



Independent observer  
of the Global Fund

## OIG INVESTIGATIONS IN 2015 SHOW THAT MISUSE OF FUNDS OCCURS MOST OFTEN IN PROCUREMENT, CONSTRUCTION AND TRAINING

According to the Office of the Inspector General, the main source of misconduct identified this year through its investigations has been activities related to procurement. “Non-competitive tenders, fictitious invoicing and collusion between suppliers and procurement or finance managers have frequently led to fraud,” the OIG said.

This information was contained in the semi-annual progress report prepared by the OIG for the Board.

The OIG said that another source of misconduct concerned building and renovation projects, where collusion between implementers and suppliers resulted in payments being diverted for individual gain. A third source of misconduct involved expense and per diem fraud in training and other events.

The OIG said that although putting in place corrective actions on a case-by-case basis has been effective, a more systematic approach is needed to prevent similar misconduct in other grants that may have similar vulnerabilities.

The OIG reported that to date in 2015, nine allegations have been received related to human rights violations. Three will be investigated further by the OIG; the other six were assessed as not having met the criteria. As a safeguard, the Human Rights Advisory Group now reviews screening outcomes for all human rights-related allegations. In addition, all of the staff of the Investigations Unit and a selection of auditors have received specialist training – provided by Canadian HIV/AIDS Legal Network – to assess and investigate human rights violations.

The OIG has launched a “Speak Out” pilot communications campaign to improve the quality of the information it receives. The target audiences are Secretariat staff and selected external communities. (Over a third of the Secretariat staff asked for more information on what it should report to the OIG.)

In the first phase of the campaign, training for Secretariat staff will be conducted in November and December on different types of fraud and abuse, using real case studies from the OIG archives.

The second phase of the campaign involves reaching out to targeted communities in Ukraine and Côte d’Ivoire (late 2015) and Malawi (early 2016), to promote anti-corruption messages. In Ukraine, the focus will be on disrupting bribes that injecting drug users have to pay to get into harm reduction programs. In Côte d’Ivoire, it will be on interrupting supply chain leakages that lead to free tuberculosis drugs being sold in street markets. In Malawi, it will be on preventing free malaria drugs from being diverted and resold for a profit.

### Progress on audits

Of the 10 country audits planned for 2015, three have been finalized with reports published: [Ghana](#), [Pakistan](#) and [South Sudan](#). (The links are to GFO articles. The full reports can be found [here](#).)

By the end of 2015, fieldwork on all audits will be complete and reports will be in their final stages. Other audits in the works are Honduras, Indonesia, Uzbekistan, Tanzania, Nigeria, and Uganda. The audit planned for Chad was cancelled due to heightened security concerns that would significantly limit the OIG’s ability to conduct an effective in-country review. The resources freed up by this cancellation were reallocated to the Nigeria review which, based on preliminary planning work performed, the OIG said will require more in-depth analysis.

Of the six internal audits planned for 2015, one has been finalized and a report published: Methodology for the Allocation of Funds (available [here](#).) Additional audits are in the works on grant-making, strategy and impact, country coordinating mechanisms, key performance indicators, and internal controls.

For 2016, audits are planned for eight countries: Cameroon, Côte d’Ivoire, Democratic Republic of Congo, Haiti, India, Malawi, Mozambique, and Zimbabwe. The OIG said that two of the audits would be “high intensity,” four “medium intensity,” and two “lower intensity.” The progress report did not identify which country audits would be in each category.

Five internal audits are planned for 2016. Three are labeled “strategic”: risk management, grant management in high-risk environments, and in-country supply chains. Two are labeled “operational”: integrity due diligence, and treasury. The audit on integrity due diligence will review the processes and systems by which the Global Fund determines which entities and individuals it does business with and how it this information is used to take critical decisions. The audit on treasury will assess the adequacy, effectiveness and efficiency of the treasury function.

### Progress on investigations

As of 31 August, out of the 71 investigations planned for 2015, 32 have been closed and 39 remain active. Twenty-six investigations were closed with closure memos and seven with published reports: [Egypt](#), [Kazakhstan](#), Yemen, Guinea, Tajikistan, Nigeria and [Ukraine](#). (The links are to GFO articles. The OIG reports for all seven investigations can be found [here](#).)

In addition, the OIG has published reports on [Timor Leste](#) and [Burkina Faso](#), from investigations initiated prior to 2015. (The full reports can be found [here](#).) Before the end of the year, additional reports are scheduled to be published on investigations in Angola and Panama, two investigations in Guyana and a

second investigation in Nigeria.

To date in 2015, it has taken on average 461 days to complete an investigation with a closure memo and 486 days for an investigation resulting in a published report. The OIG plans to reduce these times for its 2016 investigations.

As of 31 August 2015, the OIG had received 125 reports of fraud and abuse through its whistle-blowing channels: an increase of 28% compared with the same period in 2014. After screening, the OIG decided to open 51 new investigations. There have been 12 field missions, with five more planned to start before the end of this year.

For 2016, the workload of the Investigations Unit will be based on investigations carried over from 2015 and new allegations received and screened in.

Other items

The OIG said that assurance and risk management have not received sufficient attention (see separate [GFO article](#)). The OIG also said that the recoveries process has been very slow. See [GFO article](#) on recoveries for more information.

In its progress report, the OIG said that it has substantially reduced its backlog of pending agreed management actions (AMAs) reported as implemented and awaiting OIG validation and closure. However, it added, progress on the Secretariat side has slowed down after the headway made in the Spring. (See [GFO article](#) on AMAs.)

Finally, the OIG reported on the results of a “customer satisfaction” survey it conducted. While most people say they are generally satisfied with the OIG reports, there has been criticism about (a) lack of specificity in some instances and (b) the over-use of jargon and technical terms.

The OIG’s progress report, Board Document GF-B34-06, should be available shortly at [www.theglobalfund.org/en/board/meetings/34](http://www.theglobalfund.org/en/board/meetings/34).

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