



Independent observer
of the Global Fund

PROGRESS ON RECOVERIES HAS BEEN SLOW

Little progress was made on recovery of losses in the first half of 2014. Recoveries for legacy cases – those prior to 1 January 2014 – stood at 28% at 30 June vs. 25% on 31 December 2013.

This information was contained in a report on losses and recoveries to 30 June 2014 prepared for the Board meeting on 20-21 November.

The recoveries process requires turning decisions from the executive director (following recommendations from the Recoveries Committee) into firm commitments from the recipients concerned. “This is resource-intensive work in many cases and requires skillful handling,” the report said.

Since the inception of the Fund, through 30 June 2014, a total of \$29.2 million has been recovered in 23 cases, and written commitments for a further \$7.7 million have been obtained, leaving a balance of \$66.7 million still to be recovered as of 30 June 2014.

In total, of the amounts deemed to have been misused, 45% has been recovered in cash or with written commitments to repay in place.

The Secretariat is continuing to pursue an additional 54%, using as leverage the continued access by a country to further funding allocations.

The Fund expects that the outlook for recoveries will improve in the second half of 2014 as some larger cases are resolved. Since the 30 June report was prepared, reimbursement agreements worth \$10 million have been signed with the governments of Djibouti, Central African Republic and Mali; and \$1.3 million has been recovered from Malawi and Madagascar.

Resource allocations under the new funding model (NFM) provide additional leverage. The signing of new grants under the NFM is conditional on there being significant progress towards recovering funds found to have been misused.

The Global Fund said that recovery cases from 2014 and beyond should be more straightforward because of new processes to determine what is recoverable and to collect the recoveries. These include having country teams review draft and final OIG reports, and take action to mitigate immediate operational risks to avoid further losses. Country teams are now empowered to propose additional actions to make a final determination of the recovery amounts. The country teams are also responsible for extracting commitments for repayment, and collecting them.

Observations from the OIG

In a report on the status of agreed management actions (formerly “recommendations”) stemming from reports on audits and investigations, the Office of the Inspector General (OIG) noted the lack of progress in recoveries, and added that record-keeping and tracking mechanisms at the Recoveries Committee level are basic, incomplete and non-standardized.

The OIG also observed a lack of formal tracking of non-OIG related recoveries or reporting to the Board of recovery activities, management adjustments or write-offs not stemming from OIG reports, which may be due to Board decisions on losses and recoveries only referencing OIG-related recoveries.

Finally, the OIG noted the absence of any procedure outlining the respective roles and responsibilities of the FISA department (Finance, IT, Sourcing and Administration) and the Recoveries Committee in exchanging information about recoveries. The OIG said that this is needed to ensure that recoverables are booked in a timely manner in the accounting records, and that there is no confusion or delay regarding the reporting of payments.

The OIG said that these issues are symptomatic of an absence of a dedicated recoveries officer and a lack of prioritization of recoveries at the country team level. The OIG noted that the Secretariat has included a full-time recoveries officer in its 2015 budget.

Responsibility for preparing recovery reports

In May 2011, the Board directed the Secretariat and the OIG to jointly prepare a report prior to each Board meeting on losses and recoveries. Since then, the OIG has expressed concerns that this requirement conflicts with the independence of the OIG which is required to provide assurances on all aspects of the Secretariat’s activities, including the recoveries process. Consequently, at its meeting on 20-21 November, the Board revoked its earlier decision and decreed that the Secretariat alone will prepare the reports on losses and recoveries. An amended decision point was unanimously approved.

The OIG will continue to play its usual assurance role by tracking implementation of agreed management actions and by reviewing recoveries as part of its audit function.

The Losses and Recoveries Report (GF-B32-25) and the OIG Status Update on Agreed Management Actions (GF-B32-07) should be available shortly at www.theglobalfund.org/en/board/meetings/thirtysecond. The decision on the responsibility for preparing the losses and recoveries report was contained in the Communication on Status of Recoveries (GF-B32-17), which is also available.

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