



Independent observer  
of the Global Fund

## Global Fund Releases Report on Losses and Recoveries

As of 19 September 2013, \$118 million in losses had been identified by the Office of the Inspector General (OIG), of which \$23.8 million (20%) had been recovered. Written commitments to repay a further \$10.4 million had been obtained.

This information was contained in a Losses and Recoveries Report prepared for the Global Fund Board meeting on 7–8 November in Geneva.

In all, there have been 44 cases where losses have been identified. The Global Fund said that nine of these cases had been fully resolved, and a further 10 partially resolved.

Of the 44 cases, 21 are either closed or in progress. In the other 23 cases, recovery efforts have not yet started. The Global Fund said that these 23 cases will be presented to the Recoveries Committee by the end of this year.

The 21 cases that are either closed or in progress represent losses of \$77.3 million (as identified by the OIG). The Secretariat has adjusted this figure downwards by \$13.2 million (17%). As explained below, adjustments are usually made as a result of additional documentation provided by the implementers. Another \$1.0 million has been written off. No explanation was provided concerning on how decisions on write-offs were made.

The 23 cases for which recovery efforts have yet to begin represent losses of \$40.4 million (as identified by the OIG).

Table 1 provides a summary of the losses and recoveries.

Table 1: Losses and recoveries – Summary (in thousands of dollars)

Category	Amount of Loss	Adjustments	Deemed recoverable	Written off	Recovered	Commitment to repay
Cases closed	10,269	-5,994	4,275	794	3,481	–
Cases in progress	67,053	-7,168	59,885	219	20,305	10,444
SUB-TOTALS	77,322	-13,162	64,160	1,013	23,786	10,444
Cases pending	40,372					
TOTALS	117,694					

Table 2 provides details on the nine cases that are closed. The largest amount deemed recoverable was \$1,817,000 as a result of an audit in Haiti. A third of this amount, \$660,000, was written off. Two countries – Tanzania and Ukraine – show nil amounts deemed recoverable because the original amounts of the losses were reduced to zero following adjustments made by the Secretariat. The report did not provide any explanation for the adjustments made for individual countries.

Table 2: Cases closed (all amounts are in thousands of dollars)

Country	OIG report date	Amount of Loss	Adjustments	Deemed recoverable	Written off	Recovered	Commitment to repay
Cambodia	2010-10	1,585	-198	1,387	–	1,387	
Dom. Republic	2011-10	175	–	175	–	175	
Haiti	2010-10	2,478	-661	1,817	660	1,157	
Mozambique	2012-08	500	–	500	–	500	
Philippines	2010-02	2,012	-1,757	255	–	255	
Tajikistan	2013-02	7	–	7	–	7	
Tanzania	2009-06	819	-819	–	–	–	
Ukraine	2010-06	2,559	-2,559	–	–	–	
Zimbabwe	2009-06	134	–	134	134	–	
TOTALS		10,269	-5,994	4,275	794	3,481	

Note: All of the cases in Table 2 were the result of audits.

Table 3 contains information on the 12 cases in progress. The largest amount deemed recoverable was \$9,876,000 from an audit in Zambia, followed closely by \$9,342,000 from an audit in Ghana, and \$8,779,000 from an audit and an investigation in Nigeria. None of the outstanding amounts for Ghana and Nigeria has yet been recovered.

Table 3: Cases in progress (all amounts are in thousands of dollars)

Country	OIG report date	Amount of Loss	Adjustments	Deemed recoverable	Written off	Recovered	Commitment to repay
Cameroon	2010-10	5,603	-2,199	3,404	–	33	
Ethiopia	2012-05	7,027	–	7,027	–	5,204	
Ghana	2012-10	10,363	-1,021	9,342	–	–	
India	2011-10	872	-525	347	81	266	
Malawi	2012-08	3,995	–	3,995	–	1,438	
Mali	2011-06	5,231	–	5,231	–	304	
Mauritania	2012-03	6,748	-150	6,598	–	5,270	

Nigeria	2011-10	8,779	–	8,779	–	–
Rep. of Congo	2013-05	3,656	-1,241	2,415	–	173
Swaziland	2011-10	2,408	-1,137	1,271	138	–
Uganda	2010-02	1,600	–	1,600	–	520
Zambia	2010-10	10,771	-895	9,876	–	7,097
TOTALS		67,053	-7,168	59,885	219	20,305

Note: All of the cases in Table 3 were the result of audits, except India, Mali and Mauritania, which involved investigations; and Nigeria, which involved both an audit and an investigation.

Table 4 provides information on the cases where recovery efforts are not yet underway. The largest amount of loss was \$8,915,000 from an audit and investigation in Djibouti. Four of the cases stem from audits for which reports were issued as far back as 2011.

Table 4: Cases pending (where recovery efforts have not yet begun)

Country	Type	OIG report date	Amount of loss (\$000s)
Bangladesh (PMUK)	Investigation	2012-07	3,625
Bangladesh (other)	Audit	2012-10	1,597
Burundi	Audit	2012-08	31
Central African Rep.	Audit	2013-02	938
DRC	Audit	2010-03	2,480
DRC	Investigation	2013-09	3,600
Djibouti	Audit & Inv.	2012-10	8,195
Georgia	Investigation	2013-05	878
Guatemala	Audit	2013-03	272
India	Audit	2013-04	1,140
Kazakhstan	Audit	2012-12	390
Kenya	Audit	2012-06	3,253
Kyrgyz Republic	Audit	2012-10	127
Laos	Audit	2012-07	2,016
Madagascar	Audit	2011-10	283
Namibia	Audit	2012-10	2,238
Papua New Guinea	Audit	2013-07	3,093
Papua New Guinea	Investigation	2013-08	1,587
Senegal	Audit	2012-09	140
South Sudan	Audit	2011-10	527
Sri Lanka	Audit	2011-10	2,647
Togo	Audit	2011-10	865
Zanzibar	Audit	2012-10	450
TOTAL			40,372

Note: The report on the investigation into grants in the Democratic Republic of Congo (DRC) has not yet been made public.

#### The recoveries process

Losses are first identified by the OIG when it conducts an audit or an investigation. The losses consist of expenditures the OIG deems fraudulent, ineligible or unsupported; or recoverable for other reasons (such as income earned through grant activities that was not declared). Then, the Global Fund's Legal Counsel

reviews each case to determine if the Fund is entitled to make a claim for recovery.

The Secretariat is responsible for managing recoveries. As a first step, the Secretariat considers possible adjustments to the amounts identified by the OIG. Usually, the adjustments are based on additional documentation and explanations submitted by grant implementers after the OIG had completed the audit or investigation. For the 21 cases that are closed or in progress, the Secretariat adjusted the amount of losses in 13 of the cases.

The recoveries process is managed by a Recoveries Committee, made up of the Chief Risk Officer (who chairs the committee), the head of the Grant Management Division, the Treasurer and the head of Legal and Compliance. The OIG is invited to each committee meeting as an observer. The Recoveries Committee is supported by a recoveries team, comprising members of the four departments represented in the committee. The recoveries team works with the Secretariat country teams to bring cases to a resolution. Decisions on recovery actions are taken by the Executive Director on the advice of the Recoveries Committee.

The OIG conducted an audit on the effectiveness of the process and controls related to the recovery efforts. A report on the results of the audit was provided to the Secretariat but has not been made public. A brief summary of the results was included in an annex to the OIG Progress Report – June to October 2013.

The Recoveries Committee has agreed, a result of the audit, that by the end of this year it will clear the recoveries case backlog, and develop policies and guidelines which will define the roles and responsibilities of the various players involved in the recovery process. When the report on losses and recoveries was discussed at the Board meeting in Geneva, Cees Klumper, Chief Risk Officer and Chair of the Recoveries Committee, said that the committee is trying to speed things up, and that it hopes in future to be able to start the recoveries process within four weeks of the OIG issuing its report.

The Board decided at its 23<sup>rd</sup> meeting in May 2011 that a report on losses and recoveries was to be prepared for each Board meeting. However, the report prepared for the latest Board meeting was only the second such report (see [GFO article](#)).

Information for this article was taken from and Board Document GF-B30-09, “Losses and Recoveries Report.” This document should be available shortly at [www.theglobalfund.org/en/board/meetings/thirtieth](http://www.theglobalfund.org/en/board/meetings/thirtieth). Board Document GF-B30-14, “OIG Progress Report – June to October 2013,” should be available shortly at the same site.

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