



Independent observer
of the Global Fund

INVESTIGATION OF GLOBAL FUND SECRETARIAT

Statement by Richard Feachem

[The following is an excerpt from the Report of Richard Feachem, Executive Director, to the Global Fund Board meeting that took place 28-30 September, as downloaded from the Fund's web site.]

In July 2005, I, together with the Chair and Vice Chair of the Board, received a memo from Bernard Rivers, Executive Director of Aidspan, containing allegations with respect to the Secretariat. The allegations related to contracting practices, recruitment, involvement of a family member, and staff turnover and organizational culture.

The Board Chair, Vice Chair and I agreed that it was in the best interest of the Global Fund to conduct an independent investigation of the first three allegations. As the Office of the Inspector General (OIG) for the Global Fund had not yet been established, we decided to refer the matter to the WHO Office of Internal Oversight Services (IOS) on July 29. The Chair and Vice Chair requested that the fourth area of staff turnover and organizational culture be addressed by the Deputy Executive Director. Helen's report to this Board meeting, referenced above, addresses this area.

After developing of Terms of Reference for the investigation, the IOS is now in the process of conducting its review, assisted by Deloitte and Touche. A process update will be provided at this Board meeting and a final report is expected at the end of October.

Statement by WHO Lead Investigator

[The following is the entire text of a statement made to the Global Fund Board on 29 September by Kenneth Langford, Director of the WHO Office of Internal Oversight Services.]

My name is Kenneth Langford and I am the Director of WHO's Office of Internal Oversight Services. Organizationally, I report directly to the Director-General of WHO and am charged with responsibility for internal audit, investigation of irregular activity and programme evaluation. I have functional independence to conduct and to report on my work within WHO and its related offices, programmes and organizations.

As you are certainly aware, for the time being, WHO provides administrative services to the Fund and the staff of its secretariat are WHO staff members. Accordingly, the secretariat is obliged to operate within the internal control structure of WHO, of which my office plays a key role in oversight.

I understand that the Executive Director of the NGO Aidsplan made allegations on 11 July to the Chairman and Vice-Chairman of this Board and the Executive Director of the Fund. On 29 July, these same Fund officials wrote informing me of the allegations and they requested that I "... review these and any other issues that you consider to be relevant to these allegations...". I responded on 9 August and agreed to undertake an investigation of the Global Fund's Secretariat and the allegations made by the Executive Director of Aidsplan.

My Office is leading the investigation and exercises control over the work and will ultimately decide on the content of the report. However, due to the expected complexity of the investigation and the length of time needed to accomplish the work, it was clear that supplemental manpower would be necessary to complete the investigation without delay. Accordingly, I issued a request for a proposal to three international public accounting firms which have demonstrated forensic capacity. The firms of PricewaterhouseCoopers and KPMG declined due to actual or perceived conflicts of interest. The firm of Deloitte & Touche was selected, justified on a sole source basis, and a contract valued at CHF 114,825 (\$89,000) was signed on 29 August.

The Global Fund's arrangements with certain public accounting firms which act under contract as Local Fund Agents complicated the selection process and was closely examined in selecting Deloitte & Touche. Deloitte has disclosed to WHO that an associate firm, Emerging Markets Group Ltd., serves as a Local Fund Agent for seven approved grants. However, this firm and the local Deloitte firm, with which we have concluded a contract, both operate under the Deloitte brand name, but are independent of one another, with separate ownership, interests and liabilities.

Further, the former Chairman of this Board, Mr. Tommy Thompson, has recently joined Deloitte & Touche USA, LLP, as a consultant working with the Deloitte Center for Health Solutions in WashingtonDC. Deloitte has disclosed to us that in Mr Thompson's current capacity, he has no influence over or involvement with the Deloitte/WHO contract for work at the Global Fund.

Deloitte has agreed to include both of these disclosures in the report of their work at the Global Fund.

The scope of the work closely follows the allegations made by Aidsplan and can be divided into four distinct areas: contracts; recruitment; involvement of a family member; and staff turnover and organizational culture. Within these four general areas are the very specific allegations on situations or events.

The general methodology for the investigation includes phased performance of the work which will employ standard techniques, such as collection of available background information; interviewing past and present Global Fund staff including managers; document and file review; electronic data mining; forensic financial analysis; review of payment records; and corroboration of interview evidence with other evidence.

The work seeks to determine the validity of the specific allegations. At the same time, if any allegation is found to be substantiated, we will not only establish the facts but will also review the circumstances which permitted or contributed to the irregular situation. We will also be alert to other related irregular situations which may be revealed during the investigation. If it is considered necessary by our initial findings, the scope of the investigation may be broadened.

The work has been under way for several weeks and is progressing according to schedule. I am pleased to report that we have received excellent cooperation from the direction and staff at the Fund's Secretariat.

The final report is scheduled for release no later than the end of October. I will send the report to Dr Feachem and of course, to the Chairman and Vice-chairman of the Board.

Board agreement on next steps

On 29 September, the Board agreed that after the investigator's report is received in late October or early November, it will be sent on a confidential basis to the Board's Ethics Committee. Some time prior to the Board meeting on 15-16 December, the Ethics Committee will make recommendations to the Board regarding actions, if any, to be taken.

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