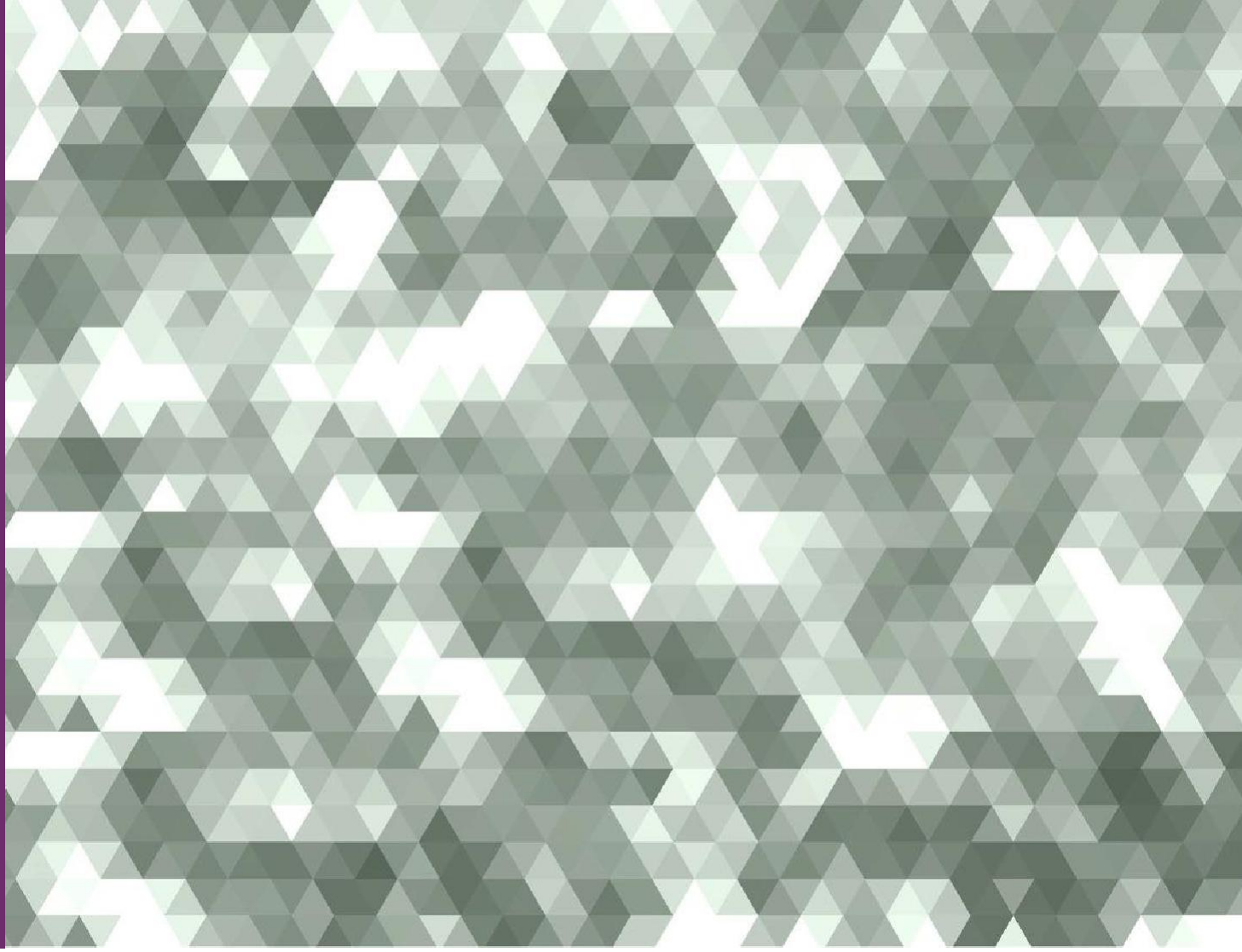


Investigation Report

Global Fund Grants to the Federal Republic of Nigeria

Misappropriation of salaries and allowances at a Sub-Recipient in Nigeria

GF-OIG-18-012
6 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...

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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.

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1. Executive Summary

1.1. Summary paragraph

The National Coordinator of a sub-recipient of Global Fund grants in Nigeria ("the Sub-Recipient") misappropriated salaries and allowances from its Global Fund program employees over a period of 14 months. Three other Sub-Recipient employees assisted the National Coordinator to implement the scheme.

The Sub-Recipient's management team required its employees working on Global Fund programs to pay an average of 30 percent of their monthly salary and 10 percent of their Daily Subsistence Allowance (DSA)[1] into the scheme. They told employees that the money was to help fund the organization's running costs and salaries of support staff. However, the Sub-Recipient management and its National Secretary received almost half of the funds collected.

The Global Fund Secretariat will act against the individuals responsible and seek to recover the total amount of non-compliant expenditures identified in this report.

1.2. Main OIG Findings

Between July 2016 and September 2017, the National Coordinator, assisted by the former Finance Manager and a program Internal Auditor, collected NGN16,791,646 (US$51,038)[2] from the salaries and DSA entitlements of its employees working on Global Fund programs. Employees made payments to the personal bank accounts of the former Finance Manager and later to the program's Internal Auditor who, acting on the instructions of the National Coordinator, were responsible for collecting and distributing the funds.

The investigation found that the Sub-Recipient's management presented the payments to employees as mandatory. Some employees feared they would lose their jobs if they refused to pay.

The Sub-Recipient management told employees that the funds were used for the 'sustainability' of the organization, including payments to seven office support staff, two low-paid program employees and general office running costs.

The Sub-Recipient's National Coordinator, Program Manager, former Finance Manager (Sub-Recipient management), and its National Secretary all benefitted from the scheme and received 45 per cent of the total funds collected. However, the National Secretary was not found to be involved in the implementation of the scheme and believed the employees contributed to it voluntarily.

The Sub-Recipient management also colluded to misappropriate an additional NGN3,536,797 (US $10,750) from Global Fund grant salary disbursements. They authorized salary payments to five employees for a period of two months, which the employees were not entitled to receive. These five employees then paid the majority of the funds they received into the scheme.

From July 2015 to December 2017, the Sub-Recipient generated an income of NGN2,996,666 (US $9,108) by sub-letting an office in its premises to a third-party organization. The Sub-Recipient received funding from one of its Global Fund grants for the full cost of renting its premises and didn't disclose either the sublet or the income generated to the Principal Recipient.

In February 2017, "Principal Recipient 1," one of the Global Fund's Principal Recipients that funds the Sub-Recipient's activities, received information about the

[1] Daily Subsistence Allowance is paid to Global Fund program employees to cover the cost of lodging, meals and other expenses while traveling for program activities. The Sub-Recipient employees are required to travel throughout Nigeria to conduct regional supervision visits at community-based organizations which implement program activities at field level.

[2] Where an original amount in NGN has been converted into US$, the exchange rate used is 1US$ = NGN 329 being the average rate for the period 1 July 2016 to 30 September 2017. See https://www.oanda.com/currency/average.

mandatory salary and DSA deductions imposed on the SR employees working on Global Fund programs.

Principal Recipient 1 did not report this information to the Global Fund, in breach of its obligation to report any concerns involving or affecting the integrity of Global Fund resources to the Global Fund.

1.3. Actions Already Taken

The Global Fund Secretariat wrote to Principal Recipient 1 reminding it of the obligation to report all fraud allegations to the Global Fund. The Secretariat also requested that this reminder be communicated to all employees of Principal Recipient 1.

1.4. Summary of Agreed Management Actions

The Global Fund Secretariat and the OIG have agreed specific actions, as detailed in Section 5 of this report. In summary, the Global Fund Secretariat will ensure that the Principal Recipients take appropriate action towards the individuals responsible for the prohibited practices described in this report, notably to ensure that they are not involved with the implementation of Global Fund grants to those Principal Recipients. The Secretariat will also make sure that the findings of this report are shared as widely as possible with all staff implementing Global Fund programs in Nigeria.

2. Context

2.1. Country Context

The Federal Republic of Nigeria is a lower middle-income country with a population of 186 million, making it the most populous nation in Africa.[3] Nigeria has a federal system of government made up of 36 states and a Federal Capital Territory. The country is multi-ethnic and culturally diverse. With an abundance of natural resources, Nigeria is Africa's biggest oil exporter and has the largest natural gas reserves on the continent. [4]

Nigeria continues to face developmental challenges and large pockets of its population still live in poverty.[5] The country ranked 152 out of the 188 countries in the United Nations Development Programme's 2016 Human Development Index report.[6] Transparency International's 2017 Corruption Perceptions Index ranked the country at 148 out of 180.[7] The current administration, under President Muhammadu Buhari, has identified fighting corruption as one of its main policy priorities.[8]

The country faces significant health challenges and has the highest malaria burden in the world with one in four cases globally, despite significant increases in coverage of long-lasting insecticidal mosquito nets over the last decade. Nigeria also has the world's fourth-largest tuberculosis burden.[9]

2.2. Differentiation Category for Country Investigations

The Global Fund classifies countries in which it finances programs into three overall portfolio categories: focused, core and high impact. These categories are primarily defined by the amount allocated, the total disease burden and impact on the Global Fund's mission to end the three epidemics.

Countries can also be divided into two cross-cutting categories:

1. Challenging Operating Environments are countries or regions characterized by weak governance, poor access to health services, and manmade or natural crises

2. The second category, the Additional Safeguard Policy, provides the Global Fund with an extra set of measures to strengthen fiscal and oversight controls in risky environments.

Nigeria is:

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

x	*Challenging Operating Environment*
x	*Additional Safeguard Policy*

[3] https://data.worldbank.org/country/Nigeria & https://data.worldbank.org/indicator/SP.POP.TOTL accessed 21 May 2018
[5]
[5] Ibid
[6] http://report.hdr.undp.org/ accessed 21 May 2018.
[7] https://www.transparency.org/news/feature/corruption_perceptions_index_2017 accessed 21 May 2018.
[8] http://www.worldbank.org/en/country/nigeria/overview & https://www.transparency.org/news/feature/nigerias_corruption_challenge both accessed 21 May 2018.
[9] The Global Fund Nigeria country overview https://www.theglobalfund.org/en/portfolio/country/?loc=NGA&k=430b8acd-ef36-4ef1-8231-0e730499d19a accessed 21 May 2018 and World Health Organization (WHO) World Malaria Report 2017.

2.3. Global Fund Grants in the Country

Since starting operations in Nigeria in 2003, the Global Fund has disbursed US$2 billion in the fight against HIV/AIDS, tuberculosis and malaria in the country, making it one of the Global Fund's biggest investments. The Global Fund has nine active grants in Nigeria with a total commitment of US$1.2 billion across the three diseases, of which US$1.1 billion has been disbursed.[10]

The Sub-Recipient, the sub-recipient organization at the center of this investigation, is engaged on the Global Fund's Nigeria tuberculosis program in the implementation of prevention, diagnosis and treatment activities at community level, which it coordinates through a network of community based organisations.

The Sub-Recipient, has been a sub-recipient since 2013 and currently implements activities on two tuberculosis (TB) grants:

- NGA-T-ARFH, under another Principal Recipient ("another Principal Recipient"), working on its active case finding (ACF) program.
- NGA-T-IHVN under Principal Recipient 1, working on its multi-drug resistant (MDR) TB program.

The Sub-Recipient was also a sub-recipient of the Global Fund HIV grant NGA-H-ARFH for the period 1 January 2013 to 31 December 2017, working on its community systems strengthening (CSS) program. Principal Recipients 1 and 2 are national non-governmental organizations.

The Sub-Recipient was appointed a sub-recipient for both its current grants on 1 July 2016. The grant implementation periods were recently extended by eighteen months and are due to run until 30 June 2019. For the 18-month extension period, the ARFH grant has a budget of US$21 million of which US$1.2million is allocated to the Sub-Recipient.[11] For the same period, the IHVN grant has a budget of US$28 million, of which US$534,000 is allocated to the Sub-Recipient.[12]

2.4. The Three Diseases[13]



HIV/AIDS: Nigeria's HIV epidemic affects all population groups and geographic areas of the country. It is the second largest epidemic globally. Key populations are disproportionately impacted by the epidemic.

- Sex workers, with an HIV prevalence of 14.4%;
- Gay men and other men who have sex with men, with an HIV prevalence of 23%; and
- People who inject drugs, with an HIV prevalence of 3.4%.

Since 2010, new HIV infections have decreased by 21% and AIDS-related deaths have decreased by 6%.

980,000 People currently on antiretroviral therapy

3.2million adults and children living with HIV

Adult HIV prevalence rate 2.9%

[10] Data obtained from the Global Fund's Business and Analysis Reporting Tool and Global Fund Nigeria country profile webpage - https://www.theglobalfund.org/en/portfolio/country/?loc=NGA&k=430b8acd-ef36-4ef1-8231-0e730499d19a both accessed on 21 May 2018.
[11] Global Fund NGA-T-ARFH detailed budget.
[12] Global Fund NGA-T_IHVN detailed budget
[13] Data and statistics taken from: Global Fund Nigeria country profile webpage https://www.theglobalfund.org/en/portfolio/country/?loc=NGA&k=430b8acd-ef36-4ef1-8231-0e730499d19a, UNAIDS Nigeria country overview - http://www.unaids.org/en/regionscountries/countries/nigeria both accessed 21 May 2018, World Health Organization (WHO) World Malaria Report 2017 and WHO Global Tuberculosis report 2017.

	**Malaria:** Nigeria has the highest malaria burden in the world and the disease is one of the top causes of morbidity and mortality nationally. The Global Fund, the United States President's Malaria Initiative (PMI), the World Bank and the UK are the four largest donors for malaria in Nigeria. The Global Fund contributes 51% of total Malaria investments in Nigeria, while PMI contributes 38%, the UK 8% and the World Bank 3%.	**24 million insecticide-treated nets distributed in 2016** 9 million ACT treatment courses delivered in 2016
	**Tuberculosis:** Nigeria is classified as one of the ten highest TB and MDR-TB countries. Nigeria's TB burden incidence (annual new cases) is estimated at 219 per 100,000 population. The Global Fund and the Government fund most TB interventions in the country.	**100,433 TB cases notified in 2016** Treatment success rate for new and relapse cases : 84% Treatment coverage : 24%

3. The Investigation at a Glance

3.1. Genesis and Scope of the Investigation

July 2016: Start of wrongdoing

July 2017: OIG alerted to wrongdoing

Source of the alert:

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

In July 2017, the Office of the Inspector General was informed about a potential mandatory salary and Daily Subsistence Allowance deduction scheme operated by the management of the Sub-Recipient. The information indicated that the scheme had been in place since 1 July 2016.

After establishing the credibility of the information, the OIG carried out a mission to Abuja, Nigeria in October 2017. The investigation covered the period 1 July 2016 to 31 September 2017.

3.2. Type of Wrongdoing Identified

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

3.3. Non-Compliant Expenditure

US$63,580: The investigation found non-compliant expenditures totaling US$63,580.

3.4. Proposed Recoverable Amount

US$63,580: The OIG proposes recovering the total amount of non-compliant expenditures.

3.5. Progress on Previously Identified Issues

Since 2011, the OIG has published four investigation reports in Nigeria. Most recently a 2016 investigation found systemic embezzlement of Global Fund grant funds worth US $3.8 million by employees of a Principal Recipient ("Principal Recipient 2"). Following that investigation, the Global Fund discontinued its relationship with Principal Recipient 2 and barred individuals involved from positions implementing Global Fund grants.

The Government of Nigeria has since refunded this amount to the Global Fund.

Previous relevant OIG work

GF-OIG-16-015: Investigation Report - Global Fund Grants to Nigeria

4. Findings

4.1. The Sub-Recipient's National Coordinator orchestrated a scheme to misappropriate employee salaries and DSA.

The Sub-Recipient's National Coordinator imposed a mandatory salary and DSA deductions scheme on its Global Fund program employees. During the period 1 July 2016 to 30 September 2017, 28 employees paid NGN16,791,646 (US$51,038) from their salaries and/or DSA entitlements to the scheme. The Sub-Recipient management misled employees into believing that the deductions paid for office support staff and running costs. In fact the Sub-Recipient management and its National Secretary benefitted substantially from the funds collected.

The Sub-Recipient management also colluded to misappropriate grant funds paid as salaries to five employees, totaling NGN3,536,797 (US$10,750). These employees received salary payments for two months that they were not entitled to and which they were required to pay to the scheme.

The operation of the scheme and the actions of the Sub-Recipient management breach the Global Fund's Code of Conduct for Recipients[14]. The OIG therefore considers that the full amount collected from employees is non-compliant and potentially recoverable. The non-compliant amounts are detailed in Annex B.

The mandatory salary and DSA deduction scheme

During the period in question, the Sub-Recipient employed 33 staff to work on its Global Fund programs. Of these, 25 were based in the Abuja office and the remaining eight in different states of Nigeria. The Sub-Recipientalso employed seven support staff who were not paid using grant funds.

The Sub-Recipient management told the OIG that the organization operates a voluntary staff contributions scheme in which employees make monthly payments from their salaries and DSA to fund the sustainability of the organization. According to the Sub-Recipient management, employees decided each month how much they wanted to contribute, and all agreed to pay 10 percent of their DSA to the scheme.

The Sub-Recipient 's sustainability plan says the funds collected were for "*office running, personnel loans, cushion to the members between grants and funding delays and any other expenses the staff members may deem necessary*."[15] In addition, the Sub-Recipient management told employees that the funds paid the salaries of support staff who don't receive a salary from any of the Global Fund grants.

The OIG investigation found that the scheme was not voluntary and that the National Coordinator required employees earning more than NGN100,000 per month to pay an average of 30 percent of their monthly salaries to the scheme. Additionally, all employees had to pay 10 percent of any Daily Subsistence Allowance (DSA) entitlements to the scheme. A majority of the Sub-Recipient Abuja-based employees and a number of former employees said the scheme was mandatory. They were told how much to pay by the former Finance Manager when they joined the organization and some said they feared they would lose their jobs if they refused.

Employees initially paid their contributions into the personal bank account of the Sub-Recipient's former Finance Manager. From April 2017, the contributions were paid into the personal account of the MDR program Internal Auditor who was responsible for collecting and distributing the funds. Both the former Finance Manager and the Internal Auditor told the OIG that the National Coordinator instructed them how much to collect from employees and that he controlled the expenditure of the funds collected.

[14] Global Fund Code of Conduct for Recipients https://www.theglobalfund.org/en/governance-policies/ [15] The Sub-Recipient sustainability plan 1.2 (v).

The Sub-Recipient's management board[16] conducted an internal review in February 2017. It concluded that employees "*are not happy with the management especially in the area of Voluntary Staff Contribution which they would rather prefer a negotiated amount*"[17]. The internal review was triggered by complaints from two former employees.

The Sub-Recipient's management also instructed two former employees to pay an increase of NGN50,000 (US$152) to the scheme for a period of two months, in addition to their regular monthly payment. Documents provided by the two employees and the former Finance Manager confirm that the two employees paid the increase. The former Finance Manager told the OIG that the National Coordinator instructed him to collect the additional contribution.

In response to the OIG's finding that the scheme was mandatory, the Sub-Recipient management referred to a staff meeting, held in 2017 following the internal review. At that meeting, the National Coordinator proposed that the scheme should end and that the support staff would have to be let go as a result. In response, employees agreed to continue with the payments so that the support staff would not lose their jobs. The Sub-Recipient management presented this as evidence that the scheme was voluntary. However, as detailed below, employees were unaware that almost half of the collected funds were paid to management and the National Secretary.

The Sub-Recipient management benefitted from the scheme

When initially interviewed about the scheme, the National Coordinator, Program Manager and former Finance Manager didn't tell the OIG that they had received any funds collected from employees. They only admitted to it once the OIG presented the investigation's findings, including evidence that they received monthly payments from the scheme.

The Sub-Recipient management denied any wrongdoing. They justified the monthly payments by claiming that grant budgets didn't adequately compensate their work and responsibilities which, they said, increased in July 2016 when the Sub-Recipient became a sub-recipient on the MDR and ACF programs in addition to the CSS program. They didn't disclose this information to employees, they told the investigation, because they considered salary information confidential.

The investigation found that the National Coordinator, Program Manager and former Finance Manager received NGN4,740,234 (US$14,408) or 28 per cent of the total collected from employees during the period investigated. The National Coordinator received NGN2,712,398 (US$8,244), or 16 percent, the Program Manager received NGN1,176,100 (US$3,575), or 7 percent, and the former Finance Manager received NGN851,736 (US$2,589), or 5 percent[18].

The Sub-Recipient's employees told the OIG that they knew the funds paid for the office's running costs, support staff and to supplement the salaries of two low-paid program employees (the MDR program Internal Auditor and the CSS program Finance Assistant). While a proportion of the collected funds were indeed used for these purposes, the Sub-Recipient's management didn't inform employees that they also received funds through the scheme.

The Sub-Recipient's National Secretary also received NGN2,930,000 (US$8,906) from the scheme, or 17 percent of the total collected. The National Secretary said he received a monthly payment from the scheme on the authorization of the National Coordinator. He believed, he said, that employees voluntarily contributed to the scheme. Although not based at the Sub- Recipient's Abuja headquarters, and not involved in the day-to-day implementation of the Global Fund programs, he was considered a member of support staff and was involved in the organization's administration.

[16] The Sub Recipient's National Steering Committee.
[17] The Sub-Recipient National Steering Committee human resources committee report.
[18] The former Finance Manager left the Sub-Recipient in April 2017. The figures therefore represent the total amount he received for the period 1 July 2016 to 31 March 2017.

The Sub-Recipient management also colluded to misappropriate grant funds allocated to employee salaries

The National Coordinator, Program Manager and former Finance manager authorized salary payments to five Global Fund program employees, which the employees were not entitled to receive. The five employees were paid for July and August 2016, but only joined the in September 2016. The total gross value of the salaries paid to the five employees for this two month period was NGN3,536,797 (US$10,750). The OIG considers this amount non-compliant and potentially recoverable.

Two of the five employees told the OIG that they started work in July 2016 but that, because grant activities were limited in July and August, they didn't have to be in the office every day until September when grant funds were disbursed from the Principal Recipients to the Sub-Recipient. The two employees weren't able to give a precise start date and couldn't explain why they hadn't signed the staff attendance register before September 2016.

The Sub-Recipient's staff meeting minutes for July and August 2016 have no record of the five employees attending any meetings. The meeting minutes for September 2016 record that they were welcomed as new staff. The other three employees told the OIG that they started work in September 2016. The OIG reviewed the Sub-Recipient's staff attendance register[19], which showed that the five employees first reported to the office on either 14 or 19 September 2016.

Acting on the instructions of the National Coordinator, the five employees were told by the former Finance Manager to retain NGN100,000 (US$304) from the amount they received for the two months, and to pay the remainder into the scheme. In total they paid NGN2,407,183 (US$7,317) to the scheme for July and August 2016. All five employees said they paid most of the funds they received for July and August to the scheme because the former Finance Manager instructed them to do so.

4.2. The Sub-Recipient received an income from subletting an office in its premises which it did not disclose to another Principal Recipient

For the period 1 July 2015 to 31 December 2017, the Sub-Recipient received funding through its Global Fund CSS grant, for the rent on its office premises totaling NGN 3,744,600 (US$11,382). Over this period, and in line with its tenancy contract, it paid NGN3,487,500 (US$10,600) to its landlord.

Between 1 October 2015 and 31 December 2017, the Sub-Recipient sub-let part of its premises to a third-party organization, collecting rent of NGN2,996,666 (US$9,108). The Sub-Recipient didn't disclose the income generated from the sub-let to the grant's Principal Recipient nor seek authorization on how to use the funds. The income was paid into the Sub-Recipient's operational bank account rather than its Global Fund program account and its expenditure was therefore not subject to review, audit or approval by another Principal Recipient.

The Sub-Recipient's failure to disclose the income and its non-transparent use of the funds breaches the Global Fund's Code of Conduct for Recipients. The OIG therefore considers the full amount of NGN2,996,666 (US$9,108) to be non-compliant and potentially recoverable.

[19] The Sub Recipient's staff attendance register records the date and time employees arrive and leave the office each day.

Agreed Management Action 1

Based on the findings of the report, the Global Fund Secretariat will ensure that the Principal Recipients take 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 those Principal Recipients. Owner: Head of Grant Management

Due date: 30 September 2018

Category: Governance, Oversight & Management Risks

Agreed Management Action 2

Based on the findings of this report, 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: 31 October 2018

Category: Financial & Fiduciary Risks

Agreed Management Action 3

The Global Fund Secretariat will share the findings of this report directly with implementers (Principal Recipients and sub-recipients) in Nigeria and instruct them to circulate it further to all of their Global Fund program staff.

Owner: Head of Grant Management

Due date: 30 September 2018

Category: Governance, Oversight & Management Risks

5. Table of Agreed Actions

Agreed Management Action	Target date	Owner	Category
1. Based on the findings of the report, the Global Fund Secretariat will ensure that the Principal Recipients take 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 those Principal Recipients.	30 September 2018	Head of Grant Management	Governance, Oversight & Management Risks
2. Based on the findings of this report, 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.	31 October 2018	Chair, Recoveries Committee	Financial & Fiduciary Risks
3. The Global Fund Secretariat will share this report's findings with implementers (Principal Recipients and sub-recipients) in Nigeria and instruct implementers to circulate the report to all of their Global Fund program staff.	30 September 2018	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[20] 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.[21] 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[22] and Code of Conduct for Recipients provide additional principles, which recipients and suppliers must respect. The Global Fund Guidelines for Grant Budgeting define

[20] (16.11.2017) Available at https://www.theglobalfund.org/media/6960/core_combatfraudcorruption_policy_en.pdf
[21] 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.
[22] 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 and 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.[23] While the OIG does not typically have a direct relationship with the Secretariat's or recipients' suppliers, its investigations[24] 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.[25]

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.[26] 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.

[23] 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
[24] Charter of the Office of the Inspector General § 2, and 17.
[25] Global Fund Code of Conduct for Suppliers, § 16-19
[26] Charter of the Office of the Inspector General § 8.1

Annex B: Summary of OIG identified non-compliant expenditures

	Non-compliant amount	
Finding	NGN	US$
Salaries and DSA misappropriated[27]	14,384,462.92	43,721.77
Misappropriated July and August 2016 gross salary payment to five employees	3,536,797.14	10,750.14
Undisclosed income from sublet	2,996,666.00	9,108.41
Total	**20,917,926.06**	**63,580.32**

Breakdown of the non-compliant amount by grant

Grant	**Salaries and DSA misappropriated from employees (NGN)**	**Misappropriated July and August 2016 gross salary payments to five employees (NGN)**	**Undisclosed income from sublet (NGN)**	**Total NGN**	**Total US$**
NGA-H-ARFH	5,069,626.90	-	2,996,666.00	8,066,292.90	**24,517.61**
NGA-T-ARFH	5,502,704.02	1,336,150.80	-	6,838,854.82	**20,786.79**
NGA-T-IHVN	3,812,132.00	2,200,646.34	-	6,012,778.34	**18,275.92**
Total	**14,384,462.92**	**3,536,797.14**	**2,996,666.00**	**20,917,926.06**	**63,580.32**

[27] Total collected from the Sub-Recipient's employees during the period = NGN16,791,646.13. To avoid double counting in the calculating the non-compliant amount, contributions by the five employees to the scheme for July and August 2016 have been deducted (NGN2,407,183). The total gross salary paid to the five employees for July and August 2016 is considered non-compliant and therefore the amount of NGN 3,536,797.14 is considered separately from the total non-compliant amount.