them to “walk away”

Is it worth trying to recover “losses” from “ineligible” and “undocumented” expenditures – as identified by the Office of the Inspector General (OIG) – from grants in the early rounds of funding, considering that these losses occurred some time ago, and the fact that, at the time, the Global Fund and the implementers were in “emergency mode”?

This question was posed by the Finance and Audit Committee’s Sub-Committee on OIG Matters in a report to the Global Fund Board. The Sub-Committee recommended that the Global Fund Secretariat and the OIG develop a draft process that clarifies who in the Global Fund is mandated to take a final decision in such cases, and through which mechanism the Global Fund could consider writing off amounts on a case-by-case basis. In addition, the Sub-Committee noted that there are still on-going discussions between the Secretariat and the OIG on the issue of categorisation of losses, and said that these discussions should be documented for the new Audit and Ethics Committee.

Further, the Sub-Committee said that the Audit and Ethics Committee “may wish to consider” exploring the idea of asking principal recipients (PRs) to pay for any additional expenditure incurred by the OIG as a result of a lack of cooperation with the OIG. (In its report on the investigation into foreign currency exchanges in four grants in Nigeria, for which the PR was the Yakubu Gowan Centre [YGC], the OIG said that the Global Fund should seek reimbursement from YGC to compensate for the costs of the investigation because of what the OIG called YGC’s “misrepresentations and failure to cooperate.”) The Sub-Committee noted that one option being discussed by another funding agency is to request payment of the entire audit or investigation cost in cases where substantial evidence of mis-use of funds is identified.

The Sub-Committee said that with increasing requirements being imposed on implementers, as a result of measures taken by the Global Fund to reduce risk, there is a very real risk that some implementers may no longer wish to work with the Fund.

Elsewhere in its report, the Sub-Committee noted that drug theft continues to be a key risk for the Global Fund, and there is evidence of a sophisticated and organised effort to distribute goods on the black market. The Sub-Committee also noted that the OIG currently has 10 investigations related to bed nets, involving diversion, thefts, counterfeiting, missing nets and collusion in procurement.

With respect to the recent OIG reports, the Sub-Committee said that the style and tone of the reports have improved; that there is more consistency in the reports; and that the Secretariat responses are more clear. The Sub-Committee applauded the fact that recent reports from the OIG contained more comments from the PRs involved.

Other items of interest from the Sub-Committee report were as follows:

- The OIG will apply the “Round 6 and after” recommendation to new work, but not to work currently underway. (The High-Level Panel recommended that the OIG concentrate its efforts on the more recent rounds of funding.)
- A Secretariat staffer, Elmar Vinh Thomas, formerly Team Leader of the East and Pacific region, has been appointed as the Director of Audit at the OIG.

The report of the Sub-Committee should be available shortly at www.theglobalfund.org/en/board/meetings/twentyfifth. Look for “GF/B25/15.”

Postscript:

Bernard Rivers, GFO Editor, writes:

In a [Commentary](#) in GFO 166 on “The Most Important and Difficult Global Fund Board Meeting Ever,” I said:

“Thus far, the OIG has identified \$17 million in fraud across all grants that it has audited and investigated. But it has identified almost three times as much – \$48 million – in other forms of “loss” that must be refunded...”

That computation was based on Attachment 2 to the report of the Board sub-committee that is the subject of this article. However, that attachment mentions “losses” from Mauritania twice, once based on an earlier investigation and once based on an updated investigation, which led me to engage in some double-counting. If that double-counting is eliminated, the above quote should have read:

“Thus far, the OIG has identified \$10 million in fraud across all grants that it has audited and investigated. But it has identified almost five times as much – \$48 million – in other forms of “loss” that must be refunded...”

This actually reinforces rather than weakens the point I was making. The total amount of fraud that the OIG has thus far publicly identified across all the countries that it has audited and investigated is \$10,349,065, which is under 0.1% of the money that the Global Fund has disbursed thus far (though of course, the OIG has not yet audited all recipients of those disbursements, and has not yet published reports on all of its audits and investigations).

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