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of the Global Fund

Board Committee Highlights Lessons Learned from OIG Audits

A Global Fund Board committee has concluded that reports from the Fund's Office of the Inspector General (OIG) reveal a clear lack of focus by certain PRs on building the long-term capacity of national systems. The committee said that this is something that needs to be more fully addressed through the Global Fund's policies and grant oversight.

This is revealed in the "Report of the Finance and Audit Committee Regarding OIG Matters," prepared for the recent Global Fund Board meeting in Geneva. The Finance and Audit Committee (FAC) identified two specific areas of concern:

"First, it does not take much to turn a PR with adequate capacity to one with inadequate capacity. The burden of numerous grant processes, which is multiplied by the need to train SRs on processes, can have the counter-productive result of stalling implementation and hampering capacity.

"Second, in spite of measures such as dual track financing, the PR space is dominated by a few organizations. Over the years, there have been clear lessons learned on what it takes for community-based organizations to undertake the role of PR and what technical assistance is required. There is a need to determine what our expectations of PRs are and to communicate that better, so that appropriate technical assistance may be mobilized and a broader range of entities can become engaged as PRs."

The FAC said that the OIG reports have revealed a tendency for measures that are intended to be temporary stop-gaps for addressing capacity weaknesses to become permanent. These measures include establishing programme management units (PMUs) where knowledge is lost as soon as the PMU is dissolved; using fiduciary agents; and relying too heavily on development partners to implement programmes rather than support capacity building measures.

The FAC said that there is a risk that the Global Fund's own Voluntary Pooled Procurement (VPP) mechanism could end up being an impediment to the use of national systems. It added that the VPP should be used only up to the point when the national systems have sufficient capacity to conduct procurement directly.

UNDP as PR

The FAC report also commented extensively on the OIG's audit findings concerning the UNDP's role as PR for a number of grants. The FAC said that two key issues have been identified: (1) limited or complete lack of access to information and (2) the creation of parallel systems, with limited focus on capacity building and no plans to transition to national systems.

Limited access to information

The Global Fund has been seeking access to internal UNDP audits on Global Fund grants where UNDP serves as PR, but has not been successful. The UNDP's Office of Audit and Investigation has agreed to provide summaries of its audit findings, but the FAC said that, so far, "these summaries have been inadequate." While the OIG has been able to conduct audits "around" the UNDP (e.g., by auditing sub-recipients), "this does not give a sufficient insight into the grant operations and management by UNDP."

The FAC said that this situation means that the OIG cannot provide assurances to the Board regarding grants managed by UNDP. It added that "there is significant risk of reputational damage to both organizations, but especially UNDP," and that the lack of transparency is creating the "wrong kind of dynamic and is not workable for the Global Fund grant model." The FAC endorsed the suggestion from the OIG that the Global Fund Executive Director engage with the UNDP Administrator on this issue.

Parallel systems

The FAC pointed out that UNDP is often considered the PR "of last resort," meaning that it is used as PR in countries with many problems. UNDP's mandate is to help build national capacity while implementing the grants, with a view to eventual transfer of grant management to national entities. In practice, however, the FAC said, UNDP "tends to establish parallel structures that do little to help build national capacity, and rarely has plans in place to transition to national entities."

Other issues

The FAC noted that weaknesses in the functioning of CCMs are a common theme in reports of the OIG. The FAC said that many studies have already been conducted on this topic and that "it is now time to move forward and take action to address the weaknesses identified."

The FAC noted that "weak management [by] SRs is identified in all audit reports." The Global Fund model is that PRs are responsible for managing SRs. According to the FAC, "well-performing PRs recognize and manage SR risks." The FAC referred to this as a "long-running, complex issue" and said that there are "no straightforward solutions." It noted that the Secretariat is not in favour of an approach that would require Global Fund assessment of all SRs.

The FAC said that budget "padding" appears to be prevalent across grants, and that this results in excess funding being unnecessarily committed to existing programmes, instead of being deployed to support additional programmes. The FAC said that the measures to achieve efficiency gains in Rounds 8 and 9 are not expected to address this and may even be counter-productive (since this creates an incentive for applicants to over-budget, knowing that their budgets will be subject to a reduction after approval).

GFO has reported extensively on OIG reports. See, for example, Issues 119, 116 and 115, available at www.aidspace.org/gfo. The “Report of the Finance and Audit Committee Regarding OIG Matters” is available at www.theglobalfund.org/en/board/meetings/twentyfirst/documents.

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