



Investigation Report

Country Coordinating Mechanism Mozambique

Misappropriation of funds by CCM Executive
Secretary

GF-OIG-18-020
13 November 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

Email:

ispeakoutnow@theglobalfund.org

Letter:

The Office of the Inspector General

The Global Fund

Global Health Campus

Chemin du Pommier 40

1218 Grand-Saconnex

Geneva, Switzerland

Free Telephone Reporting Service:

+1 704 541 6918

Telephone voicemail:

+41 22 341 5258

More information about the OIG:

www.theglobalfund.org

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	4
1.4.	Summary of Agreed Management Actions	5
2.	Context.....	5
2.1.	Country Context	5
2.2.	Differentiation Category for Country Investigations	5
2.3.	Global Fund Grants in the Country.....	6
2.4.	The Three Diseases.....	6
3.	The Investigation at a Glance.....	7
3.1.	Genesis and Scope of the Investigation.....	7
3.2.	Type of Wrongdoing Identified	7
3.3.	Non-Compliant Expenditure.....	8
3.4.	Proposed Recoverable Amount.....	8
4.	Findings	9
4.1.	Finding 1- CCM Executive Secretary embezzled CCM funds.....	9
4.2.	Finding 2 – Lapses in financial controls by CCM Funding Recipient	9
4.3.	Finding 3 – Inadequate CCM governance and oversight.....	10
5.	Table of Agreed Actions	12
	Annex A: Methodology.....	13
	Annex B: Exhibits	15

1. Executive Summary

1.1. Summary paragraph

The Executive Secretary of the Mozambique Country Coordinating Mechanism (CCM) embezzled US\$22,593 from Global Fund CCM funding in 2016 and 2017. The CCM funding recipient, Fundação para o Desenvolvimento da Comunidade (FDC), approved these fraudulent expenditures and a further US\$3,427 of unsupported payments submitted by the Executive Secretary. These lapses in oversight represent 4% of all CCM payments approved by FDC. An absence of CCM governance and expenditure approval guidance were contributing factors to the fraud. The CCM Chair did not exercise adequate oversight over the Executive Secretary and did not notify the Global Fund of the Executive Secretary's wrongdoing. The Secretariat is working with the CCM and FDC to improve CCM governance and oversight.

1.2. Main OIG Findings

CCM members represent the interests of country level stakeholders in the fight against HIV, TB, and malaria. On behalf of the country, CCMs request financing from the Global Fund, and provide strategic oversight to ensure effective and strategic implementation of programs.

The investigation concluded that the Mozambique CCM Executive Secretary submitted seven fraudulent vouchers totaling US\$22,593 between 2016 and 2017 to the CCM funding recipient, FDC, to obtain CCM funds to which he was not entitled. For four of the fraudulent vouchers, the Executive Secretary created false documentation to support his claims for reimbursement. For the remaining three, he submitted advance payment vouchers which did not include supporting documentation.

FDC paid the four fraudulent vouchers supported with false documents, as they appeared to be legitimate. FDC paid the other three fraudulent vouchers despite a lack of supporting documents. FDC also did not follow-up with the Executive Secretary to obtain the missing supporting documents to settle outstanding advances, or obtain refunds for unspent portions of the advances.

FDC paid a further 17 vouchers submitted by the Executive Secretary totaling US\$3,427 that were unsupported but not fraudulent. The 20 fraudulent and unsupported vouchers represent 4% of all CCM vouchers approved by FDC between 2015 and 2017. An absence of guidance for submitting and paying CCM expenditures contributed to FDC's lapses of oversight.

Although the Terms of Reference for the position of CCM Executive Secretary state that the role is directly supervised by the CCM Chair, the CCM Chair was unaware of the Executive Secretary's activities. CCM governance documents do not refer to the CCM Chair's supervisory role, or specify the requirement for the Executive Secretary to report his activities to anyone on the CCM. Further, the CCM governance documents do not provide any guidance on how requests for advance of funds or other CCM expenses should be processed. The lack of oversight by the CCM Chair and absence of adequate CCM guidance documents were contributory factors that allowed the fraud to take place.

The CCM Chair also did not notify the Global Fund when he became aware of the Executive Secretary's submission of false vouchers, as required under the terms of the CCM funding agreement.

1.3. Actions Already Taken

The CCM Executive Committee instructed the FDC to dismiss the Executive Secretary from the CCM based on the findings outlined in this report. Based on LFA recommendations, in December 2017 the Global Fund Secretariat instructed the CCM Chair and FDC Executive Director to develop a clear set of guidelines for the management of CCM funds. Following further communications from the Global Fund Secretariat, the CCM Executive Committee is now finalizing new CCM governance procedures and a revised Memorandum of Understanding with FDC. In addition, the Secretariat has advised the CCM of the requirement to report as soon as they have knowledge of any integrity concerns involving or affecting Global Fund resources.

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, developing standardized policies, procedures and guidelines for managing the CCM expenditures.

2. Context

2.1. Country Context

Mozambique is a low-income country with a population of 28.8 million and a gross domestic product of US\$11.02 billion as of 2016.¹ Transparency International's 2017 Corruption Perceptions Index ranked the country 153 out of 180 countries² and the 2016 United Nations Development Program (UNDP) Human Development Index Report ranked Mozambique 181 out of the 188 countries listed.³

The country has made significant progress in its fight against HIV, TB and malaria. However, it faces significant challenges in human resources for health, with only 1.74 health workers per 1,000 people compared to a minimum of 2.5 per 1,000 as recommended by the World Health Organization (WHO). Health expenditure per capita, at US\$42, is the lowest in the region, well below the US\$60 recommended by WHO.⁴

The country still relies on external development partners to fund public health interventions. The government spends the health sector allocation of funds primarily on human resources and other recurrent expenditures. The United States and the Global Fund are the largest donors, financing HIV, TB and malaria interventions.⁵



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.

Mozambique is:

-  Focused: (Smaller portfolios, lower disease burden, lower mission risk)
-  Core: (Larger portfolios, higher disease burden, higher risk)

¹ World Bank Country Profile, Mozambique

http://databank.worldbank.org/data/views/reports/reportwidget.aspx?Report_Name=CountryProfile&Id=b450fd57&tbar=y&dd=y&inf=n&zm=n&country=MOZ

² Transparency International Corruption Perception Index

https://www.transparency.org/news/feature/corruption_perceptions_index_2017#table

³ UNDP Human Development Index <http://hdr.undp.org/en/countries/profiles/MOZ>

⁴ The Global Fund Overview of Mozambique <https://www.theglobalfund.org/en/portfolio/country/?loc=MOZ&k=422a9c0c-7b21-48fa-b37c-61a1ada27bd1>

⁵ Ibid.

High Impact: (Very large portfolio, mission critical disease burden)

 *Challenging Operating Environment*

 *Additional Safeguard Policy*

2.3. Global Fund Grants in the Country

In total, the Global Fund has signed 19 grants amounting to US\$1.5bn out of which US\$937 million has been disbursed to date. There are six active grants with funding amounting to US\$1.0 billion with US\$464 million disbursed to four Principal Recipients to date.

The Ministry of Health is responsible for the largest HIV grant with two local non-governmental organizations, Fundação para o Desenvolvimento da Comunidade (FDC) and Centro de Colaboração em Saúde (HIV/TB) also receiving funding.

The Ministry of Health also receives funding from the Global Fund for malaria and tuberculosis projects. World Vision, an international non-governmental organization, is primarily responsible for mosquito net distribution.

2.4. The Three Diseases



HIV/AIDS: In 2016, Mozambique had 83,000 new HIV infections and 62,000 AIDS-related deaths. There were 1,800,000 people living with HIV in 2016, among whom 54% were accessing antiretroviral therapy. Among pregnant women living with HIV, 80% were accessing treatment or prophylaxis to prevent transmission of HIV to their children. An estimated 13,000 children were newly infected with HIV due to mother-to-child transmission.⁶

890,000 People currently on antiretroviral therapy

49% of those living with HIV



Malaria: Malaria is endemic throughout the country and the entire population is at risk with a peak during the rainy season from December to April. In 2015, malaria accounted for 45% of outpatient visits, 56% of pediatric admissions and 29% of hospital deaths⁷.

24,400,000 Insecticide-treated nets distributed

66% portion of population with at least one LLIN

In 2015, LLINs became the primary vector control measure and the first national LLINs campaign was launched in 2016 in Nampula Province.⁸



Tuberculosis: Mozambique has a high burden for TB, TB/HIV, and MDR-TB with elevated absolute estimates for incident TB cases, incident TB cases among PLHIV, and incident MDR-TB cases. In 2015, WHO estimated 550 new TB cases per 100,000 population and low TB case detection, estimated at 38%.⁹

215,000 (cumulative) Laboratory-confirmed pulmonary TB detected and treated

45% TB treatment coverage (notified/estimated incidence) 2016

⁶ <http://www.unaids.org/en/regionscountries/countries/mozambique/>

⁷ Malaria Funding Request 2017 pg.2

⁸ Malaria Funding Request 2017 pg.2

⁹ HIV/TB Funding Request 2017 pg.7 and pg.35

3. The Investigation at a Glance

3.1. Genesis and Scope of the Investigation

July 2015: Start of wrongdoing

February 2018: OIG alerted to wrongdoing

Source of the alert:

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

During a review of CCM expenditures, the LFA asked the Executive Secretary for additional documents to support some claims he had submitted. Immediately following the request, the CCM Executive Secretary admitted to the LFA that he had submitted vouchers for reimbursements related to CCM oversight visits that had not taken place.

Based on the information provided by the Executive Secretary, the LFA reviewed the relevant FDC payment vouchers and found three unsupported payments to him totaling US\$10,658.¹⁰ On 13 February 2018, the Global Fund Secretariat notified the OIG of the LFA's findings.

In Mozambique, the Principal Recipient, Fundação para o Desenvolvimento da Comunidade (FDC), administers CCM funds. FDC received, on behalf of the CCM, US\$176,442 from the Global Fund under grant MOZ-CFUND-1502 in 2015 and US\$164,581 in 2016, and US\$170,000 under grant MOZ-CFUND-1703 in 2017.

FDC had previously employed the Executive Secretary as a Program Manager and the OIG was concerned of possible collusion between FDC employees and the Executive Secretary. The OIG was also concerned that any weaknesses in FDC's financial controls might affect the processing of its own expenditures as a PR.

The OIG conducted a mission to Mozambique in April 2018. It obtained from FDC and reviewed all the CCM expense claim vouchers from 1 January 2015 to 31 March 2018. In addition, the OIG interviewed all FDC employees involved in the processing of CCM payments and managing CCM procurements. It also interviewed the CCM Executive Secretary, CCM Oversight Supervisor and the CCM Chair.

3.2. Type of Wrongdoing Identified

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

¹⁰ LFA used an exchange rate of US\$1 = MZN 61.08

3.3. Non-Compliant Expenditure

OIG identified US\$26,020: The investigation found 7 fraudulent expenditures totaling US\$22,593 and 17 unsupported vouchers totaling US\$3,427.¹¹

3.4. Proposed Recoverable Amount

US\$24,587: The OIG recommends that the Secretariat seek recovery of the full amount of fraudulent and unsupported disbursements. This amount does not include the US\$1,433 already reimbursed by the Executive Secretary.

¹¹ The exchange rate used in this report is from the questionable vouchers or within the period of the questionable voucher. The average rate is US\$1 = MZN62.79

4. Findings

4.1. CCM Executive Secretary embezzled CCM funds

The CCM Executive Secretary embezzled US\$22,593¹² from grants MOZ-CFUND-1502 and MOZ-CFUND-1703. The Executive Secretary breached Section 11 and 11.2f of the Standard Terms and Conditions of these CCM funding agreements. The whole amount is non-compliant, but as he has repaid US\$1,433 of the embezzled funds, the OIG therefore finds that US\$21,160 is potentially recoverable.

Between September 2016 and October 2017, the Executive Secretary submitted seven fraudulent requests for payment ('vouchers') to obtain an advance, or reimbursement of funds. They related to oversight visits, transportation for meeting participants and expenses incurred on overseas trips that did not occur. This includes the three vouchers he admitted were false to the LFA (see Annex B).

The Executive Secretary initially told the OIG that before 2017 he had never received money to which he was not entitled. However, after the OIG provided him with evidence that he had also embezzled funds in 2016, he then admitted to submitting additional false vouchers prior to 2017. He further stated that he wished to repay the remainder of the embezzled funds to the CCM.

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: 31 December 2019

Category: Financial & Fiduciary Risks

4.2. Lapses in financial controls by CCM Funding Recipient

FDC approved and paid the seven fraudulent vouchers and another 17 unsupported vouchers submitted by the Executive Secretary. The value of the 17 unsupported vouchers is US\$3,427.¹³ The OIG considers this amount to be non-compliant and potentially recoverable. An absence of guidance for the submission and approval of expenditure claims contributed to FDC's lapses.

As the Mozambique CCM does not have legal status, FDC agreed to provide financial management support to the CCM under a Memorandum of Understanding (MoU) between FDC and the CCM. In addition to the MoU, which the OIG found lacks detail, FDC followed its own procedures for issuing advances and reimbursing funds to the CCM. This included requiring CCM members to provide all necessary documentation to support an expenditure. However, these procedures were not shared formally with the CCM.

FDC paid four of the fraudulent vouchers, as the supporting documentation appeared to be authentic. For the other three vouchers, totaling US\$3,714, FDC did not follow-up with the Executive Secretary to obtain supporting documentation, or to obtain a refund for unspent sums from the advances. On average, the Executive Secretary took 59 days to refund unused advances and in one case he did not refund a portion of an advance totaling MZN52,500 (US\$1,207). FDC said that this

¹² Annex B1 – False vouchers submitted by Executive Secretary

¹³ Annex B2 – Unsupported, non-fraudulent vouchers

reimbursement had been partially repaid, but the documents it provided to the OIG related to another voucher.

The Executive Secretary submitted a further 17 vouchers that were unsupported. FDC approved the advances for these vouchers, but did not follow-up with the Executive Secretary for the supporting documents or the reimbursement of unused funds once the event had taken place. FDC said that it had asked the Executive Secretary on several occasions for the supporting documents, but he had not provided them. FDC also said that sometimes the Executive Secretary took an advance for one meeting, but if the whole advance was not spent on that meeting, he used the funds for a subsequent meeting. However, the OIG could not confirm FDC's explanations. The OIG found that these vouchers were not fraudulent because there was evidence that the events had taken place.

As part of its investigation, the OIG reviewed approximately 500 vouchers, which comprised all the CCM expenditure vouchers submitted to FDC between 2015 and 2017. The 17 non-fraudulent, unsupported vouchers and the three fraudulent unsupported vouchers submitted by the Executive Secretary represent 4% of this total.

Neither the MoU between FDC and the CCM, nor the CCM governance documents provided clear guidance on how requests for advance of funds or other CCM expenses should be processed by either organization. This lack of guidance and rules for handling expenses was a contributing cause of the embezzlement and to FDC approving unsupported vouchers.

Agreed Management Action 2

Based on the findings in this report, the Global Fund Secretariat will ensure that the Memorandum of Understanding between the CCM and CCM funding recipient, FDC is updated so it clearly outlines procedures for requesting payments and clearing advances. Owner: Head of Grant Management

Due date: 31 March 2019

Category: Governance, Oversight & Management Risks

4.3. Inadequate CCM governance and oversight

The CCM Chair, Executive Committee and Oversight Committee were unaware of and did not approve any of the expense claims submitted by the Executive Secretary to FDC for payment. The Executive Secretary said he was able to perpetrate his fraud because he knew that nobody from the CCM would see the vouchers he submitted. Further, the CCM Chair said no procedures exist for the review and sign-off of the Executive Secretary's expense claims.

Although the Terms of Reference for the position of CCM Executive Secretary state that the Executive Secretary reports to the CCM Chair, the CCM Chair was unaware of the Executive Secretary's activities. In addition, there is currently no documented requirement for the Executive Secretary to report his activities to anyone on the CCM. The CCM governance documents are also silent as to the CCM Chair's supervisory role.

Prior to reporting his wrongdoing to the LFA, the Executive Secretary first reported his actions to the CCM Chair. Under Section 11.3 of the Standard Terms and Conditions of grant agreements MOZ-CFUND-1502 and MOZ-CFUND-1703, the CCM is required to report, "*...any other practice that is or could be construed as an illegal or corrupt practice in the Host Country*" as soon as they are aware of such practices. The CCM Chair was therefore required to report immediately to the Global Fund the actions of the Executive Secretary, but did not do so. The CCM Chair said he did not report the matter to the Global Fund because he wanted the Executive Secretary to provide a written statement first and give the information to the LFA so it could corroborate the information.

Agreed Management Action 3

Based on the findings in this report, the Global Fund Secretariat will ensure that the CCM revises its governance documents for the oversight of CCM employees and the financial management guidelines for CCM expenditures.

Owner: Head of Grant Management

Due date: 31 March 2019

Category: Governance, Oversight & Management Risks

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.	31 December 2019	Chair, Recoveries Committee	Financial & Fiduciary Risks
2. Based on the findings in this report, the Global Fund Secretariat will ensure that the Memorandum of Understanding between the CCM and CCM funding recipient, FDC is updated so it clearly outlines procedures for requesting payments and clearing advances.	31 March 2019	Head of Grant Management	Governance, Oversight & Management Risks
3. Based on the findings in this report, the Global Fund Secretariat will ensure that the CCM revises its governance documents for the oversight of CCM employees and the financial management guidelines for CCM expenditures.	31 March 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 Corruption¹⁴ 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.¹⁵ 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 Suppliers¹⁶ and Code of Conduct for Recipients provide additional principles, which recipients and suppliers must respect. The Global Fund Guidelines for Grant Budgeting define

¹⁴ (16.11.2017) Available at https://www.theglobalfund.org/media/6960/core_combatfraudcorruption_policy_en.pdf

¹⁵ 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.

¹⁶ 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.¹⁷ While the OIG does not typically have a direct relationship with the Secretariat's or recipients' suppliers, its investigations¹⁸ 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.¹⁹

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.²⁰ 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.

¹⁷ 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

¹⁸ Charter of the Office of the Inspector General § 2, and 17.

¹⁹ Global Fund Code of Conduct for Suppliers, § 16-19

²⁰ Charter of the Office of the Inspector General § 8.1

Annex B: Exhibits

Annex 1 – Summary of Executive Secretary Fraudulent Vouchers

Voucher #	Payment Date	Beneficiary	Activity Given	Amount MZN	Exchange Rate	Amount US\$	Reason
108	09-Sep-16	Executive Secretary	Oversight visit Sofala & Manica	288,000.00	73.70	3,907.73	The Oversight supervisor was not aware of these trips. The trip report is a cut and paste from the trip report dated 16-23 July 2015 to Niassa and Sofala. See Table 2 on the report submitted 2016 which states "Provincia de Niassa e Provincia de Sofala" where Executive Secretary missed changing the name from the 2015 report.
3	23-Jan-17	CCM	Refund related to voucher 108	-2,090.00	73.70	-28.36	
116	28-Sep-16	Executive Secretary	Transport cost for meeting	127,000.00	73.70	1,723.20	No supporting documents. Based on information provided by the Oversight Supervisor the transportation cost is too high.
56	30-Jun-17	Executive Secretary	Oversight visit to Inhambane	297,500.00	59.50	5,000.00	The Executive Secretary admitted this is false. The Oversight Supervisor stated these visits did not take place.
57	30-Jun-17	Executive Secretary	Oversight visit Gaza	249,500.00	59.50	4,193.28	The Executive Secretary admitted this is false. The Oversight Supervisor stated these visits did not take place.
106	06-Oct-17	Executive Secretary	Oversight visits Gaza & Inhambane	353,600.00	60.90	5,806.24	The Executive Secretary admitted this is false. The Oversight Supervisor stated these visits did not take place.
11	27-Apr-17	Executive Secretary	Trip to Nairobi			950.00	Trip paid by WHO 2-4 May. US\$50 for visa supported.
23	05-Jul-17	Executive Secretary	Trip to Nairobi for two people			1,041.20	The Executive Secretary took an advance for himself and one other of US\$2,860. Supporting documentation is only for Executive Secretary's expenses and totals US\$1,818.80.
					Total	22,593.30	