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OIG REVEALS FINANCIAL IRREGULARITY IN DRC, BURUNDI GRANTS

After years of fraud, collusive practices, bad management, over-charging, falsification of documents and other financial irregularities in procurement and payroll management, the Global Fund has put into place a series of fiduciary controls to mitigate further financial risks in Democratic Republic of Congo (DRC) and Burundi.

The Great Lakes countries were the subject of two recent reports from the Office of the Inspector General: the latest in the backlog of 'legacy cases' held over during the transition of inspectors general since 2012.

Burundi has implemented some 11 grants since 2003, with disbursements totalling \$189.84 million across three disease components. Global Fund grants support ARV treatment for 33,000 people, and have facilitated the purchase and distribution of 8.2 million treated bed nets. Another 41,600 smear-positive TB cases have been detected.

Published on 17 October, the Burundi report (update is [here](#)) also implicated the principal recipient, the secretariat of the National Council for the Fight Against AIDS, in collusion with Diagnostica: the main culprit in the fraudulent procurement practices documented between 2005 and 2013. Diagnostica was responsible for a series of financially improper transactions, including forged certificates, over-charging for equipment and delivery of products to Global Fund-supported programs that did not meet specifications.

The OIG has, as a result, recommended that the Fund seek to recover \$283,068 from the Burundi program.

The level of financial irregularity in neighboring Democratic Republic of Congo was significantly higher,

according to the report published a week later (update is [here](#)), with a recommended recovery of \$1.4 million from the UN Development Program, which served as principal recipient on tuberculosis grants between 2007-2010. UNDP's management of sub-recipients in DRC has already been subject to an OIG audit (see article [here](#)), underscoring the challenges confronting most organizations trying to work in the unwieldy operating context precipitated by years of civil strife and massive population displacement.

UNDP was not directly implicated in the fraud; rather, the culprits were a cadre of sub-and sub-sub recipients who colluded amongst themselves to overcharge and falsify documents .

Among them was the National Program for the Fight Against TB, which was unable to provide supporting documents to the OIG to justify \$1.3 million in procurement expenses — a sum first verified in 2011 by the local fund agent. Some \$180,000 has already been reimbursed by UNDP to the Fund. UNDP has also since suspended its work as a PR in DRC, with the activities it was supervising shared among the remaining PRs, including the Ministry of Health.

Since mid-2012, additional oversight of SR activities has been mandated and extensive reviews are conducted on a regular basis to monitor financial activities. For the MoH, a fiduciary agent now co-manages all financial transactions and reporting. The Fund is in negotiations currently with GIZ to serve as fiduciary agent after the first agent's performance was found wanting.

The scope and extent of financial impropriety observed in both countries demonstrates the need by the Fund to both expand and tighten its financial controls to ensure that grant money is spent appropriately in these two countries which, like the rest of the Great Lakes region, bear high burdens of disease due to the endemicity of malaria, the high degree of poverty and the fragility of the states.

Both countries are among the early-adopters of improved risk management practices that the Fund has been rolling out over the past three years. A new Risk Management Policy is expected to be approved at the upcoming 32nd meeting of the Global Fund Board, with these practices at its foundation. The new policy also endorses a widening of oversight of financial transactions to include, at appropriate times, the country coordinating mechanism, the Fund's country team, LFA and technical partners as well as various Secretariat committees.

This consolidated approach to risk management includes enrollment in the pooled procurement mechanism for purchase of all commodities. Burundi has been part of the PPM since 2013; DRC was first enrolled in 2012 for HIV commodities and 2014 for TB commodities.

As new grants are implemented from 2015, both countries will also have the opportunity to select new SRs — with the risk management controls already in place — and adjust their financial and programmatic oversight based on what has been learned in the interim. A complete reform of the Congolese CCM is expected by the end of 2014, which should also improve controls.

Both countries will also see an improved, more muscular LFA involved in risk management that goes beyond the financial, to respond to human resource, sustainability, political, supply change and security concerns.

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