



Independent observer  
of the Global Fund

## NATIONAL ACCOUNTABILITY INSTITUTIONS AND THE GLOBAL FUND WILL BENEFIT FROM COLLABORATION

The coronavirus disease (COVID-19) prevention measures have severely restricted international travel, grounding the staff of the Global Fund Secretariat and the Office of the Inspector General (OIG) since March 2020. These travel restrictions have undermined the review mechanisms in-country and can hamper the work of an institution that invests in approximately 100 countries, without in-country offices but emphasizes accountability and performance. The Global Fund relies extensively on frequent visits by staff of the Secretariat and Local Fund Agents (LFA) to implementing countries to oversee appropriate grant management and accountability. Members of the Global Fund Secretariat visit some countries almost monthly, others quarterly, or biannually.

The Global Fund has spent more than \$1 billion to fight COVID-19 during this period of restricted travel, with little possibility of in-person visits. Meanwhile, many countries have reported instances of corruption that have marred the fight against COVID-19 worldwide. (Aidspace described those earlier.)

There are accountability institutions, like the Supreme Audit Institutions (SAIs), often called the Office of the Auditor General, and other national institutions to fight corruption, in countries where the Global Fund invests. This article highlights the potential for wider collaboration between the Global Fund Secretariat and more in-country accountability mechanisms especially in sub-Saharan Africa since, according to the French President on 24 October 2020, it is possible that the pandemic will restrict some travel till summer (June–September) 2021.

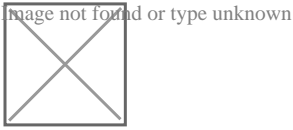
The Global Fund accountability mechanism

The Global Fund accountability system relies on 12 institutions divided into three lines of defense. Eight of

those institutions are based in Geneva, two are in-country, and two others may be in-country in some cases only.

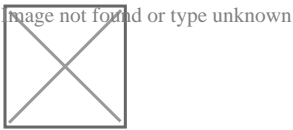
The two in-country institutions are the first line of defense: the Principal Recipients' (PRs) internal mechanism, including the PR's internal audit, and the Country Coordinating Mechanism (CCM). Sometimes, part of the LFA's team is in-country, but many team members are international consultants who work with the LFA teams when required. Sometimes the external auditors are in-country firms or institutions like the SAI but this is not always the case.

Figure 1: The three lines of defense



Source: the Global Fund

Notes: PRs are Principal Recipient or implementers.



Pre-COVID-19, country-teams used to visit countries after they received quarterly, biannual or annual progress updates. Those visits aim to review progress and discuss challenges and potential solutions. Secretariat staff would pay additional visits when needed. According to sources from some high-impact countries—Nigeria or the Democratic Republic of the Congo—members of the Secretariat visited every six weeks or so.

Similarly, teams from the OIG traveled frequently since they visited countries where they audited grants or investigated fraud at least once a year. For some country audits, the OIG team made three trips: the first was to prepare the audit, the second was for the audit, and the third was to debrief. In 2019, [the OIG published 24 audits](#), investigations, and review reports. Of these, 18 required international travel. In 2020, the OIG published 13 audit reports, including three on the Secretariat. None of the required travel occurred since March 2020.

### Supreme Audit Institutions and other accountability mechanisms

In sub-Saharan Africa, only eight SAIs audited the Global Fund grants during the 2017-2019 cycle. This number was set to increase slightly before COVID-19. Private firms conduct most of the audits despite the State Principal Recipients managing about 70% of these grants.

SAIs have the mandate to audit government revenue and expenditure. According to the World Bank, SAIs follow [three different models](#): the Napoleonic, the Commonwealth, and the Board systems:

- The Napoleonic model relies on a *Cour des Comptes* (Court of Audit), which is part of the Judiciary. The *Cour des Comptes* is independent of both the legislative and executive branches of government. Its mandate is to audit the accounts of every government body including ministries, and agencies. Members are judges with various rankings. This model is followed by the French, most South American and Francophone African countries.
- The Commonwealth system relies on “Office of the Auditor General (AG)”, which is an independent institution that reports to the Parliament of the country.
- The Board system, prevalent in Asia, is similar to the Commonwealth system as it supports the

Parliament in its oversight role. The Board of Auditors, whose president is the Auditor General, is a constitutional organization independent of the executive whose mandate is to analyze the expenditure and revenue of the state and report its findings to Parliament. Indonesia follows a Board system in which the decision-making body is an Audit Commission, and the executive organ is the General Executive Bureau.

There are other accountability institutions in many countries. Some countries have anti-corruption agencies and internal auditors of the State (the Inspectorate of the State). Those institutions often have the mandate to fight financial malfeasance or misappropriation and can assist the Global Fund with accountability.

When the OIG or the Secretariat finds or documents a financial misappropriation, it requires the implementer, usually the PR, to reimburse the Global Fund. The Global Fund cannot legally take the offending persons or institutions to court. Sometimes, the Global Fund demands that the implementers prosecute the offenders to deter others from repeating that behavior. In some countries, the national police or similar institutions conduct an independent investigation in order to ensure that the evidence is legally acceptable, and the prosecution process is impartial.

However, if the Global Fund worked with local institutions, this situation could be different. In 2016–2017, in Malawi, where theft of malaria medication from public facilities was widespread, the OIG and the United States Agency for International Development (USAID) supported [a campaign](#) to denounce medicine theft with the Anti-corruption Commission, the Ministry of Health's Drug Theft Investigation Unit (DTIU) and the police. The Malawian authorities prosecuted 62 individuals. These prosecutions would have been unlikely if the Global Fund had conducted its own investigation and then submitted the evidence to the Ministry of Health to act on.

Accountability institutions across countries, where the Global Fund invests, have different levels of capacity and independence. Some SAIs that do not audit Global Fund grants, audit other donor grants like the World Bank, GAVI (the Vaccine Alliance) or the African Development Bank. Some of those institutions have realized the importance of working with the SAIs and, when required, they invest in reinforcing their capacity. When needed, the Global Fund, in collaboration with the SAIs' umbrella organization, AFROSAI-E (African English Speaking SAIs) or CREFIAF (for the French Speaking SAIs) can also assist with capacity building. Aidsplan attended AFROSAI-E's annual meeting in October 2020. Several Auditor Generals explained how their systems worked, or were halted by the pandemic, and shared the lessons that have been learned. For instance, the South African Auditor General explained that the SAI conducted real time audits instead of waiting for the end of the emergency to audit the procurement of material or funds that the State used to support poor and vulnerable citizens. Others highlighted the fact that they could not get documents from auditees in the absence of strong electronic systems in countries and government offices.

In the past, Aidsplan studied [why SAIs were not auditing the Global Fund grants](#) or were not associated with those audits in sub-Saharan Africa. The reasons range from lack of staff capacity to lack of interest or knowledge of the importance of those grants. But when capable SAIs audit the grants, it benefits all stakeholders, especially when SAIs report to the Parliament. It increases country-ownership and visibility of the grants. Unlike SAIs, private firms are not mandated to audit domestic financing. Being at country level, SAIs can closely follow up on the agreed management actions of their own audits.

In some countries, SAIs report to the parliamentarians in open sessions. This increases transparency as ministries and other agency leaders publicly (try to) explain how funds entrusted to their institutions have been (mis)managed.

In response to those findings, over the last couple of years, with the financial support of the GIZ (The Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH) BACKUP Health, which is the German agency for international aid in charge of the Global Fund grant, Aidsplan has developed a toolkit for the SAIs to audit Global Fund grants, [trained eight SAIs](#) in the financial and programmatic audits of Global Fund grants. In some countries, Aidsplan has also trained internal auditors of grant implementers, particularly those of PRs.

According to a source, the Secretariat contacted an SAI during the COVID-19 pandemic via email to request assistance with spot-checking during the mosquito net distribution. However, this email went unanswered. Note that

this SAI was not auditing the Global Fund grant and was probably not expecting such a request. Another mentioned that an SAI reached out to the Secretariat to offer its services, but the Secretariat doubted its capacity despite this SAI's audits of other donor grants.

Both the Global Fund and the countries need to improve their outreach and responsiveness. Many SAIs have busy national audit schedules and may not be inclined to offer their services to partners that are perceived to be reluctant.

In November 2019, the Secretariat issued [new guidelines](#) stating that the default auditors of State PRs are the SAIs. The guidelines also list five criteria for auditing the Global Fund grants. These include professional experience, eligibility to audit, independence from the auditees and other institutions like the LFA and the CCM involved with the grants. The two other criteria, which are worth mentioning in detail, are:

1. Accreditation by other recognized donors that are active in the country in question. The guidelines list the World Bank, the European Bank for Reconstruction and Development (EBRD), the American Office of the Inspector General, the Regional Office of the Inspector General, and the European Commission (Court of Auditors) as examples. If the proposed auditor is a SAI, 'it should be accredited and meet the required standards of a relevant authority that is qualified to assess the standard of the work,' meaning that its umbrella institution should provide the Global Fund with the assurance that the SAI has the capacity to audit Global Fund grants. Queries regarding accreditation should be addressed to the Global Fund Secretariat.
2. Acknowledgement of the Global Fund's Code of Conduct for Suppliers and compliance with its provisions. The relevant implementer will ensure the audit firm's compliance or take corrective measures, which could include dismissal. The Global Fund reserves the right to provide its own pre-qualified shortlist of acceptable audit firms in certain circumstances.

The guidelines clearly spelled out the criteria for SAIs to audit the Global Fund grants. This can guide capacity building within the SAIs if needed.

Additionally, the seventh sub-objective of the Global Fund's current strategic objective to strengthen health systems, is the strengthening of public financial systems. The utilization of SAIs forms part of the strategic objective to use country systems for financially managing the Global Fund's investments.

As the Global Fund heads towards a new grant implementation cycle and develops a new strategy, these guidelines should be implemented. COVID-19 has provided the perfect opportunity to increase collaboration with in-country accountability institutions that could lead to better performing grants. Cooperation between the Global Fund and national accountability institutions is needed to improve grants effectiveness and accountability. COVID-19 makes it more urgent.

Further reading:

- Global Fund Secretariat: [Guidelines for Annual Audit of Global Fund Grants](#) November 2019 Geneva, Switzerland

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