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OIG Releases Two New Audit Reports

The Office of the Inspector General (OIG) has released two new audit reports, one for Chad and one for Kazakhstan. Both reports are dated 11 December 2012, but were not posted on the OIG website until 21 December.

Chad

In November 2010, the OIG carried out an audit of eight grants to Chad covering the period from March 2008 to October 2010. The grants had a total value of \$96 million, of which \$31 million (32%) had been disbursed at the time of the audit. The OIG audited just over half of the disbursements; it was unable to review transactions that occurred prior to March 2008 because in February 2008 records were destroyed in an attack related to the country's civil war.

The eight grants were managed by four principal recipients (PRs): Fonds de Soutien aux Activités en Matière de Population (FOSAP); Association pour le Marketing Social au Tchad (AMASOT); Union Nationale des Associations Diocésaines (UNAD); and United Nations Development Programme (UNDP).

The OIG said that there had been limited programmatic achievements at the time of the audit because malaria programme implementation had only recently begun and a suspension of HIV and TB programmes imposed in November 2006 was not lifted until August 2007.

The audit identified significant weaknesses in financial management and procurement and supply management. In addition, the OIG said, there were weaknesses in the health care system that transcended the grants supported by the Global Fund but that nevertheless affected their implementation. The OIG said that the health care system needed strengthening to prevent stockouts, to improve adherence to TB and HIV treatments, to decentralise services, and to improve storage and distribution

systems.

The audit did not identify any instances of fraud or misappropriation of grant resources. However, the OIG said that at about the time the audit report was drafted, a suspected case of fraud was reported and has been referred to the investigations unit of the OIG.

The audit identified budget overruns of about \$13,000 involving one PR, AMASOT. The OIG recommended that the PR obtain after-the-fact approval for the overruns or refund the money to the programme. Subsequent to the audit, AMASOT forwarded a request for approval to the Global Fund Secretariat.

The OIG said that the PRs and their sub-recipients (SRs) should draft a transition strategy for handing grant programmes to the state, and that the strategy should include clear milestones for capacity building. The OIG said that to achieve this, substantial additional technical assistance is required, preferably hands-on and in-country.

With respect to grant oversight, the OIG said that the Local Fund Agent (LFA), the Swiss Tropical and Public Health Institute, was not doing an adequate job of overseeing the financial management and procurement and supply management of the programmes. The OIG also said that because of the weak infrastructure systems in Chad, the LFA should pay increased attention to analysing the root cause of problems faced by the programmes and should provide innovative suggestions and recommendations.

The OIG said that the country coordinating mechanism (CCM) met only the minimum oversight requirements and was weak in several areas (see separate article in this issue).

When it completed its field work at the end of November 2010, the OIG conducted a debriefing with entities involved in the audit. Subsequently, according to the audit report, considerable progress was achieved. For example, supervision of funding to SRs was strengthened; PR manuals were revised; reliability and quality of data was improved; and measures were introduced to reduce stock shortages.

Kazakhstan

In the period April–July 2011, the OIG carried out an audit of five grants to Kazakhstan involving two PRs: the Republican Centre for Prophylactics and Control of AIDS (RCAIDS); and the National Centre of TB Problems of the Ministry of Health (NCTP). The grants had a total value of \$103 million, of which \$86 million (83%) had been disbursed at the time of the audit.

The OIG said that Kazakhstan has made good progress in its response to HIV and TB, and that the capacity of the PRs to manage Global Fund grants had grown during the period from 2003 to 2010. Nevertheless, the OIG noted significant weaknesses in procurement and grant oversight, and in financial management and service delivery.

The audit did not identify any instances of fraud or misappropriation of grant resources. However, the OIG said that up to \$390,378 might have to be repaid by the PRs. This figure included items that were not budgeted, expenditures that were not adequately documented and income that was not reported. The table below provides a breakdown.

Table: Potentially recoverable amounts in the Kazakhstan audit (\$)

PR	Unbudgeted	Inadequately supported	Income not reported	Total
RCAIDS	36,741	175,692	127,149	339,582
NTCP	NIL	35,488	15,308	50,796
Total	36,741	211,180	142,457	390,378

The OIG said that the Global Fund Secretariat should determine whether these amounts should be repaid by reviewing documents provided by the PRs subsequent to the audit.

The OIG also identified \$745,431 in taxes paid by the programmes but not recovered. The OIG noted that documentation concerning the recovery of these amounts was provided by the PRs after the audit. The OIG said that it was up to the Secretariat to validate the documentation.

With respect to oversight, the OIG said that there was “scope for improvement” in the work of the LFA, Crown Agents. At the time of the audit, the OIG said, the LFA had not yet performed a risk analysis to ensure that its reviews of the PRs’ progress reports were undertaken from a risk management perspective. The OIG said that the LFA’s reviews did not consistently include verification work in high risk areas such as procurement and SR expenditure.

The OIG identified a number of weaknesses in the operations of the CCM (see separate article in this issue).

The OIG said that after preliminary audit findings and draft recommendations were submitted to the entities involved in the audit in August 2011, a number of the findings and recommendations were addressed. For example, the NTCP was working with the World Health Organisation to develop a drug management system; a national infection control plan for TB was finalised; and indicators in the performance frameworks in several grants were strengthened. In addition, the contract for the LFA services was re-tendered and a new LFA was appointed.

All audit and investigation reports from the OIG are available on the Global Fund website [here](#).

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