OIG RELEASES REPORTS ON AUDITS AND A DIAGNOSTIC REVIEW IN FOUR COUNTRIES

Within the last month, the Office of the Inspector General (OIG) has released four reports, three on audits conducted in Angola, Mozambique and Senegal, and one on a diagnostic review undertaken in Myanmar.

In its reports, the OIG did not identify any instances of misappropriation of funds. However, in the Mozambique audit, the OIG said that some issues “call for further investigation” and are being pursued.

Mozambique was the only one of the four countries where the OIG identified unsupported expenditures.

Angola

The audit in Angola covered two grants (Round 7 malaria and Round 9 TB) totalling $40 million, of which $28 million had been disbursed at the time of the audit. The principal recipient (PR) was the Ministry of Health (MOH). Because, at the time of the audit, the MOH had not yet started implementing the Round 9 grant, the audit of that grant was limited to identifying risks to which the grant was exposed.

(The Angola audit was the first one to be completed under the policy adopted by the OIG in 2011 to limit audits to grants from Round 6 or later.)

With respect to the malaria grant, the OIG noted that significant progress was made in the diagnosis and treatment of malaria in Phase 1 of the grant, which ended in January 2011. However, the OIG said that a long transition between Phase 1 and Phase 2 (17 months) contributed to shortages in medicines, diagnostic supplies and bed nets. The OIG report suggested that a high turnover in fund portfolio managers (FPMs) for Angola was a contributing factor to this delay.

The OIG said that sustainability of Global Fund programmes was jeopardised by a lack of integration of Global Fund–supported activities with the National Malaria Programme.

The OIG report identified a number of weaknesses and risks with respect to financial and procurement management. The OIG noted that stakeholders have expressed a firm commitment to take action to mitigate the risks.

The OIG identified several shortcomings in the oversight provided by the country coordinating mechanism (CCM), including the following: (1) Although the CCM had established four technical working groups, they were not yet functional and no oversight plan had been drawn up. (2) No field visits had been undertaken. In a message included in the OIG report, the CCM said that it was not in a position to comment on the audit findings because of recent elections in Angola.

The OIG noted that Grant Thornton, the local fund agent (LFA), had no permanent country presence in Angola and that this had negatively affected its performance. The OIG added that in May 2012, the Global Fund Secretariat re-tendered the Angola LFA contract.

Senegal

The audit in Angola covered eleven grants from Rounds 4–7 involving five PRs: the National AIDS Commission, the Alliance Nationale de Lutte Contre le SIDA, the National Malaria Control Programme, the National Tuberculosis Control Programme and the National AIDS Control Programme. The total value of the grants was $140 million, of which $99 million had been disbursed at the time of the audit.

The OIG said that the programmes supported by the Global Fund in Senegal were “generally well managed” and the outcomes “generally satisfactory.” The OIG identified a number of programme achievements. Nevertheless, the OIG said, there was room for improvement in financial and procurement management.

Overall, the OIG said, it “was able to give reasonable assurance … that grant funds had been used for the purpose intended and that value for money had been secured.” The OIG added that where risks were identified, firm commitments had been made by stakeholders to take action to mitigate the risks.

With respect to grant oversight, the OIG lauded the fact that the CCM had undertaken field visits, had established a technical oversight committee, and was using a programme monitoring dashboard. However, the OIG identified some deficiencies among other entities involved in oversight. The OIG said that the Senegal grant portfolio has adversely been impacted by delays in the Global Fund Secretariat’s grant management processes, procedures and decision-making. And the OIG observed that although the LFA, Swiss Tropical Institute, had maintained good management oversight documentation, its performance needed to be improved in several areas. One example cited by the OIG was that the inter-personal and communication styles of LFA team members were not always professional.

Mozambique

The audit in Mozambique covered several grants involving three PRs: the Ministry of Health (MOH), Fundaçao para o Desenvolvimento da Comunidade (FDC) and World Vision. The audit focused primarily on the grants administered by the MOH during the period 2008–2010.

The audit was complicated by the fact that for many years, Global Fund grants to Mozambique were included in a common pool of funding (called “PROSAUDE”) along with funds from other donors.

The OIG identified $3.3 million in what it termed “unallowable” expenses. This amount consisted of $2.6 million in expenditures that the OIG said were undocumented, and $0.7 million in expenditures for which the OIG said there was insufficient documentation. According to the OIG, the PROSAUDE partners agreed with this finding and are engaging with the Ministry of Finance in Mozambique concerning how these funds will be repaid.

The OIG identified serious deficiencies in the capacity of the MOH and in the ministry’s programme and financial management systems. The OIG said that the MOH did not have sufficient capacity to manage and account for grant funds. The OIG stated:

“Many of the weaknesses in financial management were reported as early as 2006 but had not been addressed by 2012 when the OIG audit took place. In the OIG’s view, the root causes were: (i) insufficient monitoring of provincial and district levels of government to ensure timely and accurate reporting; (ii) insufficient mechanisms to monitor compliance to the Ministry’s policies and procedures, and (iii) a failure to act on external reviewers’ recommendations.”

The OIG added, however, that the Global Fund Secretariat, partner organisations and the MOH have recently taken action to address the weaknesses.

Aidspan will provide more details of the Mozambique audit in a future GFO article.

Myanmar

In Myanmar, the OIG conducted a diagnostic review, which is more limited in scope than an audit. The review covered all six active grants to Myanmar with a total value of $105 million, of which $37 million had been disbursed at the time of the review. The grants were managed by two PRs: the United Nations Office for Project Services (UNOPS) and Save the Children (STC).

The grants are fairly recent because the Global Fund was absent from Myanmar for several years due to the political situation there.

The review concluded that the grant programmes had strong leadership and many strengths, but that the grants nevertheless faced a large number of risks. The OIG said that this was not surprising given the context. The OIG put forward 61 recommendations that it categorised as “critical” and a further 75 recommendations that it labeled “important.”

The OIG said that the country stakeholders have committed to a series of actions to strengthen financial management, improve procurement processes, mitigate risks related to programme implementation and reporting, and improve oversight.

In a letter included in the report, Global Fund General Manager Gabriel Jaramillo said that he had visited Myanmar in August 2012 and had reviewed the OIG’s findings with the PRs. “I was able to satisfy myself that they are taking the recommendations seriously and are committed to having effective controls in place despite oftentimes difficult circumstances,” Mr Jaramillo said.

Copies of the audit reports for Angola, Senegal and Mozambique, and the report on the diagnostic review in Myanmar are available on the Global Fund website here.

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