



Independent observer  
of the Global Fund

## John Parsons, the Global Fund's Inspector General

Global Fund Inspector General John Parsons is a busy man. He is also very determined. He and his staff of 24 are fully booked through the end of 2010 ” and he expects the same to be true next year and the year after. By the end of 2012, Parsons hopes to have completed audits in over half of the 144 countries in which the Global Fund has grant programmes, seeking to determine whether those grants are operating effectively and achieving the anticipated results.

“We don’t just look at the financial inputs; we look at what has actually been achieved,” Parsons said in an interview with GFO, explaining that the audits are aimed at giving assurance that the Global Fund’s grants “are used wisely to save lives.”

The Office of the Inspector General (OIG) reports directly to the Global Fund Board, and is charged with reviewing not just the activities of Global Fund grant recipients, but also the work of the Secretariat.

When conducting audits of grant recipients, the OIG examines grant management capacity, procurement and supply chain management, financial management, and monitoring and evaluation (including, to a limited degree, success at achieving targets). But more dramatically, OIG also tries to detect actual and potential fraud involving Global Fund money.

OIG audit teams are multi-disciplinary, combining financial auditors with public health experts and procurement specialists. Parsons said audit teams vary in size from 10 people to nearly 30. They include local experts who are hired to help with each audit. There were 28 people on the team that carried out the recently concluded audit of the \$1.3 billion collection of grants in Nigeria. An audit typically lasts about five weeks, with more complex audits taking longer, and usually covers all of the principal recipients (PRs) in the country. “We go right back to Round 1, because most countries have not been audited previously by my office,” he said.

The OIG plans to complete 20 country audits in 2010, in Djibouti, Dominican Republic, Kenya, Laos, Malawi, Nigeria, PSI Headquarters (PSI is an international NGO that serves as PR in a number of countries), PSI Madagascar, PSI Southern Sudan, PSI Togo, Rwanda, Sri Lanka and eight others that the OIG has not yet publicly identified. Most audits are conducted in countries that are among the 35 that have been identified by a risk model used by the OIG as “high-risk.” However, two of the 2010 audits have been carried out in countries with well-performing grants, in order to demonstrate best practice. One of those was Rwanda, a tiny country of 9.7 million people in central Africa that first came to international attention because of the 1994 genocide there.

“I came back enthused with what I observed in Rwanda. It was a ‘good news’ story, and had things other countries can learn from,” Parsons said, adding that a 70-page report on Rwanda will be posted within the next month or two on the Global Fund website. (All OIG audit reports produced since January 2008 are eventually published at [www.theglobalfund.org/en/oig/reports](http://www.theglobalfund.org/en/oig/reports).)

Parsons preferred not to name the second “best practice” country, but said it had made “a remarkable turnaround” since experiencing problems with its first Global Fund grant some years ago.

The [OIG 2010 audit plan](#) also calls for six reviews of Secretariat-based processes. (One such review in 2009 was of the grant application process ” see [GFO 127](#). One review planned for this year is on Voluntary Pooled Procurement.) Parsons, who joined the Global Fund in 2008 as its second inspector general, said he had made a commitment to look at all the Fund’s key business processes over the next three to four years.

In addition to conducting country audits, the OIG also conducts investigations into apparent fraud. These investigations are nearly all triggered by whistleblowers; a few are triggered by concerns raised by local fund agents (LFAs) in reports to the Secretariat that are then discussed with the OIG. From 2008 to 2009, investigations triggered by whistleblowers tripled, from 22 to 66. Table 1, below, provides details, including a breakdown of the methods used by whistleblowers to contact the OIG.

Table 1: OIG investigations triggered from outside the OIG

How triggered	Number of investigations			
	2008		2009	
By the Secretariat/LFA	6	(21%)	4	(6%)
By whistleblowers, who contacted the OIG:				
By email, to <a href="mailto:inspector.general@theglobalfund.org">inspector.general@theglobalfund.org</a>	21	(75%)	53	(75%)

To the OIG phone at +41-22-341-5258, to the OIG fax at +41-22-341-5257, and by mail	1	(4%)	1	(2%)
Walk in	0	(0%)	3	(4%)
Anonymously, through a special hotline service		n/a	9	(13%)
Total	28	(100%)	70	(100%)

Part of the reason for the increase from 2008 to 2009, Parsons said, is an improved system for allowing whistleblowers to report fraud and abuse. (See [whistleblowers procedures and policies](#) and [how to report fraud](#).)

The 70 cases in 2009 have been categorized by the OIG as follows. (Some cases covered more than one category.)

Table 2: Types of cases reported to the OIG in 2009

Violations of policies	42
Mismanagement of funds	36
Bribery and corruption	36
Fraud, misappropriation and embezzlement	30
Abuse of power or authority	21
Issues related to staff misconduct	4
Wasteful conduct	2
Conflict of interest	1

As of April 2010, 40 cases were under investigation and 36 cases were under assessment to determine if investigations are warranted.

When OIG investigations reveal apparent criminal activity, the OIG shares its findings with the relevant country's legal officials. This has led to arrests in Mauritania and Mali ([GFO 125](#)). Investigations by others into fraud regarding Global Fund grants have also led to arrests in Uganda ([GFO 103](#) and [GFO 113](#)) and Zambia ([GFO 126](#)). Finally, OIG investigations have led to Global Fund grants being suspended in Mauritania ([GFO 107](#)) and Zambia ([GFO 126](#)). These developments sent a very clear message, Parsons said, "that it doesn't pay to steal money from the Global Fund."

Unlike many international agencies, Parsons said, the Global Fund actually gets its money back when corruption has been uncovered. So far, \$1.3 million has been recovered from Uganda, Mauritania has returned \$1.7 million, and Mali has returned \$0.3 million. In addition, the OIG is asking Zambia to return \$8 million.

"It doesn't cost a lot of money to save a life," Parsons said. "The fact that we get money back, which can then be redirected for the purpose that it was intended to be spent on, is a very commendable outcome. It's our persistence that secures it. We say we want our money back, and the message has got out."

Parsons points out the importance of identifying possible problems before implementation of a grant commences. "The principle of the Global Fund is to rely upon national structures," he said. "But we [the Global Fund] need to go through due diligence to check out whether we can put our money safely through those national structures." He explains that after the grant is well under way, the OIG is required, for selected countries, "to give independent, objective assurance to the Board of the Global Fund" that this has happened. "In addition, we seek to make recommendations that would strengthen the management of the programmes." But he makes it clear that it is not the OIG's role to perform such due diligence before the grant starts. He says that the Secretariat, in coordination with the LFA, needs to do a thorough review of each proposed PR before the grant starts; and that the PR and LFA should then do a thorough review of each proposed sub-recipient (SR).

Parsons adds that he is stressing to LFAs "how important it is to tell us anything they spot once the grant has started, because the Global Fund doesn't have a local presence in-country." Thus far, such comments from LFAs have normally been received verbally, and there have not been many of them. Parsons says that he now wants to reinforce the LFA's existing obligation to monitor the PR throughout the duration of the grant, and the PR's and LFA's parallel obligation to monitor the SRs. He adds that he proposes achieving this by requiring the LFA to regularly declare in writing that it has done its due diligence of the PR and SRs, and then to add either that facts have been identified that suggest the possibility of fraud, or that no such facts have been identified despite thorough review. He says that this requirement for a written opinion by the LFA should significantly increase the chances that the Secretariat and the OIG are informed of potential serious problems early on, that funds spent by PRs and SRs are for their intended purpose, and that funds are not diverted through fraud or corruption.

Parsons also points out that he needs to inform the Board whether the OIG's audit recommendations have been implemented. The OIG cannot require the Secretariat or grant implementers to follow its recommendations. But Parsons is hoping that those parties will "extrapolate from the evidence." He points out that "there will be 20 audits this year and 20 next. As time goes by, there will be a very rich source" in the Lessons Learnt reports. (The first such report was issued in 2009 " see [Report on Lessons Learnt from the Country Audits](#)). "Being in-country five weeks, six weeks, seven weeks give us a very in-depth understanding," Parsons said. "Our board considers that the nature of the coverage we provide is industry best."

Parsons said that the Global Fund Secretariat has “woken up to the value that can be secured from our work, particularly the Lessons Learnt reports. We’re raising some very fundamental issues about performance management ” we’re a performance-based organization.”

Parsons said his office seeks to help participants in Global Fund-financed programmes achieve best practice even before the issue of an audit arises. The OIG has published a Code of Conduct for Suppliers and a related Sanctions Procedures document, both accessible at [www.theglobalfund.org/en/policies](http://www.theglobalfund.org/en/policies). These will be followed soon by a Code of Conduct for Recipients (PRs and SRs).

Explaining that his office is experimenting all the time with the way its reports are presented, Parsons said that, above all, he wants the OIG’s work to be useful. He described a March 2010 meeting of the Board’s Finance and Audit Committee as being “fascinating” in the way it dissected the OIG audit reports from Nepal, Democratic Republic of Congo and the Philippines to pull out common issues. One of those issues was budget padding. “The budgets had been inflated, and for us, that creates risk,” he said.

“What does all this add up to? What does it tell you about our model? I think our 20 reports this year will be a very valuable source” for telling the world how Global Fund grants are working in practice.

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Editor’s Note: In a future article, GFO will report on the experience of some organizations that have been audited by the OIG. (People interested in providing input for that article are invited to contact GFO’s Editor, Bernard Rivers, at [rivers@aidspan.org](mailto:rivers@aidspan.org).)

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