



Audit Report

Managing investments in Resilient and Sustainable Systems for Health

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Geneva, Switzerland

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Audit Report

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1. Executive Summary

1.1. Opinion

Resilient and sustainable systems for health (RSSH) are crucial in ensuring that people have access to effective and efficient services, and are essential for ending the HIV, TB and malaria epidemics. The Global Fund has invested approximately US\$5.8 billion for health system strengthening activities since 2014, reaffirming its commitment to building resilient and sustainable systems for health by elevating RSSH to a strategic objective in its 2017-2022 Strategy. This audit covered the Secretariat's management and monitoring of all RSSH activities, and analyzed progress on financial management and supply chain strengthening components of RSSH sub-objectives.

The Global Fund has historically funded mostly vertical disease interventions. While it has gradually put increased emphasis on effective integration of disease control programs in broader health systems, the organization's structures, systems, processes and skill sets are primarily designed to deliver disease programs rather than health system strengthening activities. Similarly, most in-country grant implementation structures, including coordination mechanisms, are set up with little emphasis on cross-cutting health systems. This affects countries' ability to design and implement strategies to strengthen health systems. Therefore structures, policies and processes for the management of RSSH investments are rated as **needing significant improvement**.

The Secretariat has designed strategic performance indicators to monitor progress on three out of the seven components of the RSSH objectives. While a framework exists to support performance monitoring of grants, it has limited coverage indicators for RSSH activities. The framework for RSSH activities was primarily established to focus on cost drivers and expected to be subsequently improved. Operational performance indicators for the strategic objectives are not fully developed, creating difficulties in measuring the progress of RSSH activities at both strategic and grant level. The monitoring framework developed by the Secretariat to routinely assess grant performance is not suitable for RSSH activities, which by their nature take several years to be completed. The monitoring framework for RSSH is therefore rated as **needing significant improvement**.

The Secretariat has instituted measures to mitigate the unique risks usually faced by RSSH activities at country level, but these are not being consistently implemented. The management of these risks is therefore rated as **partially effective**.

At the October 2018 Strategy Committee meeting, the Technical Review Panel, Technical Evaluation Review Group and the Secretariat examined key challenges related to RSSH, jointly identifying seven key actions which would strengthen RSSH activities in the next allocation cycle.¹ Some of the conclusions and related actions identified during that meeting have been confirmed in this audit.

1.2. Key Achievements and Good Practices

Strategic focus on RSSH activities. The Global Fund dedicates 27% of its investments towards building resilient and sustainable systems for health.² The Global Fund generally integrates RSSH interventions within disease grants, rather than as standalone grants, which have decreased in recent years. This demonstrates the organization's willingness to support cross-cutting interventions which accelerate the effective implementation of health care services including HIV, TB and malaria. The Secretariat has developed strategic performance indicators to monitor its progress on four of the seven RSSH strategic sub-objectives. The Global Fund has improved its RSSH investment tracking methodology, and is now aligned with the World Health Organization and other partners.

¹ Strategy committee deep dive in Oct'18 on RSSH covered areas relating to scope and prioritization of RSSH investments, extent of differentiated approach along the development continuum, short-term gap filling vs. long-term sustainable impact, consideration of RSSH during country-dialogue, measuring investments and outcome, role of RSSH in cross-program integration and RSSH partnerships.

² <https://www.theglobalfund.org/en/resilient-sustainable-systems-for-health/>

RSSH activities have contributed to achieving impact in disease-specific interventions.

Global Fund investments have demonstrably enhanced in-country health systems and supported implementation of disease-specific interventions. In Ethiopia, about 40,000 health workers have been trained under the Health Extension Workers Program, which uses trained non-medical staff to provide primary health care in areas where access is limited. This has significantly increased the availability of health services at community level. In 20 countries (from a cohort of 54), data management systems have been strengthened with fully deployed and functional Health Management Information Systems (HMIS). The Secretariat is expected to complete data strengthening in 70% of the cohort by 2022. This improves the availability of routine data for planning, implementing and monitoring of life-saving interventions. The Global Fund is also investing resources to strengthen supply chain and laboratory systems in countries to ensure the availability of quality-assured medicines and services to patients. These systems support not only the implementation of HIV, TB and malaria activities, but a country's entire health care delivery.

Progress achieved in strengthening financial management capabilities of implementers. As indicated above, the OIG reviewed progress made by the Secretariat on supply chain and financial management strengthening activities.³ Overall, the Secretariat has a well-designed approach and implementation framework to strengthen financial management at the implementer level. There are clearly defined milestones and measures to assess the impact of financial management strengthening activities. However, many grant implementers continue to use Global Fund-specific financial management and reporting systems due to weaknesses in country-specific systems and differences in the reporting requirements of governments and donors. Therefore, while the Global Fund continues to strengthen grant-specific financial management systems, achieving donor harmonization at the country level remains difficult.

1.3. Key Issues and Risks

Global Fund and in-country structures and processes are not optimally designed for the delivery of RSSH activities. In line with the Global Fund's performance-based funding principle, grants typically have a three year life cycle, and their performance is assessed at least once a year against a set of agreed indicators and targets. RSSH activities, however, typically take much longer than three years to be completed, and specific results may not be available on an annual basis. As such, implementation of RSSH activities often requires a time horizon beyond the three-year funding cycle.

Most countries have national programs responsible for developing and executing strategies to fight HIV, TB and malaria. These are typically supported by Technical Working Groups including in-country technical partners such as the World Health Organization and other donors, who help in the design, implementation and coordination of disease interventions. There is a limited number of equivalent national institutions, partners and working groups to support the design and implementation of cross-cutting health system strengthening activities, reducing the ability of implementers to deliver those activities on a timely basis. Some countries have national health sector plans and technical working groups on health system components such as data and supply chains, but disease programs are less engaged in these sector-wide activities. This can lead to delays in implementation and gaps in coordination of RSSH activities, resulting in relatively low absorption rates for RSSH standalone grants, and for RSSH activities within disease grants. RSSH activities embedded in disease grants have absorption rates of 67%, compared to 75% for disease interventions. The average absorption rate for standalone RSSH grants is 56%.

Significant challenges in strengthening supply chain systems. The Global Fund launched a supply chain diagnostic and transformation initiative in 2016 that seeks to assess in country supply chain and define specific actions to address the identified challenges. In December 2018, the

³ The other sub-objectives have been evaluated by the Technical Evaluation Reference Group ((TERG) as part of their RSSH review.

Secretariat reported that nine countries had begun transformations. Our analysis shows that critical components such as scope, key activities and timelines expected in the transformation plans are yet to be developed. None of the plans are costed, and the sources of funding for the activities have not been identified. The roles and responsibilities of key internal and external stakeholders in addressing supply chain challenges have not been defined. A number of steps that are required to transition from diagnostics to transformation are not fully under the Global Fund's control. Due to the complexity of in-country supply chain challenges, and the limited span of control that the Global Fund has both in terms of limited resources and mandate, meaningful transformation is likely to be a long-term effort requiring several years. However, a structured roadmap to guide how the Global Fund will tackle the key issues, working with governments and partners over time, is yet to be defined.

Sustainability measures are not consistently considered in RSSH activities: RSSH activities are expected to ensure long-term sustainability of disease programs. Most RSSH activities, by nature, often require recurring costs to ensure the impact of Global Fund investments. Because of this, the Global Fund requires countries to submit measures to ensure the sustainability of RSSH investments in Human Resources, health and non-health equipment and infrastructure before activities commence. However, in practice, this is not being done. None of the sampled countries submitted sustainability plans for the relevant Global Fund-supported RSSH activities. Limited measures exist on how countries will sustain investments or maintain data systems, infrastructure and other Global Fund-financed RSSH activities. For instance, 47% of RSSH resources are invested in human resources, predominantly for the payment of salaries to health workers to ensure the provision of uninterrupted health services to patients, but there are no commitments from governments to assume these costs in the future. While there have been significant short-term benefits of these RSSH investments, their full potential will not be realized until clear, long-term sustainability measures are incorporated into their design and implementation. A key challenge for many countries is to balance the short-term need to invest in the health workforce with the longer-term need of investment sustainability in light of fiscal constraints.

Weaknesses in key performance indicators and monitoring of RSSH investments. As mentioned in Section 1.2, the Secretariat has evolved its methodology in tracking RSSH budgets, however progress monitoring of three of the seven strategic sub-objectives is unsystematic. There is a lack of clear performance metrics and indicators of success to gauge the progress of, and assess the impact of, three sub-objectives (Human Resources for Health; Community Responses and Systems; Reproductive Women's and Children's and Adolescents Health) accounting for 65% of RSSH investments. This is in line with the Key Performance Indicator framework presented to and approved by the Strategy Committee in 2017. Approaching the midpoint of the Global Fund's 2017-2022 strategy, difficulties remain in measuring the progress of RSSH activities at both strategic and grant levels. The modular framework to measure RSSH investments in grants lacks defined indicators to monitor progress, outcomes and impact of certain activities. The Secretariat decided to focus its existing outcome indicators on diseases, and it remains difficult to determine the impact of all RSSH investments. While work plan tracking measures have been designed to be used where no indicators for material RSSH activities exist, their use is inconsistent, and the results do not always reflect the reality of RSSH investments.

1.4. Rating

	Objective 1. Structures, policies and processes for the management of RSSH investments. OIG rating: Needs significant improvement.
	Objective 2. Monitoring and measurement frameworks for RSSH activities. OIG rating: Needs significant improvement.
	Objective 3. Mitigation measures of the unique risks of RSSH activities. OIG rating: Partially Effective.

1.5. Summary of Agreed Management Actions

The Secretariat and OIG have agreed four management actions in addition to the Secretariat's road map to address challenges in managing RSSH investments. The Secretariat will assess its capacity and capability to deliver on the RSSH Roadmap and develop an appropriate learning and development plan for RSSH for the 2020-2022 cycle. The roles, responsibilities and key processes of RSSH activities including strengthening in-country capacities and providing oversight of grant risks will be defined as part of the ongoing Performance and Accountability Framework. On the supply chain finding, the Secretariat will define a structured roadmap with key milestones on how the Global Fund will address supply chain issues, including measures to track related performance indicators.

To improve the measurement of the outcomes of RSSH investments, the Secretariat will refine and clarify expected outcomes under each of the RSSH sub-objectives. The Secretariat will also update the indicators and measurement approaches for improved monitoring and evaluation of RSSH activities. The Secretariat will revise its RSSH guidance to encourage further integration of Global Fund investments with national systems and processes, as well as defining minimum expectations in funding requests. Additionally, the Secretariat will work with the Technical Review Panel and Grant Approvals Committee to ensure minimum expectations are met or strong justification is provided in the review and approval processes of funding requests and grants.

2. Background and Context

2.1. Overall Context

The World Health Organization definition of a health system (“all activities whose primary purpose is to promote, restore, and maintain health”⁴) comprises six building blocks: service delivery, health workforce, health information, medical products/technologies, financing, and leadership and governance. Building capacity in any one of these areas contributes to improving a country’s health system, which in turn means the country will be able to maximize the impact of core investments in programs to defeat HIV, TB and malaria.

Resilient and Sustainable Systems for Health (RSSH) investments aim to support countries to strengthen and expand the capacity of health systems to address health issues in a sustainable, equitable and effective manner, including for the three diseases. They also aim to enable countries to prepare for, and cope with, any potential future shocks. The 2014-2015 Ebola outbreak in West Africa showed that strong health systems are essential to prevent or mitigate the impact of infectious diseases and health emergencies. Countries with stronger systems, like Nigeria, quickly contained the outbreak, while those with ill-equipped systems, such as Sierra Leone, Liberia and Guinea, were overwhelmed.

RSSH at the Global Fund

Recognizing that RSSH is crucial to achieving its strategic goal of ending the three epidemics, since 2014 the Global Fund has invested approximately \$5.8 billion⁵ in health systems strengthening. This funding has been delivered either through stand-alone RSSH grants or as part of HIV, TB, and malaria grants.

The Global Fund approaches RSSH investments via cross-cutting interventions that contribute to maximizing the impact of two or more disease-specific programs, and which will have a beneficial impact on health outcomes beyond the three diseases. The Global Fund’s approach, implemented in conjunction with the creation of the New Funding Model (NFM)⁶, focuses RSSH investments on system-related programmatic risks across HIV, tuberculosis and malaria programs.

The Global Fund reaffirmed its commitment to building resilient and sustainable systems for health in its 2017- 2022 Strategy, elevating its support for these systems to the level of a strategic objective. As part of the strategy, the Global Fund supports health system strengthening activities through country allocations and through US\$166 million of catalytic investments.⁷ RSSH investments target seven focused areas which are generally aligned with WHO’s health system building blocks. These focused areas are shown in the diagram⁸ below:

⁴ <http://siteresources.worldbank.org/HEALTHNUTRITIONANDPOPULATION/Resources/281627-1154048816360/AnnexLHNPStrategyWhatisaHealthSystemApril242007.pdf>

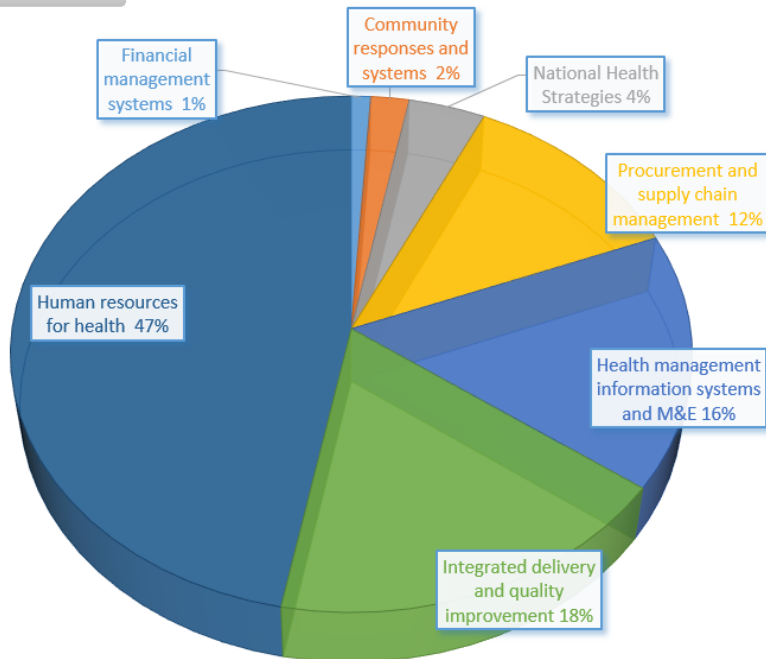
⁵ RSSH investments in approved budgets under NFM1 and NFM2

⁶ NFM approved at the 28th Global Fund Board Meeting (June 2013)

⁷ <https://www.theglobalfund.org/en/funding-model/funding-process-steps/catalytic-investments/>

⁸ Includes country allocations and catalytic investments (if granted)

RSSH Investment Allocations



Within the Secretariat, an RSSH support team⁹ under the Strategy, Investment and Impact Division (SIID) facilitates implementation of the RSSH-focused areas and creates the conditions for ensuring increased and sustainable RSSH investments. The team is also involved in PSM and community activities, governance and national strategic planning work. The SIID provides policy direction, guidelines and tools to support the design and implementation of RSSH activities through grants managed by the country teams under the Grant Management Division.

RSSH sub-objectives are assigned to different departments and divisions within the Secretariat:

- the Procurement and Supply Chain department is responsible for **strengthening global and in-country procurement and supply chain systems;**
- **financial management and oversight** components are under the Program Finance and Controlling Department;
- **community responses and systems** components are managed by the Community Rights and Gender Department under SIID;
- SIID's RSSH team is responsible for i) **reproductive, women's, children's, and adolescent health, and platforms for integrated service delivery,** and ii) **human resources for health;**
- **strengthening in country data systems for health** is under the Monitoring and Evaluation and Country Analysis Team of SIID;
- SIID's Access to Funding team is in charge of **reporting on the alignment of funding requests with national health strategies and national disease-specific strategic plans.**¹⁰

⁹ Also referred to as HSS/RMNCH - reproductive, maternal, newborn, and child health programs

¹⁰ Along with strengthening in country data systems, these areas are under Technical Advice and Partnerships within SIID.

3. The Audit at a Glance

3.1. Objectives

The audit sought to provide reasonable assurance on the adequacy and effectiveness of Global Fund processes for the management of RSSH activities. The audit covered the management of all RSSH activities and analyzed progress made in Financial Management and Supply Chain strengthening activities.

Specifically, the OIG assessed the:

- structures, policies and processes for managing RSSH investments;
- monitoring and measurement frameworks for RSSH activities;
- risk mitigation measures for RSSH activities.

3.2. Scope

The audit included:

- review of relevant documents including strategies, policies and processes at the Secretariat for all RSSH activities in funded programs;
- analysis of progress on two of the seven RSSH strategic sub-objectives - Financial Management, and Strengthening in-country procurement and supply chain;
- interviews with Secretariat and other key stakeholders;
- in-depth testing of RSSH activities in 17 countries based on the materiality and risk levels of RSSH investments in those countries.

The OIG collaborated with the Technical Evaluation Reference Group (TERG) during the audit. The collaboration included joint scoping to avoid duplications, auditee interviews, and sharing of information and findings from the reviews. The TERG conducts independent evaluations of the Global Fund business model and investments, with a focus on the impact and relevance of the strategy. The OIG audit focuses on systems process and controls to deliver the Board-approved strategy and does not opine on the relevance of the strategy. The OIG and the TERG presented a consolidated summary of key findings to the Global Fund's Strategy Committee in March 2019.

The OIG did not conduct field visits as part of this audit because most countries with significant RSSH investments have been audited by the OIG in the last two years.

3.3. Progress on Previously Identified Issues

This is the first OIG audit of the Secretariat's management of RSSH investments. This cross-cutting audit was triggered by a number of RSSH-related challenges identified in country audits in Cambodia, Ethiopia, Tanzania, South Sudan, Burkina Faso, and Democratic Republic of Congo.

Previous OIG audit work has highlighted RSSH activities

Audit of Global Fund grants to Federal Democratic Republic of Ethiopia (GF-OIG-17-025)

Audit of Global Fund grants in the Kingdom of Cambodia (GF-OIG-17-020)

Audit of Global Fund grants to the United Republic of Tanzania (GF-OIG-16-022)

Audit of Global Fund Grants to the Republic of South Sudan (GF-OIG-15-016)

Audit of Global Fund grants to Burkina Faso (GF-OIG-17-024)

Audit of the Global Fund's in country Supply Chain Processes (GF-OIG-17-008)

4. Findings

4.1. Structures and processes at the Global Fund and its implementers are not optimally designed for the delivery for RSSH activities

The Global Fund was set up to fight HIV, malaria and TB, and its structure and processes were designed to support these vertical objectives. Recognizing that investing in health systems would significantly support the achievement of its core mandate, the Global Fund reaffirmed its commitment to investing in building resilient and sustainable systems for health through its 2017-2022 strategy. To support this strategic objective, the Global Fund is investing approximately 27% of its resources in health systems. Since the Board's approval of the strategy in 2016, the Secretariat has developed nine sets of guidelines and information notes to support implementation of health system strengthening activities. Fifteen RSSH information sharing sessions have been conducted by the Secretariat across various teams since January 2017. The Global Fund, with the financial support of the Bill and Melinda Gates Foundation, has developed a dashboard to track financial investments and health sector outcomes in multiple areas of health systems. Existing structures and processes at the Global Fund and implementers are not however aligned to RSSH interventions. This affects the ability of the Secretariat and implementers to deliver certain RSSH activities within the defined three-year grant cycle.

Alignment of Secretariat structures: At the Secretariat, the seven sub-objectives of RSSH interventions are implemented across three different divisions and four departments. Each one is implemented in a siloed approach, with no effective mechanism to drive organizational accountability and collaboration. This reduces the ability to achieve synergies and a holistic view of progress across the various sub-objectives at the corporate level. The departments operate with differing approaches and are at varied maturity levels, and while communication is more effective under certain areas such as community monitoring systems or community health workforce, lessons learned are not collated and shared across teams. Efforts have been made to address this challenge through the Strategic Implementation Planning process, interdepartmental working groups and quarterly reporting updates to the Management Executive Committee, but synergies are yet to be achieved.

Tensions between the grant cycle and long term nature of some RSSH activities: In line with its funding model, Global Fund grants have a three-year life cycle. The Secretariat assesses the performance of its grants against agreed indicators and targets on an annual basis, and disbursements are tied to achieving agreed results. However, RSSH activities typically take longer than three years to be completed and their results may not be seen on an annual basis. None of the material RSSH investments in the six sampled countries (including investments in data and supply chain systems, laboratory systems, health and non-health equipment, constructions and renovations) could be completed within the respective funding cycles. As of October 2018, about US\$1.1 billion had been invested in such activities. The only RSSH infrastructure project which was completed took over six years, the equivalent of two funding cycles.

By their very nature, certain RSSH activities often require a longer horizon than the three-year funding cycle. Currently, Country Teams liaise with implementers to ensure that incomplete projects from previous grants are incorporated into subsequent funding cycles. However, the countries lose funds previously earmarked for those activities in line with Global Fund guidelines on transition between allocation periods. The countries are expected to finance these activities from subsequent allocations, which does not happen consistently. In Pakistan, only 2% of the planned RSSH investment for construction of a warehouse was spent in 2016-2018. This project was abandoned and not included in the grant budget of the next cycle (2018-2020). The Global Fund and in-country stakeholders in Zimbabwe were able to find another partner to continue construction of a warehouse which could not be completed in the previous Global Fund funding cycle. Delays in project completion are predominantly caused by the time taken for preparatory activities such as obtaining in-country approvals and securing appropriate partners for implementation. As a result, achieving

the Global Fund's RSSH objective may require adjustments to the implementation approach to accommodate, where applicable, a phased investment approach. For example, the financial management sub-objective is currently implemented through such a phased approach. With support from the Bill and Merinda Gates Foundation, the Global Fund is evaluating the possibility to align the three-year grant duration with National Strategic Plan periods (typically five years). The study is expected to be completed by December 2019 and lessons incorporated in the next funding cycle.

Definition of RSSH activities: The Global Fund has defined a modular framework and cost inputs to ensure consistent classification and tracking of its investments across interventions. Disease interventions are well defined and related activities are classified consistently by teams across the Secretariat. RSSH activities, however, are cross-cutting and do not relate to specific diseases, or are related to more than one disease program. As such, interventions such as GeneXpert machines, laboratory renovations or community health worker training are inherently subject to different interpretation and classification by various stakeholders. The Strategy Investment and Impact Division (SIID) defines RSSH investments as all activities in standalone RSSH grants or in identified disease-specific interventions relevant to RSSH, while the Program Finance and Controlling department has a different definition. These broad definitions have led to different interpretations across various departments of the Secretariat. To better classify RSSH activities, the RSSH team in conjunction with the Program Finance and Controlling Department has designed new classification methodology and criteria, which will be used in 2019.

Skill set required for RSSH activities: The SIID has recruited a core team to provide technical advice and guidance to country teams on designing and implementing RSSH activities. This RSSH team has participated in a number of workshops in various countries to assist implementers, Country Teams and in-country stakeholders in designing funding requests. The Secretariat has varied competencies within the RSSH, support and Country Teams which are aligned to each of the seven RSSH sub-objectives. The audit identified cases of specific skills gaps, for example, where staff lack the technical knowledge or Project Management skills needed to support specific RSSH interventions such as system enhancements, renovations, or non-medical equipment financed by the Global Fund. In these cases, Country Teams are expected to manage and monitor interventions without access to critical skills to guide implementation. In the absence of centrally available skill sets, the Secretariat rightly relies on in-country partners and implementers to provide such skills, but these are not consistently available. 80% of the sampled grants with material systems strengthening and capital expenditure on infrastructure did not have access to the required skill sets; it took several months after commencement of the grants to engage service providers to manage these activities. In Sierra Leone, the implementer only recruited a consultant civil engineer to supervise the construction of the central warehouse 18 months after the two year grant had begun. Similarly, in Pakistan, the implementer could not recruit the required skills until the final seven months of the grant.

In-country structures are better aligned to disease programs than to RSSH: Most countries have national programs responsible for developing and executing strategies to fight HIV, TB and malaria. These programs are supported by Technical Working Groups, which typically include in-country technical partners such as the World Health Organization and other donors. This helps with the coordination and execution of the approved activities. However, there are few similar programs and working groups to support the design and implementation of cross-cutting health system strengthening activities, which affects the ownership, coordination and implementation of such activities at country level. In some countries, there are health sector-wide committees in charge of cross-cutting activities but they have limited participation from the national programs. In such cases, government departments such as policy and planning play a key implementing role in cross-cutting RSSH activities. To mitigate this, the Global Fund engages with the national disease programs and other in-country stakeholders to manage RSSH activities. However, effective management requires strong coordination skills within the national disease programs in countries facing RSSH implementation challenges.

Implementers of RSSH activities do not always have the capacity to execute them, as is the case in Ethiopia, Pakistan and Cambodia. For example;

- In Ethiopia, the Grant Management Unit at the Ministry of Health responsible for the RSSH activities has limited capacity to oversee and coordinate the nine key implementers under the grant.
- Cambodia's RSSH activity targeting community strengthening, which is embedded in the malaria grant, was significantly delayed due to capacity constraints at the Principal Recipient.

The Global Fund integrates most RSSH interventions within disease grants. This has improved the absorption rate of RSSH activities. As of October 2018, the Secretariat's standalone RSSH grants had an average absorption rate of 56%. The rate is higher (67%) when RSSH activities are integrated in disease grants. However, the average absorption rate for disease interventions (75%) is higher than for those which have RSSH activities, even if they are in the same grant and managed by the same implementer. Clearly, underlying structural and capacity constraints at Secretariat and country level continue to impact timely implementation of RSSH activities.

Agreed Management Action 1

- a. The Secretariat will assess its capabilities and capacities to deliver on the RSSH Roadmap and develop an appropriate learning and development plan for RSSH for the 2020-2022 cycle.
- b. The Secretariat will define the roles, responsibilities and key processes of RSSH as part of the ongoing Performance and Accountability Framework at the corporate level.

Owner: Chief of Staff
Due date: 30 June 2020

Agreed Management Action 2

The Secretariat will:

- revise existing information notes and guidance on RSSH to encourage further integration of Global Fund investments with national systems and processes and to define minimum expectations in funding requests taking into account portfolio differentiation.
- work with the Technical Review Panel and Grant Approvals Committee to ensure countries meet the minimum expectations or strong justification is provided in the review and approval processes of funding requests and grants.
- develop and execute a change management plan to support the implementation of the new and revised guidance as part of the operational launches.

Owner: Head of Strategic Investment and Impact Division
Due date: 31 December 2019

4.2 Significant progress has been achieved in implementing financial management strengthening activities

As part of the 2017-2022 strategy, the Global Fund committed to supporting countries in building financial management capacity in order to enhance efficiency, accountability and transparency in monitoring and reporting health spending.

Since the approval of the strategy, the Program Finance and Controlling Department has undertaken many initiatives to improve financial management and oversight. These are being carried out through the “Strengthening Country Link Project”, known as CO-LINK and executed by a dedicated team of financial management specialists who provide technical support to grant implementers. The project aims to optimize the performance and sustainability of program investments by improving implementers’ financial management capacity; this includes strengthening existing grant-specific financial controls and, where possible, leveraging the use of country or donor-harmonized systems for administering Global Fund grants.

In terms of **implementation of activities**, the Secretariat has defined the governance structures, processes and tools to support the implementation of the financial management activities as part of RSSH. A project Steering Committee, chaired by the Chief Finance Officer with membership from Program Finance and Grant Management teams, provides overall direction and oversight of the project. It is supported by a project committee and delivery team responsible for management and implementation of the project. All the finance officers have annual performance objectives on strengthening in-country financial management.

The Secretariat has defined an implementation framework which outlines how the various activities are executed. These activities target three components - information systems, processes and people.

The project is on track to achieve its targets. The Secretariat has two output indicators under its financial management strengthening activities:

- “Strengthening routine grant management of implementers in at least 46 high impact and core countries” is measured by the number of targeted countries with at least 80% implementation of agreed action plans.
- “Facilitate the use of country or donor harmonized financial management systems in at least eight high impact and core countries” is assessed by the number of targeted countries with at least six out of eight¹¹ defined components of public or donor harmonized financial management systems.

There are specific yearly targets from 2017 to 2022 for the above indicators. The Secretariat has achieved all of its 2017 targets and is on track to meet its 2018 milestone, which is due by the end of quarter one in 2019.

Beyond the output targets, the Secretariat has instituted measures to monitor the output and impact of its financial management strengthening activities at the country level. The Secretariat has developed a Financial Management Impact Review (FMIR) tool which monitors six outcomes: financial reporting timelines, the accuracy of reported financial information, the level of financial absorption, the quality of assurance providers’ review, the resolution of financial issues and increasing/decreasing trends in financial management issues. The Secretariat collected baseline data in 2017 and the first comparative exercise was performed in June 2018, showing an overall improvement of 10%¹² in the 28 countries where the CO-LINK project is in progress, compared to 4% in the 27 countries where the project is yet to commence.

¹¹ Information system, institutional arrangements & management oversight, operational policies & procedures manual, internal audit, external audit, chart of accounts, planning & budgeting and treasury & funds flow.

¹² FMIR review cycle March 2018 - Outcomes

Overall, the OIG found that the approach for this sub-objective is optimally designed to support achievement of the milestones. However, many grant implementers continue to use Global Fund-specific financial management and reporting systems and tools due to weaknesses in country-specific systems and differences in reporting requirements for governments, Global Fund and other partners. Therefore, while the Global Fund continues to strengthen grant-specific financial management systems, achieving donor harmonization at the country level remains difficult. For instance, in Liberia and Sudan, use of donor-harmonized systems started in the second quarter of 2016, but action plans could not be finalized due to lack of country ownership and delays by in-country stakeholders. Consequently, the Secretariat dropped these countries from the cohort implementing donor-harmonized systems, and only routine financial management strengthening will now be implemented.

No Agreed Management Action needed.

4.3 Significant challenges in strengthening supply chain systems

As part of the 2017-2022 strategy, the Global Fund committed to strengthening its role in building resilient in-country supply chains. To achieve this, the Secretariat has prioritized the following key actions:

- Improve in-country supply chain performance through diagnosis of performance and challenges, and design and support implementation of multi-year transformational plans.
- Improve availability of health products for patients with a target reduction of 15% in non-availability per year.

In terms of the **strategy and structures to guide supply chain activities**, the Secretariat addresses supply chain challenges through two channels – grant funding where supply chain challenges are incorporated into grants managed by Country Teams, and a corporate approach through supply chain diagnostic reviews and transformation plans managed by a dedicated supply chain team. Under the grant funds, about US\$696 million (12% of the US\$5.8 billion invested in RSSH) is spent in strengthening in-country supply chain systems.

The Secretariat established a Supply Chain Steering Committee in 2017; chaired by the Head of Sourcing and Supply Chain Division, it is made up of the Head of the Grant Management Division, Chief Financial Officer, the Chief Risk Officer and regional managers from the Grant Management Division. This committee provides oversight and guidance on planning and implementing corporate supply chain initiatives. The supply chain department consists of data, health product, freight forwarding and supply chain specialists who address functional and operational logistics and supply chain issues. At the grant level, Health Product Management specialists provide support on technical matters related to procurement and supply management of health products and ensure on-going quality improvement of grant related processes.

Structural Changes: Until March 2018, the Secretariat had a siloed approach to procurement and supply chain. Responsibilities were spread across two divisions and five departments, each of which had different objectives, priorities and performance measures. The split of staff across the different divisions and departments, and the lack of effective mechanisms to drive collaboration among the respective teams, affected their ability to achieve synergies. Subsequently, supply chain initiatives have been merged under one department, reporting to the Executive Director: a new Head, Sourcing and Supply Chain Department joined the Global Fund in October 2018. At the date of the audit, the Secretariat was aligning supply chain priorities between the Grant Management Division and the Supply chain team, including developing cross-cutting performance objectives.

The structural changes are expected to improve the Secretariat's response to supply chain issues, but more time will be needed to evaluate their effectiveness. The Global Fund does not have a supply chain strategy that sets out the Secretariat's scope of responsibility and oversight of in-country supply chain, an agreed management action from the OIG's 2017 audit of Global Fund In-Country Supply Chain processes but which had not been implemented as of February 2019.

The Secretariat launched a **supply chain transformation initiative** in 2016. This initiative sought to conduct **supply chain diagnostic studies** in 20 prioritized countries and to use these to develop specific action plans to strengthen systems. As of December 2018, the Secretariat had completed diagnostics in thirteen countries. The Secretariat is planning diagnostic studies in five further countries, but has elected not to conduct reviews in two countries because alternative studies have been conducted by other partners. The findings from the completed diagnostic reviews are in line with the root causes identified in past OIG audits and other assessments, including: inadequate and/or ineffective leadership and governance structures to facilitate prioritization, coordination and accountability within supply chain activities; lack of accurate and reliable data to drive informed decision making; lack of supply chain expertise at all levels; inadequate financial resources; and inadequate warehouse and distribution systems.

The Secretariat planned to undertake **supply chain transformation activities** after the diagnostic reviews to address the identified bottlenecks. As part of the supply chain transformation initiative, the Secretariat planned to commence transformation activities in 12 countries by the end of 2018. In December 2018, the Secretariat reported that eight countries had begun transformation. However, following a review of the transformation plans reported, the OIG noted material gaps:

- A number of key areas identified in diagnostic studies have no related mitigation measures in the transformation plan. For instance, in the Democratic Republic of Congo, the diagnostic study identified four key areas – (i) Last Mile Delivery, (ii) Warehousing and Distribution, (iii) Supply Planning and Logistics Management and Information Systems, and (iv) Governance and Funding Mechanisms. However, the transformation plans target only two out of the four areas, without any reasonable explanation of why these areas were selected.
- Critical components such as scope, key activities and timelines expected in the transformation plans are yet to be developed. None of the plans are costed, and the sources of funding for the activities have not been identified.
- The roles and responsibilities of key internal and external stakeholders in addressing the supply chain challenges have not been defined. None of the transformation plans have well-defined roles and responsibilities across Country Teams, supply chain specialists, governments and partners.

Span of Control: A number of the steps required to transition from diagnostics to transformation are not fully under Global Fund span of control. Aligning different partner, donor and in-country stakeholders' priorities, building consensus into transformation plans, navigating the bureaucratic processes required to establish governance structures, and obtaining formal approval for initiatives at the country level, take significant time and effort. For instance, in Cameroon, the diagnostic review was completed by November 2017 but transformation activities had not commenced as of February 2019 because in-country stakeholders could not agree on the next steps in addressing the challenges identified. In Chad, transformation plans are still under discussion with in-country stakeholders, despite the diagnostic review being completed in June 2018. Given the complexity of in-country supply chain challenges, and the limited span of control that the Global Fund has both in terms of limited resources and restricted mandate, meaningful transformation is likely to be a long-term effort taking several years. However, a structured roadmap to guide how the Global Fund will tackle the key issues, working with governments and partners over time, is yet to be defined.

In terms of **performance monitoring of supply chain activities**, the Secretariat plans to monitor improvements in the availability of health products for patients, with a target reduction of 15% in non-availability per year. The indicator and related target were approved by the Global Fund Board in 2017, however the methodology and processes for measuring the results have not been defined. Similar indicators are not consistently cascaded into country grants to support monitoring of grant-level activities. Refer to finding 4.4 for more on measuring the results of RSSH investments.

Agreed Management Action 3

Recognizing the Global Fund's mandate in supply chain and related constraints the Secretariat will:

- develop a road map to respond to in-country supply chain challenges with a focus on improving availability of medicines and commodities to patients. The road map will include identified activities, key milestones, budgets and sources of funding, and identified partners for collaboration. It will be reviewed on a quarterly basis by the Secretariat's supply chain Steering Committee.
- develop operational quarterly measures and data collection mechanisms to monitor the availability of medicines and commodities at country level.

Owner: Head of Sourcing and Supply Chain.

Due date: 31 December 2019

4.4. Difficulties in monitoring performance and impact of RSSH investments due to insufficient indicators and data

The Global Fund has designed strategic key performance indicators to monitor progress on RSSH objective components. The Secretariat has developed a reporting tool, the Strategy Implementation Plan, to provide regular updates on activities to the Management Executive Committee. Midway into the implementation of the strategy, however, it is difficult to measure the progress of RSSH activities at the strategic and grant level. The Secretariat's monitoring framework to assess grant performance annually is not suitable for RSSH activities (notably community responses and systems, supply chain systems strengthening, and human resources for health) which typically take much longer to be completed than disease-specific activities.

Strategic and operational performance indicators are not fully defined and tracked: The Secretariat has defined strategic key performance indicators to monitor its progress on four of the seven RSSH sub-objectives. There are strategic key performance indicators for Financial Management, alignment of funding to National Strategic Plans, Supply Chain, and Data, but no indicators for Human Resources for Health, Community Responses and Systems, or Reproductive Women's and Children's and Adolescents Health. The defined indicators were approved by the Strategy Committee in 2017. The three remaining sub-objectives, accounting for 65% of total investments in RSSH, are currently not being tracked or monitored through defined performance metrics. Following a Board decision, the Secretariat intends to measure its progress in the three remaining sub-objectives through evaluation studies. As these will be predominantly qualitative reviews, there are currently no agreed baseline data on these sub-objectives to compare with the evaluation results, once completed.

At the operational level, performance indicators for financial management are appropriately defined to measure progress of the strategic objective. The Program Finance and Controlling Department has developed tools to routinely track results, which are aggregated by the Policy Hub department. Operational performance indicators for supply chain activities, in contrast, are not fully defined. The indicator definitions, targets and data collection tools for four of the five supply chain-related operational performance indicators had not been agreed by the Secretariat as of September 2018. The only defined performance indicator which measures the availability of identified medicines and commodities for HIV, malaria, TB and cross-cutting diagnostics, targets a 15% reduction in non-availability per year. However, there is no process on how this target will be achieved or measured.

Inadequate and ineffective framework to monitor RSSH investments in grants: The Global Fund has a Performance Framework with defined indicators to monitor its disease programs. The Secretariat has developed an RSSH dashboard, tracking 20 indicators for core and high impact countries. While the framework is appropriate for disease interventions and tracks progress at corporate level, these indicators are not sufficient for all RSSH activities in grants, as they do not effectively monitor the availability and quality of results of grant-level investments in community systems, or capital investments in data and supply chain systems. As a mitigation, the Secretariat has developed guidance requiring Country Teams to include Work Plan Tracking Measures where no defined indicators exist for material activities. However, these tracking measures are not being consistently used. Approximately 84% of the sampled grants with material RSSH activities either have no performance indicators or work plan tracking measures in place, or, where they are available, they are not being tracked by Country Teams and considered in grant performance ratings. The Technical Review Panel (TRP – a body independent of the Secretariat) has reviewed RSSH funding requests including analysis of the performance framework indicators, focusing on impact, outcome and coverage indicators. The TRP indicated that RSSH investments are often monitored by inputs and processes rather than outcome and impact indicators. The TRP further indicated that in several grants with substantive RSSH investments, there were no indicators for RSSH in the funding request.

The absence of clear indicators for RSSH activities presents a significant risk that grant ratings may not reflect the true performance of RSSH activities. The current standalone RSSH grants have an

average absorption rate of 56%, with an overall grant rating of “B1” (“adequate performance”). Various reasons at the individual grant or country level account for the misalignments in ratings. Ethiopia’s RSSH grant is currently rated “B1” (“adequate performance”) although 51% of the activities accounting for the rating are not being financed by the grant, or were reprogrammed without indicators being updated. In India, 30% of the malaria grant’s RSSH activities are not being considered in the grant rating. Cambodia’s RSSH grant is rated “B1” (“adequate performance”) with an absorption of 48% because significant community system components are not being included in the grant’s rating.

Recognizing how the above issues affect the organization’s ability to monitor the impact of RSSH investments and to course correct on a timely basis during implementation, the Global Fund is engaged with eight different technical working groups, including the participation of development partners, to define better ways to measure the performance and impact of RSSH activities.

Agreed Management Action 4

The Secretariat will:

- refine and clarify expected outcomes of all the RSSH sub-objectives.
- update indicators and measurement approach for improved monitoring and evaluation of RSSH sub-objectives and the related grant activities.

Owner: Head of Strategic Investment and Impact Division

Due date: 31 December 2019

4.5. Risk mitigation measures are not being implemented as designed due to limited monitoring mechanisms

Since 2011, the Global Fund has enhanced its approach, dedicating increased resources to the ongoing identification, assessment and mitigation of grant-related risks. Following OIG audits in Tanzania¹³ and South Sudan¹⁴ in 2015, the Secretariat revised its budgeting guidelines and updated its RSSH information notes in response to the unique risks facing investments in systems, health and non-health equipment, and infrastructure. These investments cut across data systems, supply chain systems, laboratory systems, human resources and financial management systems. The Secretariat now requires that prior to beginning relevant RSSH activities, the implementer will perform a project feasibility study, identify additional funding sources to complete the project, and address sustainability and the oversight and related controls needed to mitigate risks.

These requirements are not however being consistently and effectively implemented, contributing to delays in executing the activities. The impact of the non-implementation of key RSSH interventions such as strengthening laboratories, supply chains and data can have downstream effects on other aspects of health systems.

Feasibility studies: Most countries supported by the Global Fund have defined national strategic plans for the three diseases which provide a structured framework for identifying the right interventions and implementation modalities. However, most implementers do not have national plans incorporating activities on health system strengthening, and the activities are not always defined in disease-specific or sector-wide plans. Major system strengthening activities are traditionally not implemented by national disease programs, making it difficult (and requiring effective co-ordination) for implementers to adequately define and budget for health system strengthening activities during the grant making stage.

The absence of a visible overarching strategy that defines a country's RSSH needs results in limited planning during country dialogue, meaning the design of such activities typically commences after the grant has been signed. In Ethiopia, the needs assessment for 56% of the RSSH grant activities had not been completed at the time of grant signing because the country's health sector transformation plan defining the activities was not ready. This reduces the ability of national programs and the Secretariat to proactively determine the potential barriers to successful implementation of RSSH activities. The project feasibility studies mentioned above were not performed in 33% of the sampled grants, resulting in countries being unable to define activities and proactively identify challenges before projects got underway.

Where feasibility studies were performed (such as in Tanzania and Liberia), countries were unable to implement effective actions to mitigate key risks, and these projects were therefore not completed within desired timescales. Feasibility studies and mitigation of identified challenges take on average 12 months to complete. These studies commence upon signing a grant, which results in the first year of the implementation period (as a minimum) being spent on preparatory activities. This means the Secretariat and implementers need to conduct certain preparatory activities during the grant making stage, to ensure full grant implementation can begin after grant signing.

Project funding sources: Recognizing that Global Fund investments may be insufficient to cover the entire costs of health system activities such as supply chain strengthening, laboratory systems enhancement and data systems, the Secretariat asks countries to provide details on the total cost of the project and expected contributions from other partners. This helps the Secretariat to determine whether there is adequate funding to ensure a project is fully completed without jeopardizing Global Fund investments. 83% of the projects reviewed (supply chain and data systems enhancements, rehabilitation, renovation and enhancement for health infrastructure projects) had not secured

¹³ https://www.theglobalfund.org/media/2643/oig_gf-oig-16-002_report_en.pdf

¹⁴ https://www.theglobalfund.org/media/2633/oig_gf-oig-15-016_report_en.pdf

funding from other sources/partners to supplement Global Fund investments for successful completion of the projects. This affects countries' ability to begin and complete projects on time after receiving the initial investment from the Global Fund.

Further, where counterpart financing was promised, resources were not disbursed to the programs, resulting in scope reduction of those projects. For instance, in Tanzania 40% of the counterpart financing towards the construction of houses for health workers did not materialize, resulting in the number of houses built falling from 700 to 480. In Pakistan and India, the Global Fund financed the purchasing of computers for monitoring and evaluation activities, but the countries did not provide resources to procure the software required to operate them, resulting in procured assets not being used. Similarly, the Global Fund financed generators to support warehousing in Pakistan, but funds were not available to provide fuel to power the generators, delaying the use of the assets by 12 months.

Sustainability of funding: None of the sampled countries submitted sustainability plans for Global Fund-supported RSSH activities. There are currently no measures on how countries will sustain investments or maintain human resources, supply chain strengthening, or health and non-health equipment financed by the Global Fund. For instance, 47% of RSSH resources are invested in human resources (to pay salaries to health workers and community workers), but there are limited plans to transition these costs to governments in future grants. In Tanzania, the Global Fund financed training for 2,253 health workers in the expectation that the government would employ the trained workers. However, only 920 of the 2253 trained health workers were recruited by the government as of the grant end date, due to fiscal constraints.

The Secretariat has provided many information notes and guidelines to support implementation of RSSH activities, covering most key RSSH activities supported by the Global Fund. However, these guidelines are not being consistently followed because they are either not mandatory or because the Secretariat does not routinely monitor how they are used.

Agreed Management Action: Refer to AMA number 2.

5. Table of Agreed Actions

Agreed Management Action	Target date	Owner
<p>1a. The Secretariat will assess its capabilities and capacities to deliver on the RSSH Roadmap and develop an appropriate learning and development plan for RSSH for the 2020-2022 cycle.</p> <p>1b. The Secretariat will define the roles, responsibilities and key processes of RSSH as part of the ongoing Performance and Accountability Framework at the corporate level.</p>	30 June 2020	Chief of Staff
<p>2. The Secretariat will:</p> <ul style="list-style-type: none"> • revise existing information notes and guidance on RSSH to encourage further integration of Global Fund investments with national systems and processes and to define minimum expectations in funding requests taking into account portfolio differentiation. • work with the Technical Review Panel and Grant Approvals Committee to ensure countries meet the minimum expectations or strong justification is provided in the review and approval processes of funding requests and grants. • develop and execute a change management plan to support the implementation of the new and revised guidance as part of the operational launches. 	31 December 2019	Head of Strategic Investment and Impact Division
<p>3. Recognizing GF's mandate in supply chain and related constraints the Secretariat will:</p> <ul style="list-style-type: none"> • develop a road map to respond to in-country supply chain challenges with a focus on improving availability of medicines and commodities to patients. The road map will include identified activities, key milestones, budgets and sources of funding, and identified partners for collaboration. The road map will be reviewed on quarterly basis by the Secretariat's supply chain Steering Committee. • develop operational quarterly measures and data collection mechanisms to monitor availability of medicines and commodities at country level. 	31 December 2019	Head of Sourcing and Supply Chain
<p>4. The Secretariat will:</p> <ul style="list-style-type: none"> • refine and clarify expected outcomes of all the RSSH sub-objectives. • update the indicators and measurement approach for improved monitoring and evaluation of RSSH sub-objectives and the related grant activities. 	31 December 2019	Head of Strategic Investment and Impact Division

Annex A: General Audit Rating Classification

<p>Effective</p>	<p>No issues or few minor issues noted. Internal controls, governance and risk management processes are adequately designed, consistently well implemented, and effective to provide reasonable assurance that the objectives will be met.</p>
<p>Partially Effective</p>	<p>Moderate issues noted. Internal controls, governance and risk management practices are adequately designed, generally well implemented, but one or a limited number of issues were identified that may present a moderate risk to the achievement of the objectives.</p>
<p>Needs significant improvement</p>	<p>One or few significant issues noted. Internal controls, governance and risk management practices have some weaknesses in design or operating effectiveness such that, until they are addressed, there is not yet reasonable assurance that the objectives are likely to be met.</p>
<p>Ineffective</p>	<p>Multiple significant and/or (a) material issue(s) noted. Internal controls, governance and risk management processes are not adequately designed and/or are not generally effective. The nature of these issues is such that the achievement of objectives is seriously compromised.</p>

Annex B: Methodology

The OIG audits in accordance with the global Institute of Internal Auditors' (IIA) definition of internal auditing, international standards for the professional practice of internal auditing (Standards) and code of ethics. These standards help ensure the quality and professionalism of the OIG's work.

The principles and details of the OIG's audit approach are described in its Charter, Audit Manual, Code of Conduct and specific terms of reference for each engagement. These documents help our auditors to provide high quality professional work, and to operate efficiently and effectively. They help safeguard the independence of the OIG's auditors and the integrity of their work. The OIG's Audit Manual contains detailed instructions for carrying out its audits, in line with the appropriate standards and expected quality.

The scope of OIG audits may be specific or broad, depending on the context, and covers risk management, governance and internal controls. Audits test and evaluate supervisory and control systems to determine whether risk is managed appropriately. Detailed testing takes place at the Global Fund as well as in country, and is used to provide specific assessments of the different areas of the organization's activities. Other sources of evidence, such as the work of other auditors/assurance providers, are used to support the conclusions.

OIG audits typically involve an examination of programs, operations, management systems and procedures of bodies and institutions that manage Global Fund funds, to assess whether they are achieving economy, efficiency and effectiveness in the use of those resources. They may include a review of inputs (financial, human, material, organizational or regulatory means needed for the implementation of the program), outputs (deliverables of the program), results (immediate effects of the program on beneficiaries) and impacts (long-term changes in society that are attributable to Global Fund support).

Audits cover a wide range of topics with a particular focus on issues related to the impact of Global Fund investments, procurement and supply chain management, change management, and key financial and fiduciary controls.