



Independent observer
of the Global Fund

Involvement of Supreme Audit Institutions in Global Fund Grants Oversight: a multi-country case-study in Cameroon, Malawi and Rwanda

An Aidspan preliminary report

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Independent observer
of the Global Fund

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Executive Summary

The Global Fund to fight HIV, Tuberculosis and malaria (thereafter the Global Fund) was created in 2002 as a financing institution to defeat those three diseases as epidemics. Over the course of its 15 years of existence, the Global Fund has invested US\$33.8 billion in over 100 countries.

The Global Fund has set an elaborate system both in countries and in the headquarters to prevent frauds, theft etc. and foster good management practices. However, over the years, monies, medications, mosquito nets and other medical supplies purchased with the Global Fund grants are sometimes lost to mismanagement, thefts and other types of fraud according to the reports by the Office of the Inspector General of the Global Fund. Those corrupt acts occur also in grants managed by the State principal recipients which are in principle audited by the country's Supreme Audit Institution.

Supreme Audit Institutions exist in most countries sometimes alongside anti-corruption and other integrity institutions. Often, institutional capacity exists in those institutions to identify problems, expose them and seek redress through the courts or other government agencies. Thus, it becomes important to explore the involvement of Supreme Audit Institutions in the oversight of the Global Fund grants. Through a multi-country case study in Cameroon, Malawi and Rwanda, this report seeks to

1. analyze whether the Supreme Audit Institutions audit the Global Fund existing grants,
2. analyze whether such collaboration if it exists improves the implementation and oversight of the grants
3. and offer recommendations.

We found a general lack of engagement of national Supreme Audit Institutions and other anti-corruption institutions in the Global Fund grants in Cameroon and Malawi. In contrast, in Rwanda, the Office of the Auditor General audits the Global Fund grants and reports to the parliament. In addition, the OAG collaborates with the OIG when this latter conduct audits in the country. The Rwanda situation reinforces country ownership; the situation is opposite in the other two countries

While this study is not a representative of all countries, it gives an insight of the current situation in countries where the Global Fund invests.

Aidsparan recommends that

- 1. The Global Fund explores the possibility of engaging the Supreme Audit Offices in auditing the grants and involving other anti-corruption institutions, when they exist, to foster good management practices and discourage bad ones.** This involvement may require building capacity of Supreme Audit Institutions on Global Fund processes, formalizing relationships with the in-country actors such as the CCMs and country teams, creating communication channels with implementer and anti-corruption commissions where they exist, the Supreme Audit Institutions, and the OIG.
- 2. The Secretariat makes public existing audit reports**

Introduction

The Global Fund to fight HIV, Tuberculosis and malaria (thereafter the Global Fund) was created in 2002 as a financing institution to defeat those three diseases as epidemics. Over the course of its 15 years of existence, the Global Fund has invested US\$33.8 billionⁱ in over 100 countriesⁱⁱ. The Global Fund core principles are partnership, country ownership, performance-based financing and transparency. In most countries, a State institution (for instance the ministry of health or its equivalent) is an implementer of the Fund's grant alongside non-state institutions.

The Global Fund has invested about two-thirds of funds in sub-Saharan Africa. Often, those countries have weak health systems, weak accountability for public funds and high levels of perceived corruption. To encourage proper management of its investments, the Global Fund has set up its own system of accountability that runs parallel to the existing national ones: an inclusive Country Coordinating Mechanism (CCM) to develop and submit grant applications as well as oversee the grant implementation, a Local Fund Agent (LFA) to be the eyes and ears of the fund in country, and a country team which proactively manages risks in Global Fund-supported programs. The Global Fund has also set up an Office of the Inspector General (OIG) which is in charge of safeguarding the fund's "assets, investment, reputation and sustainability". The OIG conducts audits of grants, investigations of wrongdoing or/and offers advice in countries where the Global Fund operates.

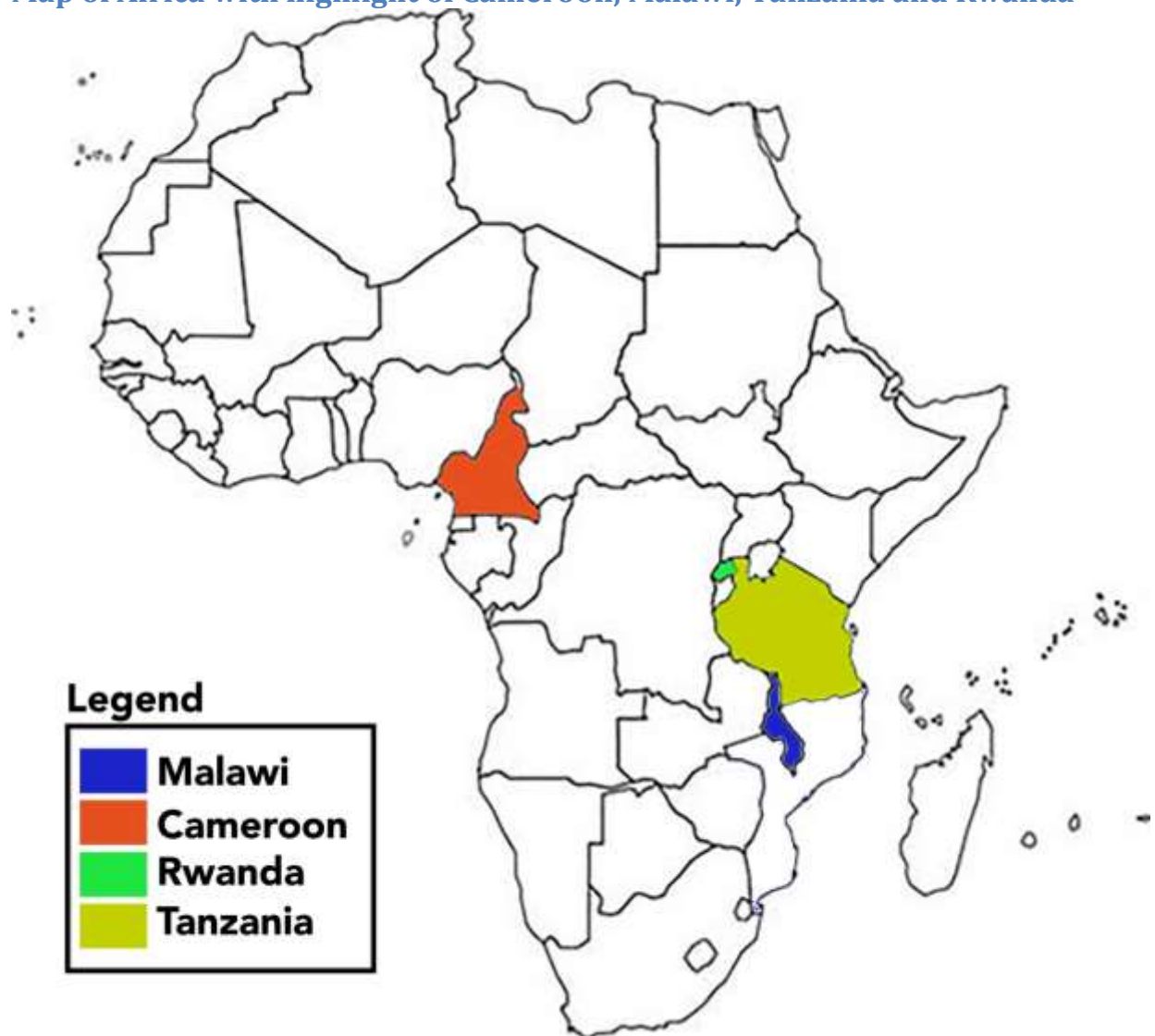
Despite such an elaborate system, monies, medications, mosquito nets and other medical supplies purchased with the Global Fund grants are sometimes lost to mismanagement, thefts and other types of fraud according the reports by the OIG. Those corrupt acts occur also in grants managed by the State principal recipients which are in principle audited by the country's supreme audit office. The Global Fund requires a refund from the country when it has unveiled and documented such acts and requires the country to institute measures to avoid such occurrences in the future.

Supreme audit institutions exist with different name depending on to the country (e.g. National Audit Office in Malawi, Office of the Auditor General in Rwanda) sometimes alongside anti-corruption and other integrity institutions. Often, institutional capacity exist in those institutions to identify problems, expose them and seek redress through the courts or other government agencies. Thus, it becomes important to explore the involvement of Supreme Audit Institutions in the oversight of the Global Fund grants. In particular, we

1. analyze whether the Supreme Audit Institutions audit the Global Fund existing grants,
2. analyze whether such collaboration if it exists improves the implementation and oversight of the grants
3. and offer recommendations.

This study focuses on three countries: Cameroon, Malawi and Rwanda. Those countries are chosen as part of the Back-up initiative of the German cooperation which funded this study, to explore different contexts.

Map of Africa with highlight of Cameroon, Malawi, Tanzania and Rwanda



Note: Tanzania was originally included but field work in this country is not completed by the time the report is written

Methods

The study is based on literature review and qualitative surveys of representatives of the audit institutions and implementers in the three countries, the secretariat of the Global Fund and the OIG. All interviews, conducted by trained interviewers, took place between March and November 2017. In-country interviews were conducted in-person while those of the Global Fund and the OIG were on the phone or by email.

Results

Three countries with different HIV, TB and malaria epidemiological and corruption contexts

The three countries belong to different geographical areas: Cameroon is located in Central Africa, Malawi in Southern Africa while Rwanda is in Eastern Africa. Their populations vary greatly, from 12 million in Rwanda to about 23.5 millions in Cameroon (Table 1)ⁱⁱⁱ. Similarly, the epidemiological profiles for the three diseases differ considerably. For example, of the three countries, Malawi has the highest HIV prevalence (9.2%)^{iv} and Rwanda the lowest (3.1%)^v; Cameroon is in the middle with a prevalence of 3.8^{vi}. In those three countries more than two-thirds of the population live in high transmission areas with more than 1 case for 1000 population according to the WHO^{vii}.

In terms of funding, the Global Fund has invested about US\$3.5 billion in HIV, TB and malaria programs in the three countries since 2003. Malawi has received about US\$1.8 billion^{viii ix} while Cameroon has received US\$442 million^x. In 2016 alone, Global Fund investments contributed to putting about one million people on antiretroviral therapy and detecting and treating 170,140 smear-positive cases in the three countries.

The corruption contexts also vary widely among the three countries. In terms of perception of corruption, in 2016, Cameroon was ranked 145 out of 176 in the world as compared to Rwanda which was ranked 54 -- a lower ranking indicates higher levels of perception of corruption^{xi}. Currently, Rwanda is the third least corrupt country in Africa owing to strong internal controls. Rwanda is often given as an example of a successful recovery in terms of governance, health and development following the 1994 genocide. It has a good record with grant performance and was chosen as a pilot country to implement results-based financing where the country pools resources from various donors and government to implement the country national strategic plan for HIV and AIDS.

Table 1: Profiles for the three countries

Country	Population ^a	HIV prevalence (2016) ^b	Persons on ART (2016) ^c	Smear positive TB cases detected and treated (2016) ^c	No. of insecticide-treated nets distributed (to date) ^c	Total Global Fund investments (to date) (US\$) ^c	Corruption perception index ranking (2016) ^d
Cameroon	23,439,189	3.8%	210,000	127,000	11,000,000	442,270,236	145
Malawi	18,091,575	9.2%	680,000	3,840	7,740,000	1,806,216,144	120
Rwanda	11,917,508	3.1%	160,000	39,300	12,900,000	1,211,381,206	54
Total	53,448,272		1,050,000	170,140	31,640,000	3,459,867,586	

Source, see endnotes for reference: ^a World Bank, ^b UNAIDS, ^c The Global Fund Overview, ^d corruption perceptions index 2016

The Global Fund grants are audited yearly...

The Global Fund requires the grants to be externally audited yearly by a reputable firm. Guidance by the secretariat of the Global Fund does not insist on which institution, private or public, should conduct the audit but it appears that the Global Fund mostly cares that a quality

audit is conducted.

...and by the OIG occasionally!

Thus, countries are audited occasionally by the OIG. Selection criteria for audit by the OIG depends on several criteria including

1. **Materiality and risk likelihood** which cover the amount of money allocated to countries, the risks facing the grant and the probability that those risks occur
2. **Mitigating factors** which might reduce the risk in the country like the presence of Fiscal Agent
3. **Discretionary factors** which include the date of the last country audit, the viewpoint of the country team

Other criteria accounted for are the portfolio category (High Impact, Core, Focus), the disease burden of the three diseases; and whether the Global Fund investment for either one of the three diseases constitute the bulk of the financing in the country.

Overview of previous OIG audit and other reports in the three countries

Earlier reports of the OIG have summarized the findings and prioritize them. More recently, the OIG has assigned a rating to each functional area based on a five-tier or four-tier ratings. The five-tier are effective (the highest level), some improvement needed, major improvement needed, not satisfactory, critical (the lowest); the four-tier are effective, partially effective, needs significant improvement and ineffective^{xii}.

Cameroon: the OIG has published three audits. The earliest audit published in 2010 found weaknesses in financial management with the State recipients, conflict of interests, inadequate supervision and linkage between the coordinating offices and the three state implementers. The audit found some good internal controls practices and documented government willingness to improve on problematic areas. It did not have a rating. The following audit published in 2013 focused on grant closure in several countries including Cameroon and concluded that major improvement was needed. The latest OIG audit in 2016 focused on procurement and supply chain management. The report found the procurement controls and assurance mechanisms partially effective but the supply chain ineffective.

Malawi: the OIG has published two audits and one investigative reports. The first audit report published in 2012, stressed weaknesses in financial, sub-recipient, procurement and supply chain managements. The audit report of 2016 admitted improvement in financial management but concluded that the effectiveness and efficiency of (1) the mechanisms set up to deliver quality services and (2) the supply chain system still needed significant improvement. However, arrangements to improve absorption capacity were partially effective.

The OIG has also conducted a pro-active investigation in anti-malaria product thefts in 2016. Those medications were to be given free of charge to patients in public facilities but were sold by other private retailers creating stock-outs in public facilities. The OIG found that such thefts were widespread and concerned malaria medications purchased not only by the Global Fund but also by USAID, the American cooperation. The OIG collaborated with Malawi Drug Theft Investigation Unit and other donors; some vendors were brought to account; it is likely that some health care workers are involved due to the potential high gain.

Rwanda: the OIG has published two reports. The first audit published in 2011 indicated some weaknesses in financial management of sub-recipients and the need to improve the principal recipient oversight. The audit report of 2014 indicated that financial, fiduciary, health service and product as well as programmatic and performance risks are generally effective while some improvement was needed in the area of governance, oversight and management risks.

No involvement of the Supreme Audit Institution in the Global Fund grants in Cameroon, and Malawi ...

In those two countries, the Supreme Audit Institution does not audit the Global Fund grants. Such a situation is related to two major factors:

- No engagement of the Supreme Audit Institution (or the national equivalent) by the implementers, country teams, CCM or the OIG
- Reduced capacity of the Supreme Audit Institution in terms of staff

In those countries, the grants are audited once a year by a reputable private audit firm.

Those private audit firms are chosen by the PR with guidance from the country team in the secretariat. It is noteworthy that the audit firms are international entities that are perceived reputation conscious. Their opinions are highly valued both in-country and at the Secretariat level. Note that in Cameroon, the OIG has worked with the Internal Audit Unit of the Ministry of Health.

...Although such involvement may improve the oversight and country-ownership of the grants...

In Cameroon and Malawi, the Supreme Audit Institution is mandated to safeguard public funds by verifying accounts and processes at least once a year. The Supreme Audit Institution is entitled to access accounts and documents of all institutions that receive public funds.

Those audit offices have an added advantage of reporting to the parliament their findings which increases visibility, and can compel hearings, and remedial measures if needed.

For those two reasons (access to documents and reports to parliament) the Supreme Audit Institution may be an important stakeholder of the Global Fund grants and may be more effective than private firms.

For instance, in Malawi, the Global Fund grants implemented by the ministry of health are audited by the international audit firm KPMG without involvement of the Supreme Audit Institution for different reasons depending on the respondent. This fact implies that the audit report cannot be presented to the parliament which deprives the findings of higher visibility and hampers country ownership. Indeed, in Malawi, only audit reports developed by the National Audit Office can be presented in the parliament. Note that National Audit Office audits projects from other donors, such as the World Bank.

Involvement of the national audit office may also encourage whistleblowing activities which complements other Global Fund innovations such as the *I Speak Now Campaign!*

The national audit office is already established and recognized by government officials and communities. In countries where the people have trust in this office, they are more likely to report cases of alleged fraud or mismanagement of funds.

... provided the Supreme Audit Institutions have the capacity and the integrity to offer the service

The Supreme Audit Institutions need competent personnel with high level of integrity and independence as well as financial resources to conduct those audits. However, that capacity is not always readily available.

In contrast, the Rwanda Office of the Auditor General audits the Global Fund grants and reports findings to the Parliament

In Rwanda, where the ministry of health is the sole principal recipient of the Global Fund grants, **the Office of Auditor General (OAG) audits the global fund PR and some selected sub-recipients grants once a year.** The OAG verifies if the accounting and financial data are accurate and for purposes envisaged by the Parliament and donors. It also verifies if the state institutions have satisfactory internal control system to safeguard the reception, custody and adequate use of public goods and if programs were implemented with economy and efficiency. The findings of the audit are consolidated in a report sent to the PR with a copy to the Global Fund. **The audit report is also discussed in the parliament.**

In addition, the OAG is routinely associated with the OIG audits conducted in Rwanda. Such collaboration allows the OAG to obtain valuable information that helps prevent errors and fraud in the future. This involvement of the OAG in the oversight of the grants reinforces country ownership and transparency.

No official relationship between the CCMs and Supreme Audit Institutions in all three countries

The CCM is entrusted with the role of overseeing the Global Fund grants in-country but audit arrangements are made by the implementers with approval from the secretariat country team. The CCMs are excluded de facto from this process. In addition, as the audits are conducted by private firms in Cameroon and Malawi, it is not surprising that no official relationships exist between their CCM and the audit office.

Other institutions like the Anti-Corruption Bureau (ACB) or its national equivalent can also help

In Malawi for instance, the Anti-Corruption Bureau (ACB) works closely with the National Audit Office as both are law enforcement oversight bodies. In some cases, when the National Audit Office audits an institution but does not have the mandate to investigate its officials, it would forward findings to the Anti-Corruption Bureau to investigate. In other cases, both the NAO and the ACB would address or respond to queries by the parliament on issues of common interest.

Examples of useful collaboration between Anti-Corruption Bureau, and other institutions, donor in Malawi

In Malawi, the Anti-Corruption Bureau has a memorandum of understanding (MoU) with the National Aids Commission (NAC). The Bureau assists the NAC in monitoring the implementation of its activities to prevent thefts and other frauds after such acts have occurred in NAC. Since, no public report of mismanagement has surfaced.

Also, the ACB has an agreement with the Ministry of Health and the American Embassy to investigate theft of Malaria drugs. After investigation, findings were submitted to the Malawi Drug Theft Investigation Unit and the American Embassy in Malawi but were not made public.

Note that the OIG partnered with the Malawi ACB in the campaign “*I Speak out Campaign*” about thefts of medication in Global Fund grants as Poster 1 illustrates

Picture 1: Poster inviting to reduce the risk of drug thefts in Malawi



Text on the poster: Stealing is the same as killing; In government hospitals, you are killing Malawians, especially children for malaria; Let's all speak now to deal with theft

Source: Office of the Inspector General

Discussion

This study indicates the lack of involvement of the Supreme Audit Institutions in two out of three countries in the case-study. Indeed, the absence of collaboration suggests that the Fund deprives itself of useful national resources and capacity often available in the Supreme Audit Institution; Auditors in Supreme Audit Institutions know well their country and when they are not

compromised in corrupt deals, they may offer useful support to the Global Fund grants in conducting different types of audits. Indeed, the OIG has plans to engage to the African Organization of English-speaking Supreme Institution to remedy this situation.

In Rwanda where the Office of Auditor General is involved, no fund has even been missing. Such a feat should probably be credited to the culture of respect of public goods and strong internal control implemented in the country.

It is noteworthy that audits conducted by private firms are paid for by the grant money but the reports are not made public by the Global Fund while those of the OIG are. Such a discrepancy should be corrected and in the **interest of transparency, the Global Fund should make public the audit reports of its different grants in countries whether those audits are conducted by public or private entities.**

Conclusion and recommendations

This study showed a general lack of engagement of national Supreme Audit Institutions and other anti-corruption institutions in the Global Fund grants in Cameroon and Malawi. In contrast, in Rwanda, the Office of the Auditor General audits the Global Fund grants and reports its findings to the parliament. In addition, the OAG collaborates with the OIG when this latter conduct audits in the country. The Rwanda situation reinforces country ownership; the situation is opposite in the other two countries

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- 3. The Global Fund explores the possibility of engaging the Supreme Audit Offices in auditing the grants and involving other anti-corruption institutions, when they exist, to foster good management practices and discourage bad ones.** This involvement may require building capacity of Supreme Audit Institutions on Global Fund processes, formalizing relationships with in-country actors such as the CCMs and country teams, creating communication channels with implementer and anti-corruption commissions where they exist, the Supreme Audit Institutions, and the OIG.
- 4. The Secretariat makes public existing audit reports.** Currently, audit reports by the OIG are available online. But other audit reports conducted by private audit firms are not. In the interest of transparency and accountability, those reports should be available to the public.

ⁱ <https://www.theglobalfund.org/en/financials/>

ⁱⁱ <https://www.theglobalfund.org/en/portfolio/>

ⁱⁱⁱ The World Bank, World Development Indicators: Tanzania, Cameroon, Malawi and Rwanda http://databank.worldbank.org/data/reports.aspx?Code=NY.GDP.PCAP.CD&id=1ff4a498&report_name=Popular-Indicators&populartype=series&ispopular=y#

^{iv} UNAIDS Country factsheets, Malawi 2016, HIV and AIDS Estimates <http://www.unaids.org/en/regionscountries/countries/malawi/>

^v UNAIDS Country factsheets, Rwanda 2016 HIV and AIDS Estimates <http://www.unaids.org/en/regionscountries/countries/rwanda>

vi UNAIDS Country factsheets, Cameroon 2016, HIV and AIDS Estimates

<http://www.unaids.org/en/regionscountries/countries/cameroon>

vii Country profiles 2016- <http://www.who.int/malaria/publications/country-profiles/en/#T>

viii The Global Fund. Malawi – Overview

<https://www.theglobalfund.org/en/portfolio/country/?loc=MWI&k=b2d78cbb-a8d0-45e2-a78c-9e53b907c4a3>

ix The Global Fund. Rwanda – Overview

<https://www.theglobalfund.org/en/portfolio/country/?loc=RWA&k=a76e4125-b5f5-41c8-8bcc-82d9dc5d1342>

x The Global Fund. Cameroon – Overview

<https://www.theglobalfund.org/en/portfolio/country/?loc=CMR&k=abd20e6f-1d8d-4fd0-964e-f429e276d3ac>

xi corruption perceptions index 2016

https://www.transparency.org/news/feature/corruption_perceptions_index_2016#table

xii The Global Fund. Office of the Inspector General – Communications

<https://www.theglobalfund.org/en/oig/communications/>