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**Editor's Note:**

This issue of GFO is devoted to articles on audit reports recently released by the Global Fund's Office of the Inspector General (OIG) on Global Fund grants in Zambia, Cameroon, Haiti and Cambodia. In the past, when we have reported on the findings of OIG country audits, we have relied almost exclusively on the contents of the reports issued by the OIG. We are aware that some people have concerns about the audit process, and that some people question some of the audit findings. We are preparing, for a future issue of GFO, an article describing these concerns. The country audit reports issued by the OIG contain recommendations. Generally, they also contain comments on the recommendations from the organisations being audited. It is sometimes possible, from these comments, to identify concerns that the organisations have about the audit. This is the case for two of the audits covered in this issue (Zambia and Haiti). We mention these concerns in the two articles in question.

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[2. NEWS: Cameroon Audit Documents Financial Control Weaknesses in Governmental PRs](#)

There are (or were) a number of significant deficiencies in the financial management control framework of Ministry of Public Health (MOPH) PRs and SRs in Cameroon, concludes the OIG in a recent report. Many of the OIG's recommendations have already been addressed.

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All four PRs in Cambodia established separate structures parallel to national ones to manage procurement and M&E functions within Global Fund grants. According to the OIG, this goes against the intention of core Global Fund principles that call for the use and strengthening of national systems.

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**1. NEWS: OIG Finds Serious Deficiencies in Performance of All Four PRs in Zambia**

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All four principal recipients (PRs) implementing Rounds 1 and 4 Global Fund grants in Zambia, two of them government and two NGO, have shown evidence of significant financial management and control weaknesses, episodes of misappropriation and fraud, and losses of grant funds. This is the overarching finding of an audit conducted in 2009 by the Global Fund's Office of the Inspector General (OIG). A report on the audit was recently released. It is apparent from the OIG report that some of the PRs disagreed with a number of the audit's findings.

The PRs in question were the Ministry of Health (MOH), the Ministry of Finance and National Planning (MOFNP), the Zambia National AIDS Network (ZNAV) and the Churches Health Association of Zambia (CHAZ). In the case of the MOH and the MOFNP, the OIG said that they were not fit to continue serving as PRs.

(In June 2010, the MOH was replaced as PR by the United Nations Development Programme [UNDP]. See "[Disbursements to Zambia MOH Suspended Amid Allegations of Fraud; Change of PR Is Imminent](#)" in *GFO 126*.)

Below, the main findings for each PR are summarised. This is followed by a discussion of the responses to the audit from the PRs. Finally, we report on the audit's findings with respect to the CCM and the LFA.

### **Ministry of Health**

The OIG said that despite some notable achievements as PR – including, working with other partners, successful treatment of close to 90% of tuberculosis cases, providing antiretroviral therapy to approximately 245,000 people, and providing at least 70% of households with at least one insecticidal treated bed net – the MOH exhibited serious shortcomings in programme and financial management. The audit identified episodes of fraud and losses of funds, misuse of grant funds, poor management of SRs and procurement, and a significantly weak control environment. OIG auditors identified about \$1,659,000 in ineligible expenditures, and expenses of \$4,365,000 that were not adequately documented.

### **Ministry of Finance and National Planning**

The audit revealed serious deficiencies in the management of the programmes for which the MOFNP was PR. The MOFNP delegated its PR responsibilities to the National AIDS Council (NAC), a sub-recipient (SR), without formal documentation, which created uncertainty concerning implementation roles and responsibilities. Although a Programmes Management Unit (PMU) was set up in the NAC, appropriate grant management structures, policies and processes to safeguard Global Fund resources were not instituted.

The OIG said that no internal or external audits of the programmes were conducted; that SR management was deficient; that the PMU lacked technical staff to oversee the technical aspects of the programme; and that there were no identified staff with clearly vested responsibilities for key functions, such as grant management and procurement. The OIG found that these issues severely affected programme implementation and contributed significantly to episodes of expenditures that were unsupported, and ultimately deemed ineligible. OIG auditors identified about \$1,508,068 in ineligible expenditures, and expenses of \$1,443,447 that were not adequately documented.

The audit also found that a member of staff engaged in fraud with respect to programme funds and made expenses that were not supported; the audit identified about \$104,130 in expenditures that could not be accounted for.

Although 70% of the grant funds were managed by the SRs, according to the OIG there were no set procedures to manage the SRs or their use of the grant funds. No selection procedures for SRs were identified; their capacity to implement the programmes was not assessed; no guidance was given to the SRs on the allocation of funds; and there was no formal written agreement between the PR and SRs detailing the SRs' responsibilities with respect to the programme or the associated funding. "All of these circumstances lead to a significant risk of misappropriation of funds," the OIG said.

### **Zambia National AIDS Network**

The OIG said that although ZNAN had achieved most of the targets set out in the grant agreements, there were some significant deficiencies in programme and financial management. The audit identified several instances of fraud or misappropriation at the SR level, amounting to about \$1.6 million. Of the 21 SRs visited by the OIG, six were victims of fraud or had themselves misused grant monies. The OIG said that a large number of SRs are funded in each round, and that ZNAN had made over 900 disbursements since the commencement of funding in 2003. "While the organization has developed good selection criteria for the appointment of SRs, there were several instances of non-compliance with internal sub-granting requirements identified. And in other instances, grant funds were disbursed with no agreement between the PR and SR."

Within ZNAN, governance and oversight of the programmes supported by the Global Fund is provided by a "Liaison Committee." The OIG said that the committee was supposed to meet every quarter, but had met only nine times since 2003. "In addition, the bulk of the membership is made up of members from SRs, creating a conflict of interest as potential SR members stand to benefit or be disadvantaged from decisions by the same management they oversee."

In addition, the audit found deficiencies in both internal and external audits that were conducted on the programme.

According to the OIG, a salary survey comparison with similar organisations revealed that salaries at ZNAN were in some cases more than 150% higher than in like positions in other organisations in the sector. "With such high salary levels offered to attract the very best staff, the OIG had not expected to find the management deficiencies noted above."

"In conclusion," the OIG said, it was "unable to provide assurance that the grant programs managed by ZNAN were operating effectively at the time of the audit. Implementation of the OIG's recommendations should help to considerably strengthen ZNAN's effectiveness."

### **Churches Health Association of Zambia**

The OIG noted that "CHAZ has registered a number of considerable achievements over the years. Under Round 1 most of the targets were achieved for establishing sites. Under the Rounds 4 and 7, there had also been significant progress towards the overall achievement of the targets. CHAZ responded to the changes that came with the increased funding by establishing appropriate structures and improving on the internal systems. Over the years of the Global Fund grants, CHAZ has been transformed from being a small indigenous organisation to the largest faith based organization in the health sector. At the start of the Global Fund Grants in 2003, CHAZ had 23 employees and by the end of 2008 had 82 employees."

The OIG said that some staff benefits as described in CHAZ's draft human resources management policy "seemed unreasonable especially when viewed in the light of the fact that they were paid from program funds." This included; (a) a settling-in allowance for all new staff of 30% of basic annual salary; (b) a monthly housing allowance of 50% of basic salary; (c) a transport allowance of 20% of basic salary; (d) a children education allowance; (e) utility vehicles being used by managers with the agreement that they would be sold to them at the end of their first contract; and (f) laptops to be given to managers after three years of use.

The OIG said that top-up allowances were paid to the late Executive Director and the Programs Manager for a period of 31 months from February 2006, amounting to \$4,660 and \$3,660, respectively, per month. These were described in the approved Global Fund work plans and budgets as "program coordination." The OIG noted that "there was no apparent justification made at the time since other staff directly involved in running the Global Fund activities were not considered."

The OIG said that because CHAZ lacked the capacity to procure medical products, Crown Agents had been subcontracted to do this work. However, the OIG noted, the memorandum of understanding (MOU) signed for procurement services had not been effectively managed by either CHAZ or Crown Agents. As a result, MOU requirements had not been met; Crown Agents had not built CHAZ procurement capacity; and there were delays in stock deliveries that resulted in emergency procurements.

The OIG also expressed concerns about several accounting policies and procedures. “In conclusion,” the OIG said that it was “unable to provide assurance that the grant programs managed by CHAZ were operating fully effectively at the time of the audit. Implementation of the OIG’s recommendations should help to considerably strengthen CHAZ’s effectiveness.”

### Response from the PRs

The audit report does not contain a response from the PRs on the overall audit findings. However, it does contain comments from the PRs on specific recommendations. The MOFNP agreed with most of the recommendations. The two NGO PRs agreed with many of the OIG’s recommendations, but the tone – and sometimes the language – of their responses indicate that they disagreed with many others. The table below provides some examples of where the PRs disputed the findings.

**Table: Examples of OIG recommendations and PR responses**

OIG recommendation	PR response
<b>ZNAN</b>	
Revenues generated from Global Fund activities should be reported to the LFA/CCM. Approvals should be sought by the PR on how these funds should be applied to Global Fund programs before the funds are used. ZNAN should report all income generated and seek approval for expenditure incurred from these resources.	Revenues generated as interest are consistently reported to the LFA/CCM through the PUs/DRs and are solely used for Global Fund program activities.
ZNAN should ensure that SRs possess sufficient financial management capacity before disbursing funds. This includes but is not limited to; (i) having qualified staff; (ii) Mechanism for recording financial transactions e.g. accounting software; and (iii) Demonstrated ability to report financial transactions on a periodic basis.	ZNAN does strive to ensure that SRs have financial systems in place before disbursement but it should be borne in mind that ZNAN deals with a wide range of SRs from support groups to international NGOs. It should be expected therefore that the skills levels in these organizations will range from simple systems in support groups to very complex systems in international NGOs.
The salaries paid by the Global Fund should be in line with sector levels. The contribution to salaries from program funds should be revised to reflect this and release funds to fighting the three diseases.	ZNAN will continue to pay salaries in line with sector levels.
<b>CHAZ</b>	
CHAZ should ensure that reporting timelines are properly communicated to staff, followed through and met. This will facilitate timely and informed decision making at the Global Fund.	CHAZ will continue to ensure that reporting timelines are properly communicated to staff, followed through and met.
The PR should allocate expenses and salaries based on the time allocation to the particular grant. As part of the grant negotiation process, CHAZ should provide justification for its salary charges to the Global Fund account. All funds involving double claims should be refunded to the Global Fund.	CHAZ has provided justification for all salaries charged to GF. During round 4, 7 and 8 negotiations, these justifications were provided. In addition, there have been no double claims as explained to the Audit team in country.
CHAZ management should provide a justification for the administration cost charges to the Global Fund. This should include allocation of costs by donor. This should be reviewed by the LFA and	CHAZ charges indirect costs to all partners implementing programmes with CHAZ. CHAZ has been charging these costs to GF since the inception of the programmes in 2003 based on

OIG recommendation	PR response
recommendations made to the Global Fund about the reasonableness of charges.	negotiation with and approvals from GF.

The section of the audit report that contains the recommendations and the PRs' responses also includes comments from the Secretariat and, sometimes, additional comments from the OIG. These often make for interesting reading. For example:

*Original recommendation*

ZNAN should work with SRs to centralize procurements as much as possible so as to avoid using Global Fund monies to pay taxes. In addition, ZNAN should, through the CCM, discuss with the Ministry of Finance and National Planning on ways to improve compliance in respect of tax payments.

*PR response*

The need for ZNAN to centralise the purchasing of all supplies for all SRs would pose huge financial and logistical challenges such that any savings in terms VAT not paid would be far exceeded by the cost of warehousing and distributing these supplies throughout Zambia. ZNAN will inform SRs to obtain VAT exemption from the Ministry of Finance and National Planning.

*Secretariat response*

The Secretariat notes the Country response, and concurs that centralizing procurements for all of ZNAN's many SRs is impractical. The Secretariat will work with the LFA to monitor VAT payments by the SRs in spot check audits. In cases of payment of VAT, the Secretariat will send a formal letter to the PR requesting the PR utilize these funds in accordance with the recommendation of the Secretariat.

*OIG response*

The recommendation is intended to control loss of funds through payment of VAT. OIG is not satisfied with the Country response to the finding regarding payment of VAT on procurements undertaken by SRs/SSRs. Simply "informing" the SRs/SSRs to obtain exemption may not yield the required results. The PR should make a commitment to facilitate the process to obtain the required exemptions from the relevant authorities.

**CCM and LFA**

The audit also examined the CCM and the LFA. With respect to the CCM, the OIG said that while the CCM has made some progress in creating governance structures and processes, including the development of a manual of procedures, the CCM had "performed poorly" in implementing most of the provisions in the manual (including the selection of PRs and SRs). In addition, the OIG said, the CCM appeared to be government-controlled and its discussion were not really open. As well, the CCM had no plan for the oversight of the PRs, and had done a poor job of ensuring collaboration among the PRs.

Concerning the LFA, PricewaterhouseCoopers, the OIG found that it had not provided quality work and that it had failed to deliver on various aspects of its mandate. The OIG said that "there were noticeable delays in the performance of work with a lot of work assigned in 2008 only completed in mid-2009. Whilst PRs were late in submitting reports to the LFA, the OIG noted from the LFA records, that indeed the LFA contributed to the delays by not finalising the reviews on time. Delays in the LFA therefore contributed to delays in disbursing funds to the PRs."

In its comments, the Secretariat said that it had decided to significantly revise the terms of reference for LFA work in Zambia, and that this would result in a re-tender, which would be carried out in the last quarter of 2010.

*The information for this article was taken from “Country Audit of Global Fund Grants to Zambia,” 5 October 2010, available at [www.theglobalfund.org/en/oig/reports](http://www.theglobalfund.org/en/oig/reports).*

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## **2. NEWS: Cameroon Audit Documents Financial Control Weaknesses in Governmental PRs**

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There are (or were) a number of significant deficiencies in the financial management control framework of Ministry of Public Health (MOPH) principal recipients (PRs) and sub-recipients (SRs). This is the main conclusion of an audit conducted by the Global Fund's Office of the Inspector General (OIG) in 2009 on six Global Fund grants in Cameroon. Many of the OIG's recommendations for remedial action have already been implemented or are currently being implemented.

MOPH was the PR for five of the six grants, covering all three diseases, although there were three separate programme management units (PMUs) within the MPOH to manage the grants (one for each disease). The PR for the sixth grant was Care Cameroon. The OIG found that the internal control environment at Care Cameroon was "strong," and made only minor recommendations.

The OIG found that there were inadequate financial management guidelines in all three PMUs. Proper books of accounts were not maintained; bank reconciliations were not prepared on a timely basis; none of the programmes had up-to-date financial data; and the filing systems were in disarray, thus making it impossible for the OIG to obtain all the documentation it requested to support payments. Furthermore, no reconciliations were prepared with the suppliers, which resulted in overpayments; and the PMUs did not follow up on the recovery of long-outstanding advances.

The audit revealed that the accounting software was not able to consolidate the accounts of the regional offices, which meant that all accounts were maintained by the Head Office. There were no backups of the accounting system. In one instance, the system crashed, which resulted in all the information having to be re-entered.

The OIG said that there were weak controls over assets as evidenced by the inability of the PMUs to reconcile their records to stock balances at the end of the year, a lack of comprehensive asset registers, and assets not being marked with unique numbers.

The OIG identified two irregularities which were common to all MOPH grants:

- Interest income earned on the programme bank accounts was retained by the bank, contrary to the grant agreement, which stipulates that such income should be recorded and used for programme activities.
- Top-up salaries were paid to staff without the approval of the Global Fund Secretariat (which is required).

Specifically with respect to the malaria grants, the OIG noted that the procurement of mosquito nets did not follow international bidding, but instead was done through national bidding and at higher prices than necessary. Proper records were not maintained; at the time of the audit, the PMU could not provide a breakdown of nets procured and distributed, and stock on hand. In addition, the OIG noted several conflicts of interest that were not disclosed.

Concerning the HIV grants, the OIG found an overpayment of about \$3.4 million which resulted from the procurement agent invoicing at prices higher than the prices it had paid for the drugs. (This amount is in the process of being recovered.)

As part of its commitment to HIV/AIDS, since 2007 the Government of Cameroon had subsidised tests for patients by reimbursing the costs to the hospitals or treatment centres. The OIG noted that in August 2008, the reimbursements to hospitals stopped. The outstanding amounts due to hospitals was about \$1.8 million. As a result, the hospitals had stopped providing subsidised tests – which impacted the programme, since many patients could afford to pay for tests. These costs were subsequently paid after a new disbursement was received from the Global Fund at the end of the audit.

The OIG report contains a number of recommendations to address the deficiencies uncovered by the audit. The PRs responded in a comprehensive fashion to the OIG's recommendations; the response

is contained in the report. The PRs accepted most of the recommendations, reported on what actions had already been taken, and indicated what additional actions were planned.

In an appendix to the OIG report, the Global Fund Secretariat said:

“The Secretariat has been aware of many of the weaknesses related to financial management as well as monitoring and evaluation and procurement system weaknesses in the Cameroon portfolio. This report provides more definition and detail and will greatly assist the Secretariat in addressing these weaknesses and further reducing risk in this environment. The Secretariat has found the review at the PR level particularly useful.”

The OIG audit also covered the CCM and the LFA. With respect to the CCM, the OIG said that the CCM was not effectively discharging its oversight role; that there was limited participation of NGOs in the development of the Round 9 proposals; and that the selection process for PRs for Round 9 was not properly managed.

The OIG noted that the CCM had not been awarded an HIV grant since Round 4 due to major shortcomings in its proposals. The OIG said that “the country is in dire need of the funds [given its] economic situation and the increase in the numbers of patients.”

Concerning the LFA, PricewaterhouseCoopers (PwC), the OIG said that it had concerns about the quality of its work. The report provides several examples of what the OIG calls a “disconnect” between the audit findings and the “generally positive” assessments of the work of the PR made by the LFA.

*The information for this article was taken from “Country Audit of Global Fund Grants to Cameroon,” 5 October 2010, available at [www.theglobalfund.org/en/oig/reports](http://www.theglobalfund.org/en/oig/reports).*

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### **3. NEWS: Report Is Critical of PR in Haiti; Change of PR Is Imminent**

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An audit report on Haiti, recently released by the Office of the Inspector General (OIG), has revealed significant issues with the performance of the Société Générale Haitienne de Banque (also known as Fondation Sogebank), a non-profit foundation which has served as the principal recipient (PR) for all but one of the Global Fund grants in Haiti.

The OIG made a number of recommendations concerning how these weaknesses should be addressed. However, the OIG’s findings and recommendations have been overtaken by several events, including the following:

- Shortly after the audit was completed (at the end of 2009), Haiti suffered a catastrophic earthquake which negatively affected the ability of government and aid workers to deliver even basic services.
- After the earthquake, the Global Fund decided that the Haiti grants would fall under its Additional Safeguard Policy (ASP). (The ASP allows for special controls to be implemented that go beyond normal requirements.)
- New PRs were selected to replace Fondation Sogebank for recently approved (and as yet unsigned) Round 8 (malaria) and 9 (TB) grants.
- In May 2010, after being unable to address in full requests from the Global Fund Secretariat, the Fondation Sogebank officially resigned as PR for all grants it was managing. This includes HIV grants from Rounds 1, 5 and 7; and TB and malaria grants from Round 3.

UNDP offered to take over the HIV grants as well as the new Round 9 TB grant. The Secretariat is now working with UNDP on the negotiation of new grant agreements. The Secretariat says that the transition period should last between three and six months, and that the Fondation Sogebank will remain as PR until about the end of 2010. Population Services International (PSI Haiti) will become the PR for the Round 8 malaria grant. (The Round 3 malaria and TB grants have been concluded.)

Details on the OIG's findings concerning Fondation Sogebank can be found in the audit report. (The report also contains the responses from the Fondation to the recommendations of the OIG; the Fondation disagreed with the majority of the recommendations.)

The audit also covered the CCM and the LFA. With respect to the CCM, the OIG said that although it had taken steps to improve its oversight function, the CCM suffered from frequent turnover of members, mainly government officials that are rotated in and out of the CCM on a regular basis. In addition, the CCM Secretariat was getting its operating funds from the PR and its sub-recipients (SRs), a practice which threatens the independence and objectivity of the CCM. Finally, the OIG said that communications between the CCM and other stakeholders was poor.

In its response to the audit, the Global Fund Secretariat indicated that technical assistance would be provided to the CCM "to strengthen its capacity as an overseeing body," and that training of SRs would be undertaken to strengthen their institutional capacities and enhance dialogue and cooperation with other stakeholders.

Concerning the LFA, KPMG, the OIG found fault with the quality of its work. In its response to the OIG report, the Secretariat reported that as a result of the OIG's concerns and its own concerns, notice was given to KPMG that its contract would be terminated. The terms of reference for LFA services in Haiti were strengthened, and the contract was then re-tendered. (As it happens, KPMG was the successful bidder for the re-tendered contract; however, the composition of its LFA team was altered.)

The OIG also looked at how the Global Fund Secretariat had managed the Haiti file. The OIG said that the risks and deficiencies should have been picked up earlier by the Secretariat. However, it said,

"A 2009 change in the Secretariat's personnel responsible for Haiti programs significantly contributed to the marked program performance improvement. In particular, the new team identified solutions to resolve long outstanding weaknesses, including the critical lack of capacity of the PR to satisfactorily perform its various important roles. In October 2009, Secretariat representatives, including members from the Country Programs, Finance and Strategy, Performance and Evaluation Clusters, conducted a mission to Haiti that identified a number of deficiencies of the PR that critically needed to be addressed."

Nevertheless, the OIG noted that there was no systematic process in place in the Secretariat to monitor recommendations resulting from its reviews of the performance of the LFA, thus posing a risk that important identified issues could remain unresolved. In its response, the Secretariat said that new processes had already been established.

*The information for this article was taken from "Country Audit of Global Fund Grants to the Republic of Haiti," 1 October 2010, available at [www.theglobalfund.org/en/oig/reports](http://www.theglobalfund.org/en/oig/reports).*

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#### **4. NEWS: Audit Reveals Deficiencies in the Management of Global Fund Grants in Cambodia**

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All four principal recipients (PRs) in Cambodia established separate structures parallel to national ones to manage procurement and monitoring and evaluation (M&E) functions within Global Fund grants. The creation of parallel structures goes against the intention of core Global Fund principles that call for the use and strengthening of national systems.

This is one of the conclusions of an audit conducted in 2009 of all 13 Global Fund grants in Cambodia. The Office of the Inspector General (OIG) recently released a report on the audit. The purpose of the audit was to assess the adequacy of the internal control and programmatic processes in managing Global Fund grants. For 10 of the grants, the PR was the Ministry of Health (MOH). Each of the following entities was PR for one grant: the National Centre for HIV/AIDS, Dermatology and STI (NCHADS), the National Centre for Parasitology, Entomology and Malaria Control (CNM), and the National Centre for Tuberculosis and Leprosy Control (CENAT). All three entities are semi-autonomous agencies within the MOH.

The OIG said that at the time of the audit, there was no capacity building or plan for transitioning the programmes from the parallel structures to the national ones.

According to the OIG, the establishment of separate procurement units within each of the PRs and some sub-recipients (SRs) specifically for the Global Fund grants resulted in a fragmentation of procurement activities. (Each PR already had a procurement unit for its non-Global Fund-related activities, but these were not used for the grants.) Across all four PRs, there was weak procurement planning, lack of procurement and contract management capacity, and a lack of transparency in some procurement processes.

In most cases, the OIG said, contracts awarded for procurement of goods and services did not conform to formal written procurement guidelines and best practice. Procurement processes were not open, competitive and transparent. Goods and services were not always obtained at the lowest possible prices.

The OIG said that each PR had its own M&E systems and structures, including for data collection and analysis. There was no alignment with the national M&E system. Furthermore, the technical assistance (TA) that was obtained to build these parallel systems did not contribute to strengthening the national M&E system, but instead supported contract staff that should have had the required skills at the time they were recruited.

With respect to TA generally, the OIG said that it saw no evidence of on-the-job mentoring or of institutional capacity development. While there was the occasional example of quality TA, it “tended to be in the form of ‘doers’ rather than mentors. It also seemed to have had little influence on strengthening the ministry as an institution. Rather it benefited just one of the 3 diseases or, worse still, just one of the Global Fund grants.”

The OIG noted that as Global Fund support increased over the years, there was a gradual reduction in government and other partner support – contrary to the Global Fund core principle that requires recipients to treat its funds as additional to the resources from the host country and other external sources.

In the view of the OIG, all four PRs had weak human resources functions as evidenced by inadequate policies and practices around the recruitment, task allocation and appraisal of staff. In addition, the PRs failed to conduct capacity assessments of the SRs at the start of the grant (as they are required to do). The OIG reported that although most of the SRs had significant capacity weaknesses, no capacity building was undertaken.

In its report, the OIG identified a number of problems that were common to all four PRs. For example, salaries paid to contract staff were significantly higher than those paid to government staff employed in the same institution. This caused distortions in the government structures within the various institutions as staff moved from government positions to the more lucrative contract positions. The incentives paid were also much higher than those paid by other donors. In addition:

- there was poor delegation of authority within each PR;
- all PRs made most of their payments in cash and not through the banking system, thus raising the risk of misappropriation of the money;
- PRs and SRs consistently failed to comply with approved work plans and budgets;
- health products that should have been provided free of charge were sometimes being sold to the public;
- there was no written policy or guidelines for disposal of expired drugs;
- progress reports were consistently submitted late; and
- there was no system at the PR to track disbursements made to the SRs.

With respect to the budgeting function, the OIG noted that there were frequent budget reallocations where funds from one budget line were moved to another budget line to cover other costs. In some instances, the budget was changed to cover items that were not included in the approved budgets.



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