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NIGERIA PRS, CCM PROVIDE COMMENTS ON OIG AUDIT REPORT

Global Fund Secretariat also provides feedback

Yakubu Gowan Centre to be replaced as PR

The audit report on 15 grants in Nigeria, prepared by the Global Fund's Office of the Inspector General (OIG), identified losses that it said should be repaid to the Global Fund with respect to three PRs: the Yakubu Gowan Centre, the National Action Committee on AIDS, and the Christian Health Association of Nigeria (see previous article). In this article, we report on the response of these PRs and the Nigeria CCM to some of the OIG's findings. We also report on feedback from the Global Fund Secretariat. In some instances, we summarise the responses from the OIG to comments made by the PRs.

(Unless otherwise indicated, the comments shown below from the CCM, PRs and Secretariat were included in the audit report.)

Principal recipients

Yakubu Gowan Centre (YGC)

YGC said that it challenged "without reservation" the OIG's finding with respect to \$3.7 million in ineligible and unsupported expenditures, and that this finding was "baseless and without foundation."

Concerning one portion of this amount – the \$659,905 in management fees, which the OIG said were

unsupported – YGC made the following comment:

“This amount was clearly discussed during negotiations between top management of both parties. It was agreed that the amount could be deployed for general administration of the project and was paid on [a] quarterly basis. It amounts to renegeing on the agreement for YGC to be asked to pay back this amount because it failed to account for same.”

The CCM commented as follows:

“The sum of \$659,905 was deployed by YGC as management fees in line with grant implementation conditionalities, although documentations on the expenditures concerning management fees are yet to made available to CCM. Therefore, in tune with country fiduciary procedure, unretired expenditures should be refunded. However, [the] CCM strongly advises that YGC and TGF could interact further to re-dress the situation. Failure in this direction may necessitate the engagement of the Country recovery system.”

In response, the OIG said that the grant agreement between the Global Fund and YGC states that, “the principal recipient shall maintain accounting books, records, documents and other evidence adequate to show, without limitation, all costs incurred by the PR under the Agreement.” The OIG said that, in this instance, YGC had failed to do so, and that the OIG therefore “cannot give assurance of the accuracy, and appropriate use of these amounts.”

With respect to the claim by the OIG that YGC over-charged for deliveries of health products by CHAN-Medi-Pharm, YGC said that these payments were in accordance with the contract and were reviewed and approved by the LFA. YGC said that it was never told that the contract with Medi-Pharm had any shortcomings until the OIG came. “It is thus unfair that YGC should be asked to refund [this] money,” YGC said. “If the supposed shortcomings on this contract had been pointed out to us earlier, the contract would have been revised or nullified.”

In response, the OIG said that its finding points to a double payment – i.e., contracting Medi-Pharm as a supplier paid at a commercial rates, and then also charging the grant with the supplier’s office and staff costs.

With respect to a finding by the OIG that \$337,816 was recorded in the YGC books as paid to an SR, the National Malaria Control Programme (NMCP), but never received by NMCP, YGC said that the necessary documentation was provided as proof that these amounts were paid to the NMCP accountant and staff and to state Roll Back Malaria officials through various banks. YGC said that funds were disbursed on an activities basis, and that this was acceptable practice in Nigeria.

The OIG responded that YGC did not provide records or a cashbook extract for amounts that were “reportedly” transferred to NMCP. Only vouchers were presented to the OIG. Whenever the vouchers could be traced to the YGC cashbook and bank statements, the OIG said, it considered the transactions to be valid. However, the OIG said, that still left a balance of \$337,816 that could not be accounted for. The OIG said that YGC was provided with the outcome of its review in writing and the relevant documents were signed off by the YGC Chief Accountant.

YGC also commented on a finding by the OIG regarding \$302,617 transferred by YGC to another SR, the Civil Society Consultative Group on HIV/AIDS in Nigeria (CiSHAN). In the audit report, the OIG had said that CiSHAN did not have documentation supporting expenditures for this amount. YGC said that it could not directly produce these documents because the related activities were carried out by the SR (CiSHAN). YGC said that “it is therefore unfair to ask YGC for a refund of the amounts [involved].”

The OIG responded that YGC, as the PR, was provided with the outcome of the OIG review of CiSHAN records; that the outcome was detailed transaction by transaction; and that this therefore provided

sufficient basis for YGC to interact with CiSHAN to follow up on recovery of these funds.

Finally, with respect to the OIG's finding that expenditures of \$2.0 million lacked adequate support documentation, YGC said that documents to support these amounts were provided by the YGC's Chief Accountant in accordance with accepted accounting practices in Nigeria. "However," YGC said, "the OIG team chose not to accept the supporting documents presented without valid reason."

The OIG responded that YGC had more than 16 months to present the necessary support documents for the OIG to review. The OIG said that in September 2011, the OIG reviewed original support documents that were presented in response to the draft report. The OIG found that (a) some of the support documents were fabricated from transactions that had previously been reviewed and cleared during the audit; and (b) supporting documents could still not be presented for many of the expenses charged to the grants. The OIG said that YGC management has been provided with a transaction-by-transaction listing of expenditures that remain unsupported.

National Action Committee on AIDS (NACA)

In the audit report, the OIG identified \$690,846 in unsupported expenses. Most of this amount concerned advances that the OIG said were not accounted for. NACA responded as follows:

"The 'unsupported expenditures' of \$679,000 are made up of payments to third parties for activities under the GF grant. Most of the payments were made under the GF Round 1 grant (2004-2007). NACA has identified all the organizations and individuals who received the payments and who carried out the activities. Some of the affected individuals and organizations have recently submitted reports/receipts and supporting documents for the amounts they collected. These supporting documents are available for OIG's review. For the organizations and individuals that are yet to submit their reports/receipts and other supporting documents, NACA has engaged legal services to compel these individuals and organizations to retire the expenses or refund same to Global Fund.

"In addition, NACA is writing a formal letter to the Minister of Health to solicit his assistance in compelling all affected individuals and organizations within the Ministry of Health and its associated departments, teaching hospitals, and medical centres to submit their reports/retirements without further delay. We expect all the documents to be duly collected from the affected individuals/organizations within the next 4 months. After which time, the supporting documents will be presented to the OIG for review and clearance."

The CCM commented in a similar vein, and added: "Please note that additional supporting documents covering the sum of \$200,000 has been received by NACA and therefore [should] be discounted from the sum to be refunded."

The OIG responded that the additional supporting documents that it had received were composed primarily of photocopies; and that, where original documents were attached, "they had inconsistencies that cast doubt on their authenticity."

Christian Health Association of Nigeria (CHAN)

In its audit report, the OIG identified losses of \$2.5 million. In its comments, CHAN accepted responsibility for some parts of this amount, but contested other parts. For example, with respect to unsupported

disbursements to SRs, CHAN said that one of the SRs had objected to the amount attributed to it and “would like further justifications as to why some of their documents were rejected by the OIG team.”

CHAN objected to the OIG’s finding that \$449,919 in project support costs constituted an ineligible expenditure. CHAN said that project support cost of 1.7% were duly approved in the budget and the project documents signed before the project commenced. CHAN said,

“The amount of \$444,919 was used as part of systems strengthening to be able to perform GF activities optimally through trainings, governance meetings and other expenses which were detailed... Since there was no clear guideline at the beginning of the project to provide a work plan and budget on the use of support costs, the PR used its discretion to apply the funds where necessary.”

The CCM commented in a similar vein. In response, the OIG said that it sought to review books of account and documents for expenditure classified as project support costs. However, the OIG said, because no documents were provided, “no assurance could be provided by the OIG over the use of these amounts.”

When we were preparing this article, a spokesperson for CHAN told GFO that CHAN objected to the OIG characterising CHAN’s performance in Phase 1 of its Round 5 TB grant as “poor.” Research by GFO showed that during the first year, the grant received three B2 ratings from the Global Fund and one B1 rating. During the second year, it received three B1 ratings.

The spokesperson denied that CHAN had declined to provide support documents, as alleged by the OIG. He said that CHAN was making efforts to overcome the security challenges of getting the support documents from Jos, Nigeria (where CHAN has its offices) to Abuja when the OIG suddenly told CHAN that its team was leaving the country. The spokesperson said, “To our disappointment, they left much earlier than the time CCM had given us.” The spokesperson said that CHAN had exchanged mails with the OIG on the security issues.

Editor’s note: There has indeed been much unrest in Jos, centred around clashes between Christians and Muslims, as attested by numerous reports in the media.

CCM

The audit report contained a letter dated 25 October 2011 from Mohammed Bukar, the CCM Chair, which said that most of the recommendations in the report have been implemented or are in the process of being implemented. Bukar said the recovery of ineligible and unsupported expenditures “will be fully addressed.”

Bukar said that the CCM has improved its oversight of the Nigeria grants. He said that the CCM now conducts quarterly site visits to assess achievement against targets, and that this complements its quarterly reviews of the PU/DR reports and related reports. Bukar added that in March 2011 all PRs and SRs developed a risk management plan covering four key areas: programme management, financial controls, procurement and M&E. Bukar noted that the CCM will complete its own risk management plan by the end of 2011.

Global Fund Secretariat

The audit report also included a letter dated 18 October 2011 from Mark Eldon-Edington, Director of Country Programs at the Global Fund Secretariat, which said that the Secretariat will start the process of recovering the losses identified in the audit report. Edington said that the Secretariat will negotiate reimbursement terms with each PR “to ensure both timely recovery and minimal disruption to the Global Fund programs.” He added, that the amounts contested by the CCM and the PRs will be reviewed by the

OIG and the Global Fund (in consultation with the LFA, as required) to determine the final amount to reimbursed.

With respect to the Round 8 malaria grant administered by YGC, Edington said that based on the draft OIG audit report issued on 25 May 2011, the Global Fund, CCM Nigeria and YGC had agreed on the transfer of the grant to a new PR. Edington said that on 13 October 2011 CCM Nigeria decided that the grant would be taken over by two existing PRs, NMCP and the Society for Family Health (SFH), for the remaining period of Phase 1; and that a new (and different) PR would be selected via a transparent and competitive process for Phase 2.

Edington said that YGC was cooperating with the Secretariat to bring about an orderly close of its grant by 30 November 2011; and that discussions were underway with NMCP and SFH with a view to completing arrangements for the transfer within the same time frame.

The letter from Edington also contained a summary of the challenges and risks identified in the audit report, along with comments from, and actions taken by, the Secretariat.

Response to OIG recommendations

The audit report also contained an annex labelled “Global Fund Secretariat’s Comment to Country Action Plan.” The annex listed all 53 recommendations from the audit. For each recommendation, the annex showed (a) the response from the entity to whom the recommendation was directed (e.g., PR, Secretariat, CCM); (b) the responsible official or entity; (c) a completion date for actions listed in the response; and (d) comments from the Secretariat. There did not appear to be any contentious items in this annex.

The OIG audit report on Nigeria, and all of the other OIG reports released on 31 October 2011, are available on the Global Fund website [here](#). GFO contacted the three PRs for which the OIG identified losses and asked them if they would like to comment on a draft of this article. We received comments from CHAN, which we incorporated into the article. We received a response from NACA stating that the draft article adequately summarised its views. We did not receive a response from YGC.

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