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Most OIG Country Audits Result in Fraud Investigations

Investigations launched in 10 countries

Also: OIG will investigate allegations of organised thefts of anti-malarial drugs and of problems with bed net procurement

The Global Fund's Office of the Inspector General (OIG) says that most of its country audits provide sufficient indications of "potential irregularities" to justify a formal investigation by the OIG. This information is contained in the OIG's semi-annual progress report, which was recently released.

In the last few months, the OIG has issued final reports on four audits: Cambodia, Cameroon, Haiti and Zambia. (See articles on all four audits in GFO 132, available at www.aidspan.org/gfo). The field work has been completed on another 16 audits, in Djibouti, Dominican Republic, Kenya, Kyrgyzstan, Laos, Malawi, Mali, Nigeria, PSI (Population Services International) Headquarters, PSI Madagascar, PSI Southern Sudan, PSI Togo, Rwanda, Sri Lanka, Swaziland and Uzbekistan. PSI is either a principal recipient (PR) or a large sub-recipient (SR) for grants in Madagascar, Malawi, Southern Sudan and Togo.

The field work in these 16 countries led to investigations being launched in Djibouti, Kenya, Kyrgyzstan, Malawi, Mali, Nigeria, PSI Madagascar, Sri Lanka, Swaziland and Uzbekistan. (The OIG charter says that the OIG carries out investigations when it identifies "potential fraud, abuse, misappropriation, corruption and mismanagement.")

The OIG's progress report contains updates on the investigations in Mali, Djibouti and Nigeria; it also contains an update on an investigation launched some months ago in Mauritania. GFO will report on these updates in a future issue.

Field work for additional audits is either underway or will begin shortly in Chad, Ethiopia, Ghana, Ivory Coast, Papua New Guinea and Ukraine. Among these, investigations have thus far been launched in Papua New Guinea and Ukraine.

The progress report contains sections on cross-cutting issues identified in the audit reports recently released, on reports of theft of anti-malarial drugs, and on allegations of impropriety concerning the procurement and supply management of bed nets, all of which we report on below.

Finally, the progress report comments at length on systemic deficiencies that the OIG says pose serious risks to the Global Fund, its staff and resources, and to the effectiveness of the OIG. This will be the subject of an article in a future issue of GFO.

Cross-cutting issues

In its progress report, the OIG identified nine cost-cutting issues arising from the audits in Cambodia, Cameroon, Haiti and Zambia, as follows:

1. There are numerous instances of non-compliance with the grant agreement (e.g., failure to maintain proper book of accounts, late fulfilment of conditions precedent).
2. Some grant funds are spent on activities that are not in the approved work plan and budget and do not have the requisite approval of the Global Fund Secretariat. Budgets have often been “padded,” which facilitates such practices and increases the risks of irregularities occurring.
3. Some expenditures are not appropriately documented. Some overpayments and duplicate payments were also identified.
4. Most government PRs have established structures to manage the Global Fund-supported programmes which run in parallel to the national ones.
5. The salaries paid to contract staff working on Global Fund programmes are significantly higher than those paid to staff doing similar work in other organisations.
6. PRs often lack proper logistics management information systems. This affects their ability to quantify and forecast requirements for health products effectively.
7. The management of SRs remains weak. In many instances, there are shortcomings in the selection procedures for SRs. The capacity of SRs to implement programme activities is not assessed; no sub agreements are signed with SRs. There is poor monitoring of SR activities and in some instances the activities undertaken cannot be aligned to the approved work plans.
8. The indicators and targets that are proposed in the performance frameworks are often not aligned to the national ones in place.
9. The role and effectiveness of the LFA as an oversight body remains questionable.

Theft of anti-malarial drugs

The OIG said that it has received allegations and identified instances of organised thefts of anti-malarial drugs in several countries in Africa. The information came from partner organisations, whistle-blowers, a large drug manufacturer and the media. (With respect to the media allegations, see [“Report Renews Concerns about Stolen Malaria Medicines”](#) in GFO 131.)

The OIG said that the thefts appear to be well organised. Global Fund-financed anti-malarial drugs provided to certain countries have been identified for private sale in commercial markets in other locations – sometimes a considerable distance away. The OIG said that it appears that some of the stolen drugs are following a transcontinental trafficking route, overland and possibly by sea. The OIG says that it believes that a significant percentage of all Global Fund financed anti-malarial drugs (and most likely other drugs) have been, and are continuously being, diverted.

In its progress report, the OIG said that investigating these schemes will entail a massive undertaking, and that the OIG is “actively seeking to engage with donors similarly affected and national law enforcement authorities to undertake a coordinated investigation and response.”

(In his latest progress report to the Board, Global Fund Executive Director Michel Kazatchkine said that the OIG had identified five countries where measures to protect Global Fund-financed drug shipments from theft need to be implemented. He did not name the countries. He said that PRs in these countries were asked to submit a short-term plan to secure drug supplies by mid-December 2010 and longer-term plans by March 2011.)

Bed nets

The OIG said that it has received numerous referrals, complaints and allegations of impropriety regarding the procurement, delivery and distribution (and lack thereof) of significant quantities of anti-malarial insecticidal nets (LLINs) in many countries in Africa and Asia. Some allegations have been made concerning the poor quality of some LLINs. In addition, the OIG has received allegations that nets have been stolen, missing, sold in commercial markets, and repeatedly co-mingled with supplies funded by other donors.

Plans for 2011

The OIG conducted 20 country audits in 2010. The OIG had planned to do 20 country audits again in 2011, but it now says that it will do 15, and that it will “replace” the other five with 10 diagnostic reviews. Each diagnostic review will cover 3-4 countries within a region, and will focus on whether the controls that have been put in place to safeguard Global Fund resources are operational. One report will be issued for each diagnostic review. The report will highlight common problems for resolution by the Secretariat. It will also describe best practices, where appropriate. Finally, the diagnostic reviews will be a basis for identifying high-risk countries that may warrant an in-depth audit the following year.

The OIG plans to conduct five Secretariat-based programme reviews in 2011. This includes two topics that had been planned for 2010 but were not done that year: performance-based funding and procurement of bed nets. Two other topics scheduled for 2011 are (a) resource mobilisation and (b) risk management processes.

Because of the additional workload imposed by the growing number of investigations and the increasing complexity of many country audits, the OIG sought, and the Board approved, an increase in funding for 2011 which will enable the OIG to staff seven new positions.

“The Office of the Inspector General Progress Report for March-October 2010 and 2011 Audit Plan and Budget” (GF/B22/9) and the “Report of the Executive Director,” are available at www.theglobalfund.org/en/board/meetings/twentysecond/documents.

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