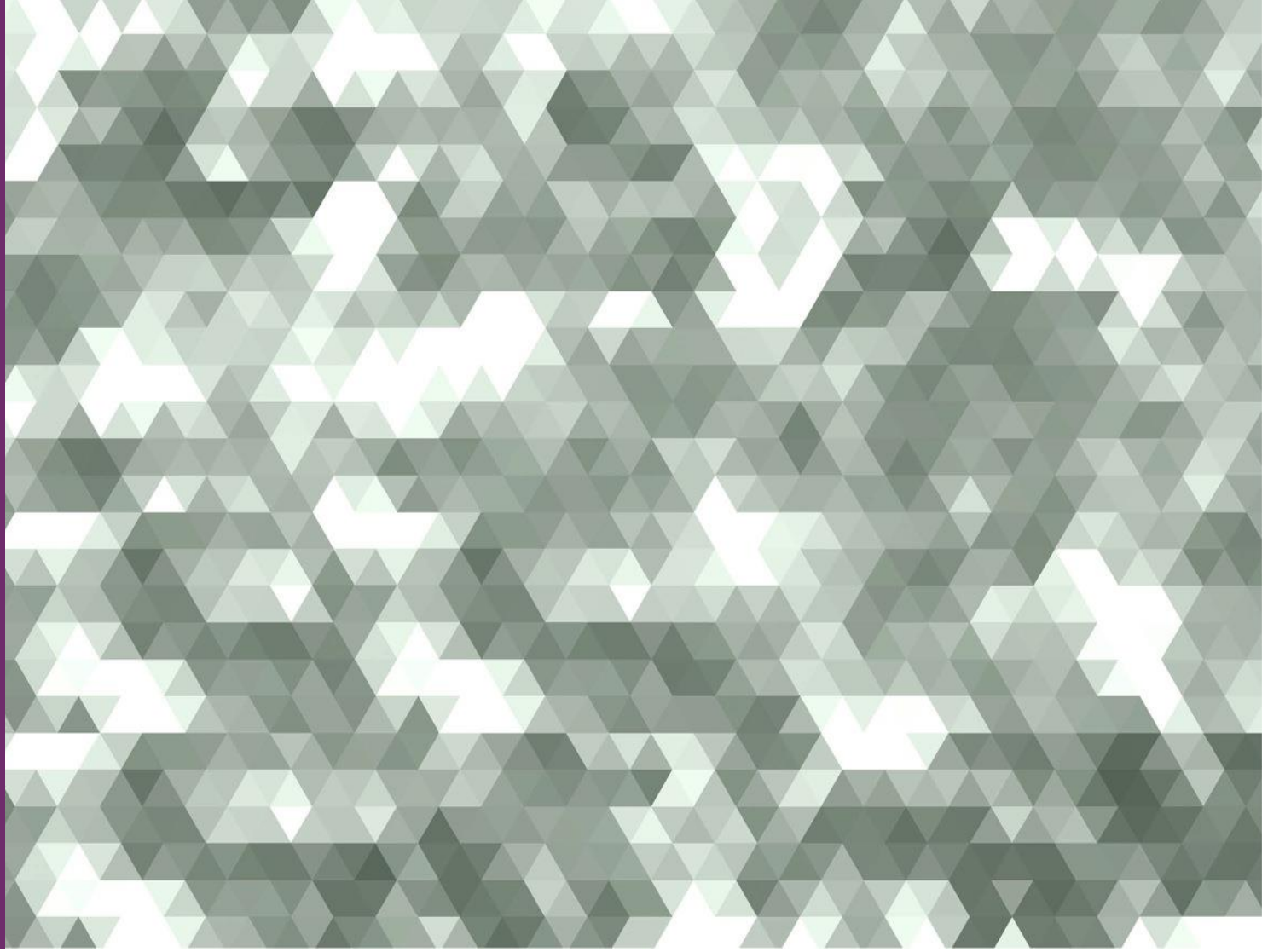


Investigation Report

Global Fund Grants to the Kingdom of Eswatini

Fraudulent Diversion of Funds from Sub-recipient Mobile Money Account

GF-OIG-18-015
20 August 2018
Geneva, Switzerland

The Global Fund
Office of the Inspector General

What is the Office of the Inspector General?

The Office of the Inspector General (OIG) safeguards the assets, investments, reputation and sustainability of the Global Fund by ensuring that it takes the right action to end the epidemics of AIDS, tuberculosis and malaria. Through audits, investigations and advisory work, it promotes good practice, reduces risk and reports fully and transparently on abuse.

Established in 2005, the OIG is an independent yet integral part of the Global Fund. It is accountable to the Board through its Audit and Finance Committee and serves the interests of all Global Fund stakeholders. Its work conforms to the International Standards for the Professional Practice of Internal Auditing and the Uniform Guidelines for Investigations of the Conference of International Investigators.

Contact us

The Global Fund believes that every dollar counts and has zero tolerance for fraud, corruption and waste that prevent resources from reaching the people who need them. If you suspect irregularities or wrongdoing in the programs financed by the Global Fund, you should report to the OIG using the contact details below. The following are some examples of wrongdoing that you should report: stealing money or medicine; using Global Fund money or other assets for personal use; fake invoicing; staging of fake training events; counterfeiting drugs; irregularities in tender processes; bribery and kickbacks; conflicts of interest; and human rights violations...

Online Form >
Available in English, French, Russian and Spanish

Letter:
Office of the Inspector General
Global Fund
Chemin du Pommier 40, CH-1218
Geneva, Switzerland

Email:
ispeakoutnow@theglobalfund.org

Free Telephone Reporting Service:
+1 704 541 6918
Service available in English, French, Spanish, Russian, Chinese and Arabic

Telephone voicemail:
+41 22 341 5258

More information about the OIG:
www.theglobalfund.org/en/oig

Audit Report

OIG audits look at systems and processes, both at the Global Fund and in country, to identify the risks that could compromise the organization's mission to end the three epidemics. The OIG generally audits three main areas: risk management, governance and oversight. Overall, the objective of the audit is to improve the effectiveness of the Global Fund to ensure that it has the greatest impact using the funds with which it is entrusted.

Advisory Report

OIG advisory reports aim to further the Global Fund's mission and objectives through value-added engagements, using the professional skills of the OIG's auditors and investigators. The Global Fund Board, committees or Secretariat may request a specific OIG advisory engagement at any time. The report can be published at the discretion of the Inspector General in consultation with the stakeholder who made the request.

Investigations Report

OIG investigations examine either allegations received of actual wrongdoing or follow up on intelligence of fraud or abuse that could compromise the Global Fund's mission to end the three epidemics. The OIG conducts administrative, not criminal, investigations. Its findings are based on facts and related analysis, which may include drawing reasonable inferences based upon established facts.

Table of Contents

1. Executive Summary 4
   1.1. Summary Paragraph 4
   1.2. Main OIG Findings 4
   1.3. Actions Already Taken 5
   1.4. Summary of Agreed Management Actions 5
2. Context 6
   2.1. Country Context 6
   2.2. Differentiation Category for Country Investigations 6
   2.3. Global Fund Grants in the Country 7
   2.4. The Three Diseases 7
3. The Investigation at a Glance 8
   3.1. Genesis and Scope of the Investigation 8
   3.2. Type of Wrongdoing Identified 9
   3.3. Non-Compliant Expenditure 9
   3.4. Proposed Recoverable Amount 9
   3.5. Progress on Previously Identified Issues 9
4. Findings 10
   4.1. Grant Funds Were Fraudulently Diverted through Unauthorized Transfers 10
   4.2. Lack of Supervision and Segregation of Duties in the Sub-recipient Enabled Fraudulent Transfers 12
   4.3. The Principal Recipient's Oversight of the Sub-recipient Was Inadequate and Standard Procedures Were Absent 14
5. Table of Agreed Actions 15

Annex A: Methodology 16

Annex B: Summary of Subject Responses 18

1. Executive Summary

1.1. Summary Paragraph

After two external audits identified financial irregularities at a Global Fund Sub-recipient, the Office of the Inspector General investigated programs implemented by the Sub-recipient under the grant awarded to the Principal Recipient, a non-governmental organization. The OIG discovered that the Project Finance Officer for the Sub-recipient improperly diverted funds from the Sub-recipient's official mobile money account to his own account and to other unauthorized accounts. These fraudulent activities were possible because supervision by the Sub-recipient's management was insufficient and there were inadequate controls in place to monitor the Project Finance Officer's actions. The Principal Recipient has since taken over management of the Sub-recipient's mobile money account and now retains full responsibility for all transfers associated with the Global Fund programs.

Mobile money technology was first introduced in 2016 during a mass bed net distribution campaign in Africa, with successful results. The Global Fund supports increasing the usage of this technology, recognizing its value in improving financial management and decreasing theft, fraud and corruption. In September 2017, the Global Fund launched a list of pre-qualified mobile money suppliers, though this technology has not yet been consistently integrated in Global Fund operations.[1]

1.2. Main OIG Findings

Between 1 June 2016 and 30 April 2017, the Project Finance Officer for the Sub-recipient fraudulently diverted SZL 370,330 (US$ 26,701) [2] of grant funds by transferring money to his personal account and to the accounts of unauthorized individuals that could not be linked to legitimate grant activities. These improper transfers were made through the Sub-recipient's mobile money account, which was solely managed and operated by the Project Finance Officer.

No effective control mechanisms had been implemented to protect the Sub-recipient's mobile money account because the Sub-recipient's management did not adequately supervise the Project Finance Officer and did not understand the control measures available to safeguard transactions made through this system. The supervising Finance and Administration Manager authorized transactions without reviewing them, even though the documentation supporting the transactions had been generated by the Project Finance Officer himself. This overall lack of awareness and failure to implement available controls created the opportunity for the Project Finance Officer to continuously make these improper transfers.

At the Principal Recipient level, the reporting structure was disorganized and there were not enough staff to monitor the Sub-recipient's financial activities adequately. The Principal Recipient also did not draft, or require from the Sub-recipient, a standard operating procedure to guide the management and operations of the mobile money system. As a result, controls were ineffective and opportunities were missed to detect the Project Finance Officer's actions.

[1] https://tgf.sharepoint.com/sites/inside/communicate/news/feature/mobile-money

[2] Original amounts provided in Swaziland Lilangeni (SZL) and converted to U.S. Dollars (US$) using the exchange rate of US$1 = SZL 13.8696, which is the average exchange rate during the scope of investigation (1 June 2016 to 30 April 2017). https://www.oanda.com/currency/average/

1.3. Actions Already Taken

After an external audit report raised concerns about potential fraud by the Sub-recipient, the Sub-recipient suspended without pay the Project Finance Officer in question on 16 June 2017. A subsequent forensic audit substantiated the initial concerns, so the Project Finance Officer was officially dismissed as of 15 September 2017.

To ensure that no further program grant funds were lost, the Principal Recipient transferred to it all the mobile money payments under the grant programs from the Sub-recipient in December 2017. However, there was a backlog of incentives that needed to be transferred to participants, dating from May 2017 when the Principal Recipient took over this responsibility. The non-payment of incentives impaired grant program activities because participants stopped attending sessions.

The Principal Recipient currently manages and operates the Sub-recipient's mobile money account to pay for stipends (to Community Facilitators, Outreach Workers and Peer Educators) and the Sub-recipient's Virtual Top-Up (VTU) account to transfer incentives to program participants in the form of airtime (pre-paid mobile phone minutes).

The Secretariat had further conditioned the use of approximately US$ 187,000 for participant stipends until the LFA completed its verification of previous transactions on the mobile money account in June 2018.[3]

1.4. Summary of Agreed Management Actions

The Global Fund Secretariat and the OIG have agreed on specific actions, which are detailed in Section 5 of this report. These actions include recovering an appropriate amount based on the findings of this report and developing standardized policies, procedures and guidelines for managing financial operations, such as the mobile money system, and for assessing, monitoring and evaluating Sub-recipients.

[3] Email from Country Team to OIG, "RE: Confidential: Letter of Findings for Swaziland (517/2017) for facts and accuracy check", dated 28 May 2018.

2. Context

2.1. Country Context

The Kingdom of Eswatini[4] has made striking progress in the fight against HIV but still has the highest HIV prevalence rate in the world.

Eswatini is a landlocked country in southern Africa, bordering South Africa and Mozambique. Eswatini has 1,093,238 inhabitants, according to the 2017 population census.[5] The gross domestic product (GDP) per capita is about US$ 3,200.[6] Eswatini is classified as a lower middle-income country, though 63% of people living in Eswatini live below the poverty line.[7]

Eswatini remains a country with one of the highest tuberculosis (TB) and HIV burdens, with an HIV prevalence of 27% among those aged 15 years and above.[8] A massive increase in HIV testing and ARV treatment cut the rate of new infections by almost half since 2011.[9] Of adults living with HIV, 80% are receiving antiretroviral therapy (ART). However, women, especially young adults, are disproportionately affected by the HIV epidemic in Swaziland. 34.7% of all women live with HIV, as compared to 19.6% of men, and HIV prevalence is five times higher among 20 to 24-year old women than men. To prevent transmission of HIV to children during pregnancy and childbirth, 95% of HIV-positive mothers receive treatment.

High rates of TB compound the HIV epidemic. The WHO estimates that one in every 100 people develops active TB each year. Approximately 71% of all people living with TB also live with HIV. To address this high rate of co-infection, Eswatini has begun to offer integrated TB/HIV services where people can seek testing and screening for both diseases at the same time. The TB treatment success rate for those co-infected is 71%.[10]

2.2. Differentiation Category for Country Investigations

The Global Fund has classified the countries in which it finances programs into three overall portfolio categories: focused, core and high impact. These categories are primarily defined by size of allocation amount, disease burden and impact on the Global Fund's mission to end the three epidemics. Countries can also be classed into two cross-cutting categories: Challenging Operating Environments and those under the Additional Safeguard Policy. Challenging Operating Environments are countries or regions characterized by weak governance, poor access to health services, and manmade or natural crises. The Additional Safeguard Policy is a set of extra measures that the Global Fund can put in place to strengthen fiscal and oversight controls in a particularly risky environment.

[4] The Kingdom of Swaziland officially became the Kingdom of Eswatini on 19 April 2018. http://www.un.org/en/member-states/index.html#gotoE
[5] http://sz.one.un.org/content/unct/swaziland/en/home/news-centre/news/swaziland-releases-population-count-from-2017-housing-and-popula.html
[6] https://countryeconomy.com/gdp/swaziland
[7] https://data.worldbank.org/country/swaziland; https://www.avert.org/professionals/hiv-around-world/sub-saharan-africa/swaziland#Tuberculosis_and_HIV_co-infection
[8] Swaziland HIV Incidence Measurement Survey 2: A Population-Based HIV Impact Assessment, dated November 2017. https://phia.icap.columbia.edu/wp-content/uploads/2017/11/Swaziland_new.v8.pdf, accessed on 3 August 2018.
[9] https://www.avert.org/professionals/hiv-around-world/sub-saharan-africa/swaziland#Tuberculosis_and_HIV_co-infection
[10] Ibid.

The Kingdom of Eswatini is:

- [ ] Focused: (Smaller portfolios, lower disease burden, lower mission risk)
- [x] **Core: (Larger portfolios, higher disease burden, higher risk)**
- [ ] High Impact: (Very large portfolios, mission-critical disease burden)

- [ ] *Challenging Operating Environment*
- [ ] *Additional Safeguard Policy*

2.3. Global Fund Grants in the Country

Since 2003, when the Global Fund became a partner in Eswatini, it has disbursed about US$248 million for HIV/AIDS, TB and malaria programs.[11]

There are two Principal Recipients of Global Fund grants in Eswatini. The Principal Recipient investigated was one of two recipients of HIV/AIDS grants.

This investigation concerns the Global Fund HIV/AIDS grant for the "Reduction of HIV in Swaziland", implemented by the Principal Recipient. The signed grant amount is US$ 6,308,560, of which US$ 6,192,244 has been disbursed.[12] The grant implementation period is from 1 October 2015 to 30 September 2018.

2.4. The Three Diseases

HIV/AIDS: Eswatini has the highest HIV prevalence in the world. In the last decade, Eswatini has made great efforts to turn around its epidemic by improving access to HIV testing services and providing free antiretroviral treatment to those who need it. High levels of HIV stigma and discrimination in Eswatini remain major barriers to people accessing HIV prevention services.[13]

The huge proportion of people living with HIV in Eswatini means it is still the country's biggest public health concern.[14]

220,000 people living with HIV.[15]

92,000 people on antiretroviral therapy.[16]

HIV prevalence in adults is 27.4%.[17]

[11] https://www.theglobalfund.org/en/portfolio/country/?k=b582c23d-697d-4370-a81b-d3dd72eab7c2&loc=SWZ, accessed on 2 August 2018
[12] https://www.theglobalfund.org/en/portfolio/country/grant/?k=65221ed3-3f22-4617-84b2-84d3b134dd2c&grant=SWZ-H-XXXXX, accessed on 2 August 2018
[13] Avert - Global information and education on HIV and AIDS; https://www.avert.org/professionals/hiv-around-world/sub-saharan-africa/swaziland#Key%20affected%20populations
[14] Ibid.
[15] http://www.unaids.org/en/regionscountries/countries/swaziland
[16] https://www.theglobalfund.org/en/portfolio/country/?loc=SWZ&k=b582c23d-697d-4370-a81b-d3dd72eab7c2
[17] http://www.unaids.org/en/regionscountries/countries/swaziland

	**Malaria:** Malaria in Eswatini is very responsive to control interventions. At present, wide use of indoor residual spraying (IRS) in the Lowveld region has reduced the reported number of laboratory-confirmed malaria cases.[18]	**164,000 insecticide-treated nets distributed.[19]** **Malaria incidence: 1.4 cases per 100,000 people (2015).[20]**
	**Tuberculosis:** Tuberculosis is a major public health problem. Since the 1990s, the incidence of the disease has increased five-fold. Within the same period, the incidence of infectious sputum smear positive TB cases has more than tripled. Tuberculosis accounts for about 10% of in-patient morbidity.[21]	**17,600 laboratory-confirmed pulmonary TB detected and treated (cumulative).[22]** **TB treatment success rate: 80.0% (2015).[23]**

3. The Investigation at a Glance

3.1. Genesis and Scope of the Investigation

July 2016: Start of wrongdoing

June 2017: OIG alerted to wrongdoing

Source of the alert:

- [x] **Secretariat**
- [ ] Principal Recipient
- [ ] Sub-Recipient
- [ ] Local Fund Agent
- [ ] Anonymous whistle-blower
- [ ] Audit referral
- [ ] Other

In June 2017, the Global Fund Secretariat informed the OIG of potential misuse of grant funds by the Sub-recipient. The Principal Recipient's annual external audit report for the period 1 April 2016 to 31 March 2017 identified financial irregularities amounting to SZL 594,554 (US$ 42,867) due to questionable transactions from the Sub-recipient's mobile money account.

The OIG investigation scope was limited to the period that the mobile money system at the Sub-recipient was operational, 1 June 2016 to 30 April 2017.

[18] http://www.aho.afro.who.int/profiles_information/index.php/Swaziland:Analytical_summary_-_Malaria
[19] https://www.theglobalfund.org/en/portfolio/country/?loc=SWZ&k=b582c23d-697d-4370-a81b-d3dd72eab7c2
[20] https://knoema.com/atlas/Swaziland/topics/Health/Risk-factors/Malaria-cases
[21] http://www.aho.afro.who.int/profiles_information/index.php/Swaziland:Analytical_summary_-_Tuberculosis
[22] https://www.theglobalfund.org/en/portfolio/country/?loc=SWZ&k=b582c23d-697d-4370-a81b-d3dd72eab7c2
[23] https://www.indexmundi.com/facts/swaziland/tuberculosis-treatment-success-rate

3.2. Type of Wrongdoing Identified

	Coercion
	Collusion
	Corruption
x	**Fraud**
	Human Rights Issues
x	**Non-Compliance with Grant Agreement**
	Product Issues

3.3. Non-Compliant Expenditure

SZL 370,330 (US$ 26,701): The OIG investigation found non-compliant expenditures at the Sub-recipient totaling SZL 370,330 (US$ 26,701).

3.4. Proposed Recoverable Amount

SZL 370,330 (US$ 26,701): The OIG investigation identified the whole non-compliant amount of SZL 370,330 (US$ 26,701) as potentially recoverable.

3.5. Progress on Previously Identified Issues

An OIG audit in October 2011 identified areas of improvement for another Principal Recipient in Eswatini, not subject to this investigation, including the need to strengthen its controls in the areas of (i) financial and program asset management, (ii) procurement, (iii) the monitoring of Sub-recipients, (iv) service delivery, and (v) compliance with the terms of the grant agreements.

Neither the Principal Recipient nor the Sub-recipient were recipients of Global Fund money at the time of this audit.

Previous relevant OIG work

Audit Report GF-OIG-10-013 – Country Audit of Global Fund Grants to the Kingdom of Eswatini

4. Findings

4.1. Grant Funds Were Fraudulently Diverted through Unauthorized Transfers

The Project Finance Officer for the Sub-recipient improperly diverted Global Fund grant funds through the Sub-recipient's mobile money account. These fraudulent transfers went to the Project Finance Officer's personal account and to the accounts of individuals who were either unknown or not registered participants in the programs administered by the Sub-recipient. Further, these transfers were unauthorized and could not be linked to legitimate grant activities. In total, SZL 370,330 (US$ 26,701) of grant funds were improperly taken through these means.

Under the oversight and guidance of the Principal Recipient, the Sub-recipient implements a program for HIV awareness and education in 149 communities across Eswatini, targeting out-of-school youth and tertiary institutions. This program employs 149 Community Facilitators and 20 tertiary volunteers who are responsible for establishing peer groups consisting of 15 to 20 participants, collectively referred to as beneficiaries.

The community facilitators are paid monthly stipends of SZL 1,500 (US$ 108) through the mobile money provider's payment system to recruit participants in their various communities. Participants receive incentives for each session that they attend in the form of airtime minutes through the provider's Virtual Top Up (VTU) platform.

The Sub-recipient transferred SZL 7,936,462 (US$ 572,220) from its program bank account to its mobile money account operated by the mobile money service provider. This account was accessed through a master SIM card that allowed money transfers to be made via a mobile phone. The mobile money system was solely managed and operated by the Sub-recipient's Project Finance Officer with little supervision by his superiors.

The OIG reviewed all transfers from the Sub-recipient's mobile money account between 1 June 2016 and 30 April 2017. In total, the Project Finance Officer transferred SZL 7,825,048 (US$ 564,187) from the mobile money account, of which SZL 7,183,476 (US$ 517,930) was deemed to have been properly distributed to grant program beneficiaries and other Sub-recipient employees involved in grant activities.

The remaining SZL 641,572 (US$46,258) was transferred to the Project Finance Officer's private mobile money account or personal account, to non-registered beneficiaries, or to unidentified/non Sub-recipient individuals. The largest portion, SZL 577,904 (US$ 41,667), went from the Sub-recipient's mobile money account to the Project Finance Officer's personal mobile money account. SZL 291,918 (US$ 21,047) of these transfers were deemed to be legitimate because they were made to the accounts of registered Community Facilitators, Outreach Workers, Peer Educators, Trainers, participants and Sub-recipient employees for grant program activities.

Analysis of the remaining balance transferred to the Project Finance Officer's personal mobile money account of SZL 285,986 (US$ 20,620) revealed that the funds were personally utilized by the Project Finance Officer. The use of the funds was not for grant program-related activities and therefore considered to be non-compliant. Some of these funds, for instance, were used to extend personal loans to the Project Finance Officer's colleagues and friends.

Among the Sub-recipient staff members who received loans were the Youth Affairs Manager, Senior Nursing Officer and a Project Officer. In total, SZL 4,990 (US$ 360) in personal loans were improperly extended using grant funds.

Further, the OIG considered all transfers made to Community Facilitators, Outreach Workers, Trainers and other beneficiaries who had no formal contracts with the Sub-recipient, to non-Sub-recipient individuals and to the Project Finance Officer for personal use, totaling SZL 63,668 (US$ 4,590), to have been made outside the grant program activities and therefore to be non-compliant.

Finally, of the transfers made directly to Sub-recipient employees involved in grant activities from the Sub-recipient's mobile money account (SZL 128,528 (US$ 9,267)), the OIG was not provided with supporting documents to substantiate SZL 20,676 (US$ 1,491) of transfers, which are therefore considered to be non-compliant.

The total value of unsupported, unauthorized, and therefore fraudulent, diversion of grant funds by the Project Finance Officer is SZL 370,330 (US$ 26,701).

Agreed Management Action 1

The Global Fund Secretariat will finalize and pursue an appropriate recoverable amount. This amount will be determined by the Secretariat in accordance with its evaluation of applicable legal rights and obligations and associated determination of recoverability.

Owner: Chair, Recoveries Committee

Due date: 30 November 2018

Category: Financial & Fiduciary Risks

4.2. Lack of Supervision and Segregation of Duties in the Sub-recipient Enabled Fraudulent Transfers

The lack of segregation of duties in Sub-recipient management, combined with inadequate supervision by Sub-recipient management, facilitated the unauthorized and inappropriate transfers of grant funds.

The Sub-recipient had adopted the mobile money system on instructions from the Principal Recipient with the understanding that it was an easy, convenient and secure way to transfer money. As stated above, the mobile money system in the Sub-recipient was solely managed and operated by the Project Finance Officer with little or no supervision and oversight from his superiors. He exploited this position by bypassing control mechanisms within the mobile money system and manipulating financial records.

The Finance department in the Sub-recipient is led and overseen by the Finance and Administration Manager to whom report the Accountant and the Finance Officers. The Finance and Administration Manager did not understand, or take the time to learn, how the mobile money system operates. She did not request or attend any training that would have enabled her to supervise effectively the Project Finance Officer's operation of the system. Instead, she asked the Project Finance Officer to undertake such training and relied on him to understand the system and execute the transactions. As a result, she authorized mobile money transactions without checking the documents that supported the transactions. For example, her signature appears on the payment vouchers used to top up the mobile money account and on the journal vouchers that would support the expenditures incurred through the mobile money account, indicating her approval. She relied on and trusted the Project Finance Officer to review the details in the supporting documents, even though they had been prepared by the Project Finance Officer himself.

The Finance and Administration Manager had been assigned to spend 10% of her time supporting the Global Fund grant program activities. This is referred to as her 'level of effort'. However, she claimed to have spent more time on Global Fund grant program activities because it is such a large program.

The Finance and Administration Manager told the OIG that the Sub-recipient Accountant was responsible for checking details on documents submitted by the Project Finance Officer. This did not happen, however, and the OIG learned that the Accountant also signed her approval on these supporting documents without verifying their contents. The accountant had no level of effort on the Global Fund grant program activities, which means she was not paid for the work she undertook relating to the activities. This contributed to the lack of her supervisory responsibilities in Global Fund program activities and rendered her 'on paper' approval meaningless.

The mobile money system as operated by the provider offers clients such as the Sub-recipient a three-level approval system as a control measure. The system allows for one person to prepare a worksheet of names of beneficiaries and amounts to be transferred to them. Once the spreadsheet has been manually checked and approved, it can be sent to another person who uploads it into the mobile money system platform. The upload generates codes that can be provided to a third person who, upon receiving the uploaded file, can approve it so the transfer transactions can take place. The Project Finance Officer exclusively decided not to employ these controls and had sole authority at all three levels of the mobile money process.

The provider's mobile money system also offers clients such as the Sub-recipient the

option to receive independently generated monthly statements in PDF format that cannot be manipulated or altered, for use in making monthly reconciliations for the accounts. The service provider was not requested by the Sub-recipient to provide such monthly transaction statements. Instead the Project Finance Officer downloaded them himself as Excel spreadsheets from an online account that only he had access to.

If the Finance and Administration Manager had undertaken training in using the mobile money system, she would have been aware of the available levels of control and could have used them to prevent grant program funds from being diverted. As it was, the Project Finance Officer was the sole approver at each level.

The OIG investigation also learned that the Finance and Administration Manager received SZL 350 (US$ 25) in airtime minutes from the Project Finance Officer's personal mobile money account for the purpose of obtaining Internet access at home so she would work during personal leave on 5 October 2016. While the Finance and Administration Manager informed the OIG that the Sub-recipient had a policy of buying airtime minutes for employees who then have to sign off, acknowledging receipt of airtime, the OIG was not provided with any such policy nor any written record of this transfer. Moreover, the transfer itself was labeled as having come from the Project Finance Officer's personal mobile money account and not from the Sub-recipient's official mobile money account.

The OIG concludes that the Finance and Administration Manager did not discharge her responsibilities to safeguard the grant funds in the program and that the Sub-recipient did not appropriately apportion level of effort for key staff involved in verifying and reviewing financial transactions.

Agreed Management Action 2

Based on the findings of the report, the Global Fund Secretariat will ensure that the Principal Recipient takes appropriate action towards the individuals responsible for the prohibited practices described in this report, notably to ensure they are not involved with the implementation of Global Fund grants to that Principal Recipient.

Owner: Head of Grant Management
Due date: 31 October 2018
Category: Governance, Oversight & Management Risks

Agreed Management Action 3

The Global Fund Secretariat will work with the Principal Recipient to ensure that it:

a. Develops Standard Operating Procedures to guide in the management of financial operations, including mobile money systems, and ensures clear segregation of duties and levels of approval authority, and maintains clear reporting lines and accountability; and
b. Develops Sub-recipient assessment, monitoring and evaluation guidelines, to be cascaded by the Principal Recipient.

Owner: Head of Grant Management
Due date: 30 September 2019
Category: Governance, Oversight & Management Risk

4.3. The Principal Recipient Oversight of the Sub-recipient Was Inadequate and Standard Procedures Were Absent

The Principal Recipient was fulfilling its oversight and monitoring function inadequately, leaving control gaps that enabled the abuses identified by this investigation.

There is confusion at the Principal Recipient regarding the proper reporting lines, as the official organogram structure is not followed. For instance, the organogram shows the Grant Officer reporting to the Grant Coordinator, but in practice the Grant Officer reports to the Finance Manager. The Principal Recipient has since explained to OIG that technical positions like the Grant Officer should in fact report to the Finance Manager to assist with monitoring and oversight and that the organogram will be revised, but the OIG investigation learned of examples where core grant management staff members, such as the Grant Coordinator, do not have visibility over all program aspects. Moreover, some communications at executive level between the Principal Recipient and the Sub-recipient are not officially documented, which can result in decisions being unknown to the program staff.

The OIG also found that staffing was inadequate at both the Principal Recipient and Sub-recipient levels. The HIV program is a field implementation level program in 149 communities of Eswatini. Both implementers need personnel to monitor and oversee program activities implemented by the Community Facilitators, Outreach Workers and Peer Educators, while tracking the expenditures incurred by grant activities in the field.
The OIG found that the implementers have one Monitoring and Evaluation Officer each. In the Sub-recipient, the Monitoring and Evaluation Officer was expected to attend 5 meetings a month, and collect information from 149 Community Facilitators who ran groups of 15 to 20 participants attending a minimum of 9 sessions. She was also expected to verify data provided by the Community Facilitators. The OIG found that the Officer undertook all the work with little involvement and assistance from her manager.

The lack of necessary staff resulted in some officers being overloaded with work at both the Principal Recipient and the Sub-recipient. Functions that could have been handled by different officers at different authority levels were carried out by a single officer with little or no oversight, compromising transparency and accountability.

Further, inadequate staffing at the Principal Recipient meant that some of the activities undertaken by the Sub-recipient's Project Finance Officer went undetected. For instance, the Principal Recipient relied on reports with data generated from the mobile money platform provided by him. These reports were Excel files that could easily be manipulated. It had no access to independently generated PDF statements from the service provider, even though available. The Sub-recipient's Finance and Administration Manager said that she relied on the Principal Recipient's Grant Officer to check the documentation that the Project Finance Officer submitted. However, the Principal Recipient's Finance Manager said that they relied on the Sub-recipient to carry out the appropriate checks.

The Sub-recipient did not have, nor did the Principal Recipient require, a standard operating procedure to guide the management and operations of the money mobile system. As a result, the Project Finance Officer was able to use the official mobile money account as he saw fit. For example, as there was no explicit prohibition on doing so, he transferred money from the the Sub-receipient's master SIM card to his personal mobile money account citing a need to make transfers to staff during the weekend.

Please refer to Agreed Management Action 3

5. Table of Agreed Actions

Agreed Management Action	Target date	Owner	Category
1. The Global Fund Secretariat will finalize and pursue an appropriate recoverable amount. This amount will be determined by the Secretariat in accordance with its evaluation of applicable legal rights and obligations and associated determination of recoverability.	30 November 2018	Chair, Recoveries Committee	Financial & Fiduciary Risks
2. Based on the findings of the report, the Global Fund Secretariat will ensure that the Principal Recipient takes appropriate action towards the individuals responsible for the prohibited practices described in this report, notably to ensure they are not involved with the implementation of Global Fund grants to that Principal Recipient.	31 October 2018	Head of Grant Management	Governance, Oversight & Management Risks
3. The Global Fund Secretariat will work with the Principal Recipient to ensure that it: a. Develops Standard Operating Procedures to guide in the management of financial operations, including mobile money systems, and ensures clear segregation of duties and levels of approval authority, and maintains clear reporting lines and accountability; and b. Develops Sub-recipient assessment, monitoring and evaluation guidelines, to be cascaded by the Principal Recipient.	30 September 2019	Head of Grant Management	Governance, Oversight & Management Risks

Annex A: Methodology

Why we investigate: Wrongdoing, in all its forms, is a threat to the Global Fund's mission to end the AIDS, tuberculosis and malaria epidemics. It corrodes public health systems and facilitates human rights abuses, ultimately stunting the quality and quantity of interventions needed to save lives. It diverts funds, medicines and other resources away from countries and communities in need. It limits the Global Fund's impact and reduces the trust that is essential to the Global Fund's multi-stakeholder partnership model.

What we investigate: The OIG is mandated to investigate any use of Global Fund funds, whether by the Global Fund Secretariat, grant recipients, or their suppliers. OIG investigations identify instances of wrongdoing, such as fraud, corruption and other types of non-compliance with grant agreements. The Global Fund Policy to Combat Fraud and Corruption[24] outlines all prohibited practices, which will result in investigations.

OIG investigations aim to:

(i) identify the nature and extent of wrongdoing affecting Global Fund grants;
(ii) identify the entities responsible for such wrongdoing;
(iii) determine the amount of grant funds that may have been compromised by wrongdoing; and
(iv) place the Global Fund in the best position to recover funds, and take remedial and preventive action, by identifying where and how the misused funds have been spent.

The OIG conducts administrative, not criminal, investigations. It is recipients' responsibility to demonstrate that their use of grant funds complies with grant agreements. OIG findings are based on facts and related analysis, which may include drawing reasonable inferences. Findings are established by a preponderance of evidence. All available information, inculpatory or exculpatory, is considered by the OIG.[25] As an administrative body, the OIG has no law enforcement powers. It cannot issue subpoenas or initiate criminal prosecutions. As a result, its ability to obtain information is limited to the access rights it has under the contracts the Global Fund enters into with its recipients, and on the willingness of witnesses and other interested parties to voluntarily provide information.

The OIG bases its investigations on the contractual commitments undertaken by recipients and suppliers. Principal Recipients are contractually liable to the Global Fund for the use of all grant funds, including those disbursed to Sub-recipients and paid to suppliers. The Global Fund's Code of Conduct for Suppliers[26] and Code of Conduct for Recipients provide additional principles, which recipients and suppliers must respect. The Global Fund Guidelines for Grant Budgeting define

[24] (16.11.2017) Available at https://www.theglobalfund.org/media/6960/core_combatfraudcorruption_policy_en.pdf
[25] These principles comply with the Uniform Guidelines for Investigations, Conference of International Investigators, 06.2009; available at: http://www.conf-int-investigators.org/?page_id=13, accessed 1.12.2017.
[26] Global Fund Code of Conduct for Suppliers (15.12.2009), § 17-18, available at: https://www.theglobalfund.org/media/3275/corporate_codeofconductforsuppliers_policy_en.pdf, and the Code of Conduct for Recipients of Global Fund Resources (16.07.2012), §1.1 and 2.3, available at: https://www.theglobalfund.org/media/6011/corporate_codeofconductforrecipients_policy_en.pdf. Note: Grants are typically subject to either the Global Fund's Standard Terms or Conditions of the Program Grant Agreement, or to the Grant Regulations (2014), which incorporate the Code of Conduct for Recipients and mandate use of the Code of Conduct for Suppliers. Terms may vary however in certain grant agreements.

compliant expenditures as those that have been incurred in compliance with the terms of the relevant grant agreement (or have otherwise been pre-approved in writing by the Global Fund) and have been validated by the Global Fund Secretariat and/or its assurance providers based on documentary evidence.

Who we investigate: The OIG investigates Principal Recipients and Sub-recipients, Country Coordinating Mechanisms and Local Fund Agents, as well as suppliers and service providers. Secretariat activities linked to the use of funds are also within the scope of the OIG's work.[27] While the OIG does not typically have a direct relationship with the Secretariat's or recipients' suppliers, its investigations[28] encompass their activities regarding the provision of goods and services. To fulfill its mandate, the OIG needs the full cooperation of these suppliers to access documents and officials.[29]

Sanctions when prohibited practices are identified: When an investigation identifies prohibited practices, the Global Fund has the right to seek the refund of grant funds compromised by the related contractual breach. The OIG has a fact-finding role and does not determine how the Global Fund will enforce its rights. Nor does it make judicial decisions or issue sanctions.[30] The Secretariat determines what management actions to take or contractual remedies to seek in response to the investigation findings.

However, the investigation will quantify the extent of any non-compliant expenditures, including amounts the OIG proposes as recoverable. This proposed figure is based on:

(i) amounts paid for which there is no reasonable assurance that goods or services were delivered (unsupported expenses, fraudulent expenses, or otherwise irregular expenses without assurance of delivery);
(ii) amounts paid over and above comparable market prices for such goods or services; or
(iii) amounts incurred outside of the scope of the grant, for goods or services not included in the approved work plans and budgets or for expenditures in excess of approved budgets.

How the Global Fund prevents recurrence of wrongdoing: Following an investigation, the OIG and the Secretariat agree on management actions that will mitigate the risks that prohibited practices pose to the Global Fund and its recipients' activities. The OIG may make referrals to national authorities for criminal prosecutions or other violations of national laws and support such authorities as necessary throughout the process, as appropriate.

[27] Charter of the Office of the Inspector General (19.03.2013), § 2, 9.5, 9.6, 9.7 and 9.9 available at: https://www.theglobalfund.org/media/3026/oig_officeofinspectorgeneral_charter_en.pdf

[28] Charter of the Office of the Inspector General § 2, and 17.

[29] Global Fund Code of Conduct for Suppliers, § 16-19.

[30] Charter of the Office of the Inspector General § 8.1.

Annex B: Summary of Subject Responses

On 24 April 2018, the OIG provided the Principal Recipient and the Sub-recipient with a copy of its statements of findings from this investigation. The OIG's statement of findings represented the full record of all relevant facts and findings considered in support of this final report. Both the Principal Recipient and the Sub-recipient responded to the OIG's findings within the agreed timescales. The OIG duly considered all points made by the respondent and appropriate revisions were made to its findings in this final report.

In its response, the Principal Recipient acknowledged the inadequacy in oversight and monitoring of implementation. Further, it clarified that the actual reporting lines, and not those represented in the organogram, are more efficient given program needs, and stated that the organogram would be revised to properly reflect this. The Sub-recipient responded with testimony from its staff who claim to have repaid the personal loans to the project finance officer, yet there is no documentation that this money was returned to the program grant account.

The OIG then proceeded to the next stage of the investigation as per its Stakeholder Engagement Model.