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of the Global Fund

## OIG RELEASES FOUR NEW REPORTS

Identifies \$10.3 million that should be reimbursed by Ethiopia and Kenya

Commends good practices in management of grants in Cuba

At the end of April 2012, the Office of the Inspector General (OIG) released four new reports – three on audits conducted in Kenya, Ethiopia and Uzbekistan, and one on a diagnostic review conducted in Cuba. These are the first reports released by the OIG since it issued 12 reports on the same day in October 2011 (see [GFO article](#)).

The OIG found that a very small amount of money – \$33,986 – had been misappropriated, involving one employee in one sub-recipient (SR) in Kenya. The OIG defines “misappropriation” as “the knowing or intentional use of the property or funds of another person for one’s own use or other unauthorised purpose, particularly by a public official, or by any person with a responsibility to care for and protect another’s assets (a fiduciary duty).”

However, the OIG identified \$10.3 million that it says should be reimbursed to the Global Fund. (The OIG used to refer to these as “losses,” but it does not use that term in the audit reports released at the end of April. In this article, we use the term “reimbursables” to refer to funds that the OIG said should be reimbursed.)

Of the \$10.3 million in reimbursables, \$5.8 million were expenditures that the OIG deemed ineligible (i.e., that were not pre-approved by the Global Fund), \$0.8 million were expenditures that the OIG said were unsupported (i.e., that were pre-approved but for which adequate documentation could not be produced), and \$3.1 million were expenditures that the OIG termed “outstanding advances” (funds disbursed to the principal recipient [PR] that were not spent and that should have been returned to the Global Fund when

the grants were closed out). Finally, \$0.6 million were categorised as “other”; this involved interest income earned by the grants but not credited to the programme accounts. Further details are provided in the table below.

Editor’s Note: Not everyone agrees that all “ineligible” and “unsupported” expenditures identified by the OIG should be reclaimed by the Global Fund.

The \$10.3 million in reimbursables represented less than 1% of the \$1,181 million disbursed to the grant implementers at the time of the audits. All of the reimbursables identified by the OIG involved two countries: Ethiopia and Kenya. No reimbursables were identified in the Uzbekistan audit.

This compares to what the OIG termed “losses” of \$18.8 million identified in 11 audits and investigations for which reports were released in October 2011, representing 2.7% of the amounts that had been disbursed to the grant implementers covered by those audits and investigations.

The \$10.3 million in reimbursables brings to \$73.6 million the total amount of losses and reimbursables reported by the OIG since the Global Fund started.

Table: Losses by country and by PR, as Identified by the OIG in reports dated 20 April 2012

Country	PR	Grants (disease and round numbers)	Reimbursables (\$ m)				
			Mis- appropriated	In- eligible	Unsup- ported	Outstanding advances	Other
Ethiopia	HIV/AIDS Prevention and Control Office (HAPCO)	HIV 2, 4, 7	NIL	\$4.5 m	NIL	\$2.4 m	NIL
	Federal Ministry of Health	M 2, 5, 8 TB 1, 6	NIL	NIL	NIL	\$0.1 m.	NIL
TOTAL ETHIOPIA			NIL	\$4.5 m	NIL	\$2.5 m	NIL
Kenya	Ministry of Finance	HIV 2, 7 M 2, 4 TB 2, 5, 6	\$0.03 m	\$1.3 m	\$0.8 m	\$0.6 m	\$0.6
TOTAL			\$0.03 m	\$5.8 m	\$0.8 m	\$3.1 m	\$0.6

M = malaria

In its report on the audit in Ethiopia, the OIG also expressed concern about a large budget overrun (\$57.9 million) in two HIV grants due to the construction of health centres that were not included in the programme’s approved workplan or budget. The OIG said that this overrun led to a shortfall in funds available to finance other activities in the grants.

In the near future, GFO will report in more detail on the OIG’s findings in Ethiopia and Kenya.

In the reports on Ethiopia, Kenya and Uzbekistan, the OIG identified a number of weaknesses in financial and management systems that were similar to those identified in audits in other countries. The OIG made a series of recommendations to address the weaknesses. The Global Fund Secretariat, CCMs, local fund

agents (LFAs) and PRs are already implementing most of the OIG's recommendations.

In a covering letter included with each report, General Manager Gabriel Jaramillo and Inspector-General John Parsons refer to the audit reports as "legacy" reports, relating to grants signed as far back as 2004 and to audits performed in 2009 and 2010. "Many of the findings relate to weaknesses in grant management and oversight during the early years of the Global Fund that have been identified before, including in the High Level Panel Report and in other audit reports by the Office of the Inspector General," they said.

The reports included comments from the PRs who were audited on the recommendations of the OIG. For the most part, the PRs agreed with the recommendations and did not dispute the OIG's findings.

Although the OIG identified some weaknesses in the financial management and procurement systems for the grants in Uzbekistan, the criticism was fairly mild in comparison to past audits. A large part of the OIG's Uzbekistan report focused on programmatic issues rather than financial and systems issues. GFO will report on the OIG's programmatic comments on the Uzbekistan grants in a future issue.

The report released by the OIG on Cuba is the first report on a diagnostic review issued by the OIG. A diagnostic review is different from a country audit. Audits take an historical perspective; they comprehensively review grant implementation over time to substantiate whether grant funds have been used for the purpose intended. Diagnostic reviews look at the grants at a given point in time to identify the key risks to which grant programmes are exposed. In addition, in a diagnostic review, no overall opinions are provided and no assurance is provided regarding how grant funds were spent.

The OIG said that there was strong evidence of successful national responses to HIV and to the effectiveness of tuberculosis control in Cuba, and that many good practices were observed. (GFO will report on these good practices in a future issue.) However, the diagnostic review identified a number of risks that the OIG said may potentially impede the programme unless they are mitigated. The OIG reported that action plans in response to the recommendations of the OIG have already been prepared by the Global Fund Secretariat.

All of the OIG reports released in April 2012 are available on the Global Fund website [here](#). PRs named in this article were not invited to comment on this article, but will be invited to comment on the more detailed OIG-related articles that GFO will publish in the coming weeks.

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