



Independent observer
of the Global Fund

OIG REPORT LISTS NUMEROUS PROBLEMS IN GRANT IMPLEMENTATION

In every country audited by the Global Fund's Office of the Inspector General (OIG) since 2006, there were numerous instances of principal recipients (PRs) not complying with clauses in their grant agreements. The Global Fund does not have mechanisms in place to monitor and enforce compliance with these clauses.

These are among the findings of a report issued by the OIG in September 2009 on "Lessons Learnt from the Country Audits and Reviews Undertaken."

The role of the OIG, which operates independently of the Global Fund Secretariat, is to provide the Global Fund Board with objective oversight to ensure that the Secretariat and grant recipients comply with Global Fund policies and procedures. The OIG prepared the report on lessons learned in order to identify common issues and their likely causes, and to make recommendations to strengthen grant processes.

Between 2006 and 2009, the OIG conducted audits or reviews in 12 countries (Bolivia, Chad, Kenya, India, Indonesia, Myanmar, Sierra Leone, Tanzania, Uganda, Ukraine, Zambia and Zimbabwe).

According to the report, the common areas of PR non-compliance with Global Fund grant agreement clauses were (a) not having external audit arrangements in place for sub-recipients (SRs); (b) failing to comply with established reporting dates; (c) failing to institute good management of SRs; and (d) failing to meet conditions that they were supposed to meet before being sent certain disbursements.

Other findings concerning PRs

Procurement

The OIG said that the procurement and supply management of pharmaceutical products was often not executed in line with best practice and Global Fund guidelines. Specifically, the OIG said that there were instances where value for money was not obtained; and that the audited countries lacked adequate capacity to effectively forecast their medical needs (which resulted in expired drugs or stockouts).

In addition, the OIG said that although the Global Fund Secretariat approves the PR's procurement and supply management (PSM) plan, the Secretariat does not have a mechanism to verify whether the PR has complied with that plan.

The OIG further noted that although several PRs appointed procurement agents to enhance their procurement capacity, the Global Fund does not provide guidance on how PRs can contract and better manage these agents, nor on how the PR's procurement capacity can be strengthened so that the PR can eventually take over the procurement function.

Salaries and allowances

According to the report, the payment of salaries and allowances to PRs and SRs is one of the areas most prone to abuse at country level. The OIG said that in all the countries that were audited, the "top up" salaries and allowances being paid from Global Fund grants were excessive when compared to those that were being paid by other development partners; and that the Global Fund has not established a policy to define what is acceptable as payment.

Financial management systems

The OIG said that most audited PRs had weak financial management and internal control systems characterised by a lack of segregation of duties, insufficient policies and procedures, a lack of budgeting and budgetary control, weak controls over advances to SRs, inadequate documentation to support expenditures incurred by third parties, and inaccurate books of account. The OIG said that these bad practices make Global Fund grants susceptible to fraud; that the practices were either not identified by the PR assessments undertaken by LFAs or, if identified, had not been remedied at the time of the audit; and that the practices should have been (but were not) identified through the annual audit process.

Monitoring and evaluation (M&E)

According to the report, the M&E frameworks for Global Fund grants in Kenya, Sierra Leone, Bolivia, Zimbabwe, India and Uganda were not operating effectively. Specifically, the OIG said that (a) there were targets that were unattainable; (b) there was a lack of mechanisms for collecting and verifying financial and programmatic data at SR level; (c) there was a lack of approved M&E plans showing when, how and by whom monitoring should be undertaken; and (d) there was a lack of tools to assist SRs in reporting results. The OIG said that these bad practices affected the accuracy and timeliness of the results reported to Global Fund.

The OIG's report also contained findings concerning CCMs, LFAs and risk management, as follows.

CCMs

According to the report, CCMs were not executing their roles as defined in Global Fund guidelines. Specifically, the OIG said that (a) CCMs lacked mechanisms to oversee Global Fund programmes; (b) CCMs were engaging in "operational matters" at the expense of their oversight, policy-setting and strategic roles; (c) CCMs had failed to identify and rectify key issues that affected Global Fund

programmes; and (d) CCMs lacked mechanisms to monitor and verify the performance results reported by the PRs. The OIG said that these bad practices resulted in poor and ineffective oversight of Global Fund programmes. [Note: “The Aidsplan Guide on the Roles and Responsibilities of CCMs in Grant Oversight,” available at www.aidsplan.org/guides, may be of value to CCMs concerned about these issues.]

The OIG noted that while most CCMs had documented conflict of interest policies that conformed to the Global Fund guidelines, there was no evidence that these policies were actually being enforced. Moreover, the OIG said, the Global Fund policy on conflict of interest does not address conflict of interest arising from PRs and SRs sitting on CCMs.

LFAAs

According to the report, the quality of the work done by LFAs has been negatively affected by LFAs lacking the right skill mix to execute their role, and by LFAs failing to execute that role. The OIG said that many of the critical issues raised in the OIG country audits were obvious and should have been picked up by the LFAs as part of their duties.

Risk management

The OIG said that the risk management framework being developed by the Global Fund identifies and categorises risk by country, but does not go down to the level of individual grants. According to the OIG, identification of risks by grant would make it easier for fund portfolio managers (FPMs) to focus on helping the grant to succeed.

Recommendations

The OIG report contains a number of recommendations to address the problems identified in the report.

The OIG noted that there is no formal process to ensure that audit recommendations from the OIG (both past and present) are implemented in a timely manner. According to the OIG, there has been “inadequate follow up of recommendations by country teams at the Secretariat, inadequate documentation to evidence implementation of recommendations and no alternative measures put in place to mitigate the identified risks for audit recommendations not implemented.”

The OIG said that prior to 2008, it undertook five country audits and made 66 recommendations, but that only 32 of these recommendations had been fully implemented at the time of its report.

The OIG’s report on “Lessons Learnt from the Country Audits and Reviews Undertaken” is available in English only on the Global Fund website at www.theglobalfund.org/en/oig/reports.

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