



## OIG – Key Findings from Audits and Investigations

LFA Training 2019/2020  
Geneva, Switzerland

# Content overview

**1**      OIG Introduction

**2**      OIG Findings and Trends related to LFA

**3**      Root cause analysis & Way forward







Office of the Inspector General

Independent unit of the Global Fund Secretariat

### **Vision**

The Office of the Inspector General will be a leading role model which inspires the international aid community.

### **Purpose**

To safeguard the assets, investments, reputation and sustainability of the Global Fund by ensuring that it takes the right action in the fight against the three diseases.

## OIG Structure & Roles



### Audit Unit

#### Internal audits

- Audits of internal Secretariat processes.

#### In-country audits

- Review of Global Fund financed programs at the country level.

#### Consulting engagements

- Advisory reviews for specific topics.



### Professional Services Unit

- Building ONE OIG.
- Enabling and resourcing.
- Leading systems and policy changes.
- Tracking progress.



### Investigations Unit

#### Investigations

- Reactive (complaint led) and proactive (intelligence led).

#### Counter-fraud

- Create mechanisms for reporting potential fraud and abuse and identify risks of fraud and abuse.

# OIG – LFA engagement collaboration

- *Expectations on LFA as key partner in the field*

## Audit

### Planning:

- Provide detailed **risk assessment** in key areas to inform OIG scoping
- Provide **documentation**, including reviews conducted

### Fieldwork:

- Regular **consultations** on emerging findings
- **Attend debriefings** and assist with factual accuracy

### Reporting:

- **Review** and provide **feedback** on Stage 4 of draft audit report

## Investigations

### Planning:

- Early **engagement and agreement** on terms of reference / scope

### Fieldwork:

- Updates on emerging findings, where possible
- **Timely communication and reporting** – will there be any delays?

### Reporting:

- **Clear, concise and unambiguous findings** – less is often more
- A short, prioritized list of **SMART recommendations** for mitigating actions



# What percentage of OIG Audit Findings in 2017-2019 related to following areas?

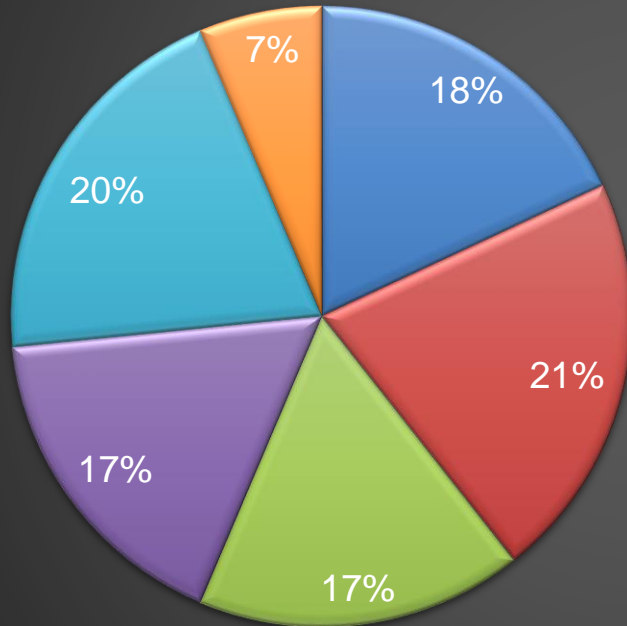
	Functional Area	% of OIG Findings
A.	Financial management.	?
B.	Implementation and governance arrangements.	?
C.	Quality and access to services.	?
D.	Grant design, monitoring and data.	?
E.	Assurance.	?
F.	Procurement and supply chain management?	?
G.	Grant Design	?



# OIG Audit Findings

Functional Themes

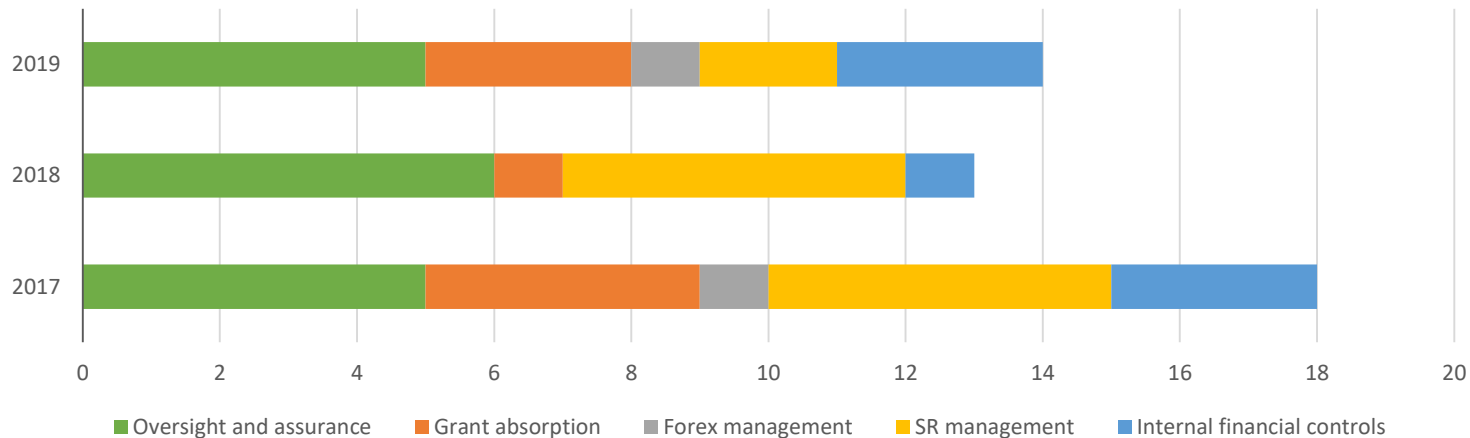
## Types of Audit Findings in 2017-19



- Implementation arrangements, governance and oversight
- Quality of services
- Grant design, monitoring and data
- Financial management
- Procurement and supply chain management
- Assurance

# OIG Audit Findings

## Audit Findings Trends 2017-19: Financial management & Assurance Framework



- 2018 experienced a **decline in financial findings**. Some resurgence in 2019 (both total and for financial controls).
- OIG increasingly identifying **assurance failures**, especially in cases of multiple layers, coordination challenges and for INGOs.
- Financial control findings are declining. But **asset management controls remain particularly weak**.
- Value-for-money issues noted (e.g. high overheads, high number of PRs, duplicative supervisions). Balance required between effectiveness and results, and efficiencies.
- “Pendulum” effect sometimes noted between financial controls and “stifling” risks. Management call needed on striking the right balance.

# OIG Audit Findings

## Audit Findings Trends 2017-19: Implementation arrangements, governance and oversight

- Common Implementation arrangement challenges include:
  - **Role ambiguity between various central, or central vs. sub-national structures**, especially in decentralized environment, and GF having limited span of control on institutional mechanisms.
  - Challenges of **vertical systems and integration** between three diseases and overall health systems. Balance needed on dedicated systems and workforce (risks of ownership, sustainability, inefficiencies) vs. fully integrated mechanisms (risks of weak national systems, high HWs workload, low training and capacity).
  - **Number and implementation arrangement of SRs** (duplication, efficiency and administrative burden issues).
- **Governance and oversight: mechanisms often deficient in identifying, and more importantly resolving grant bottlenecks.** Often, coordination, ownership, and capacity building and sustainability issues, particularly where national programs have low involvement.
- SR management: **weak PR oversight, control gaps at SR level, and reporting issues are common for SRs**, even in cases of strong PRs.

# OIG Audit Findings

## Audit Findings Trends 2017-19: Supply chain arrangements

- SC has been a key bottleneck to program implementation. **SC diagnostic studies have been performed in 18 high-priority portfolios, but SC improvements are work in progress.**
- SC issues have historically been repeated from previous audits, and LFA results. In the last year, **drugs availability has slightly improved, with lower material stockouts/ treatment disruptions.** These were often driven by ordering delays, forecasting issues, reporting and monitoring weaknesses, weak governance or logistics. However, as countries are slowly transitioning towards domestic funding, **government procurement delays are becoming a key factor contributing to low/no stocks.** Often **stockouts are not averted since LMIS is not effectively used for identifying spare stocks** and borrow/lend between facilities.
- **Expiries also slowly reducing.** Often results from poor storage, forecasting gaps, regimen change or weak inventory monitoring. **Unavoidable (regimen change) expiries should be differentiated from poor planning/management.** In cases of **overstocks, risk mitigation through lending/transfer to other facilities, to be checked. Materiality of financial loss, and programmatic risk of use of expired drugs due to rack availability, should be checked.**

# OIG Audit Findings

## Audit Findings Trends 2017-19: Supply chain arrangements

- It is critical to **narrow down and seek to address the specific, key root cause(s)** driving stock-outs and expiries in individual portfolios.
- **Drugs traceability has improved slightly, but remains a significant issue.** Often results from manual and weak data systems, low stock counts, low reporting compliance, non-adherence to drugs management guidelines. HR issues of low staffing, high workload and low capacity regularly contribute to traceability gaps. **Has risks of undetected drugs losses and leakages.**
- OIG increasingly **prioritizing issues and tailoring AMAs to ground realities and expectations.** Solutions with maximum results/benefits to cost and effort ratio need to be prioritized. Some **ideal-world scenarios are impractical**, too costly, or not likely to solve root causes (e.g. LMIS and DHIS issues to be carefully reviewed).

# OIG Audit Findings

## Audit Findings Trends 2017-19: Data availability and quality

- Data availability and quality is another common challenge across portfolios. Global Fund is strengthening health systems across 50 high impact and core countries, while DHIS 2 has been rolled out in 13 priority countries, to be expanded to 35 by 2022.
- While **DHIS 2 has helped in improving data quality, it does not address many data challenges, e.g. underlying tools, clarifying reporting responsibilities, supervision mechanisms, assurance over results, adequacy of staffing and staff capacity and training.**

# OIG Audit Findings

## Audit Findings Trends 2017-19: Quality and access to services

- Quality and/or access to services are the most repeated OIG findings across different audits. Audits have identified varying root causes across countries.
- **Weak community case management, limited number of facilities providing services, low staffing and task shifting issues, staff training issues, & low drugs availability,** are most common recurring issues.
- OIG focuses on narrowing down the potential root causes and capturing bespoke management actions.

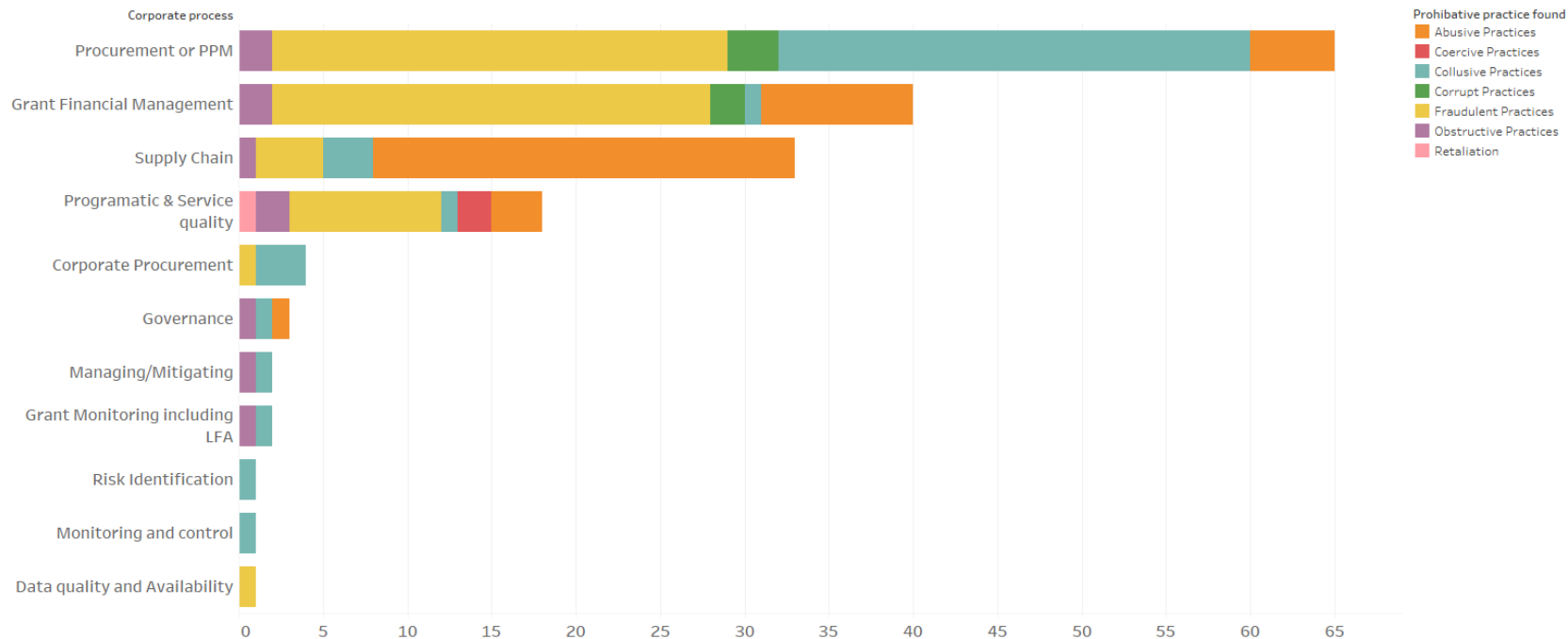
## What is the GF process that features in the most OIG investigation findings?

A.	Governance
B.	Supply chain
C.	Procurement /PPM
D.	Programmatic and Service quality
E.	Grant financial management
F.	Grant monitoring



# OIG Investigation Findings

## Prohibited Practices Found by Theme

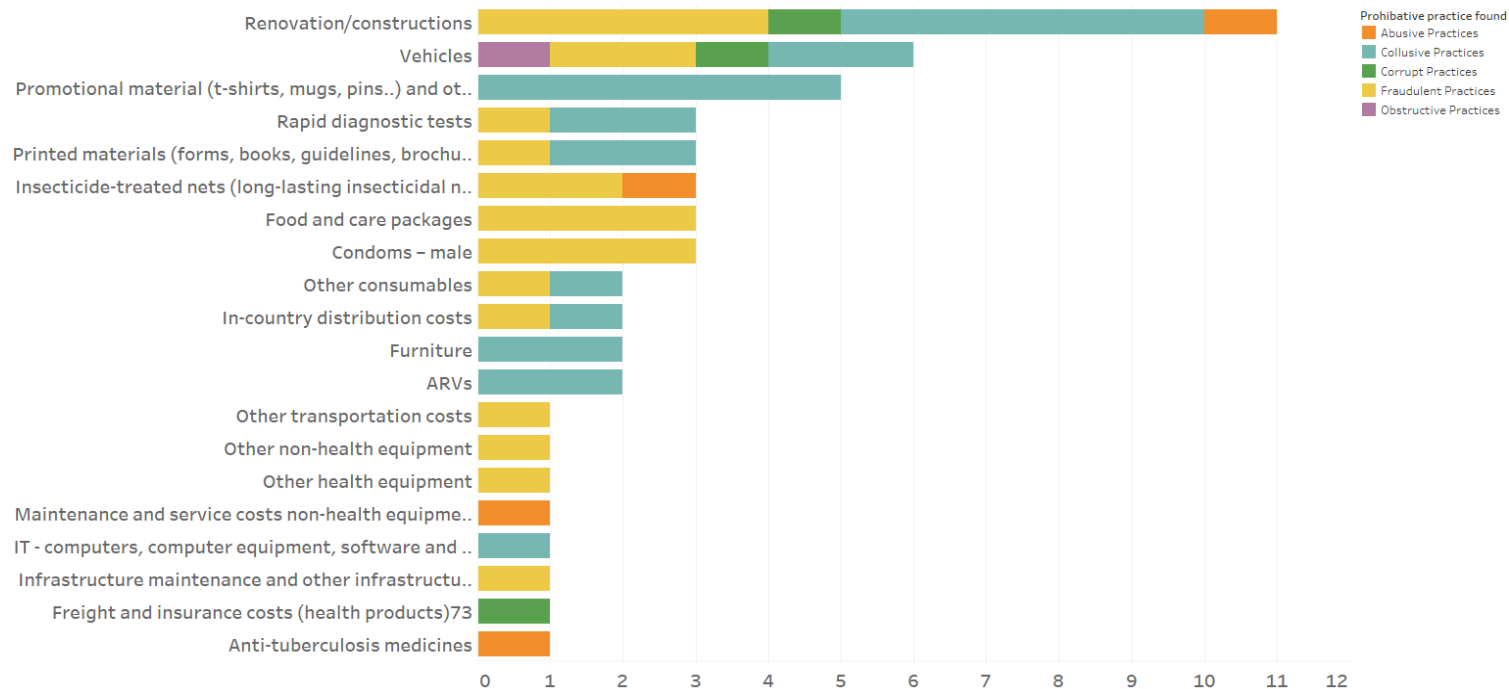


## What type of cost category / expenditure features most in investigation findings?

A.	Renovations / construction
B.	HR costs
C.	Vehicles
D.	Travel related costs / per diems
E.	Anti-malarial medicines
F.	Promotional materials

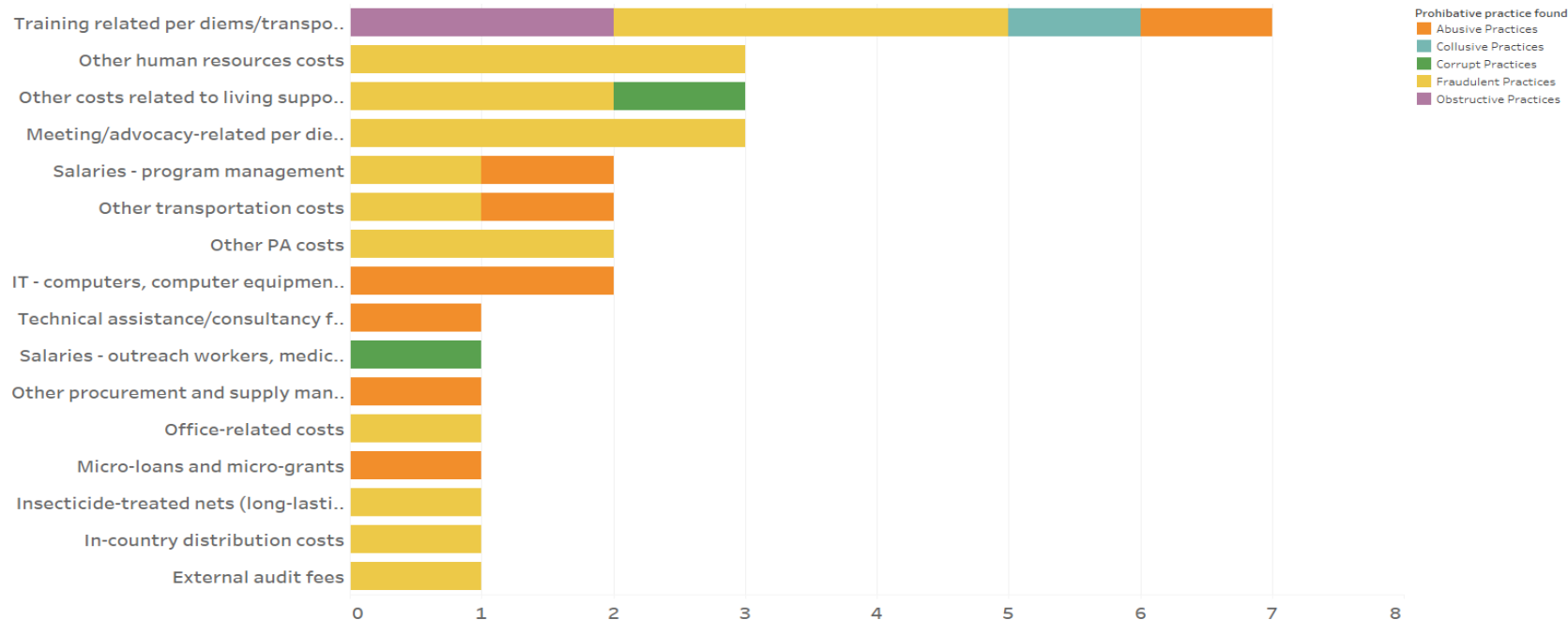
# OIG Investigation Findings – Procurement or PPM

Costs associated with renovations/construction, vehicles and promotional materials are prone to collusive and fraudulent practices



# OIG Investigation Findings – Grant Financial Management

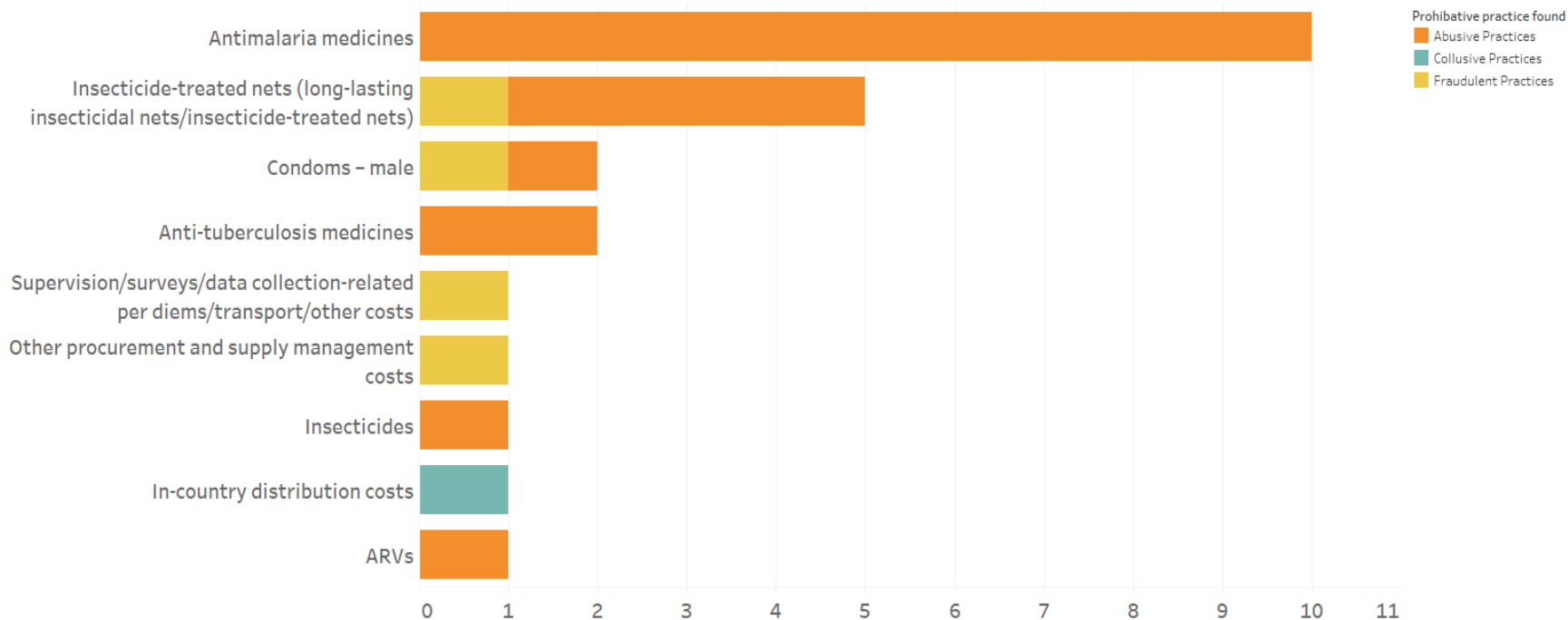
Training-related per diems are more prone to fraud, and management of IT equipment are more prone to theft than other activities across all portfolios



Count of GF cost input for each GF cost input. Color shows details about Prohibitive practice found. The data is filtered on Corporate process, which keeps Grant Financial Management. The view is filtered on GF cost input and Prohibitive practice found. The GF cost input filter keeps 18 members. The Prohibitive practice found filter keeps Abusive Practices, Collusive Practices, Corrupt Practices, Fraudulent Practices and Obstructive Practices.

# OIG Investigation Findings – Supply Chain

Products such as antimalarial medicines, LLINs and TB treatments are prone to theft from within a country's supply chain





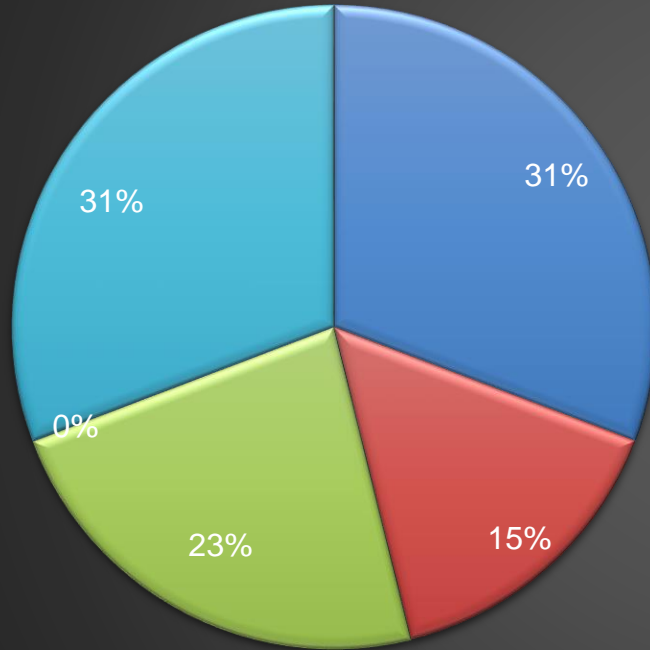
## How commonly did OIG identify the following issues related to LFA:

	Types of LFA Issues identified by OIG	% of OIG Findings
A.	LFA did not cover key risks through assurance.	?
B.	LFA provided assurance despite low scope/ coverage/ incorrect methodology.	?
C.	LFA covered an area but did not (clearly) identify issues detected by OIG.	?
D.	LFA did not prioritize critical issues, e.g. long management letters.	?
E.	LFA issues were repetitive, with limited follow-up/resolution.	?
F.	LFA recommendations were not actionable (e.g. due to budget constraints) or not targeting key root causes.	?

# OIG Audit & Findings

Most common LFA issues reported

## Types of LFA Issues reported by OIG 2019



- ▣ LFA did not cover key risks through assurance.
- ▣ LFA provided assurance despite low scope/ coverage/ incorrect methodology.
- ▣ LFA covered an area but did not (clearly) identify issues detected by OIG.
- ▣ LFA did not prioritize critical issues, e.g. long management letters.
- ▣ LFA issues were repetitive, with limited follow-up/ resolution.
- ▣ LFA recommendations were not actionable (e.g. due to budget constraints) or not targeting key root causes.



## Investigation of Global Fund Grant to Guinea

- Principal Recipient contracted a supplier to conduct an Integrated Biological and Behavioral Surveillance (IBBS) survey.
- An LFA review found that the supplier had falsified costs associated with conducting the survey.
- The OIG investigation found that the supplier had also falsified a large proportion of the survey results.
- Key message: financial irregularities can have negative programmatic impact – and vice-versa.

[Link to report](#)

## Investigation of Global Fund Grant to DRC

- A PR implemented local restrictive tendering rules which deviated from HQ policies. This facilitated procurement fraud that resulted in overpricing of transport costs.
- The LFA did not identify the restrictive tendering rules. Its ToRs did not include comparing the rules with HQ policies, so the deviations were not identified.
- There was also a lack of clarity of roles and responsibilities between the LFA and other assurance providers. This resulted in some key risks not being addressed.
- Key message: it is crucial that the LFA's ToRs are adequate to address key risks, and that its role and scope in relation to other assurance providers is clear.

[Link to report](#)

## Investigation of Global Fund Grant to Eswatini

- Introduction of mobile money payments should have helped to mitigate the risk of the theft of funds.
- However, a Project Finance Officer was able to transfer funds using the technology to personal accounts.
- Enabled by a simple lack of segregation of duties and inadequate supervision of the Project Finance Officer.
- Key message: new technology is not a 'silver bullet' if basic risk mitigating measures are not in place.

[Link to report](#)

# What's working well!

## Successes



Many countries with strong LFA financial reviews. Assurance coverage on FM has been increased. OIG Financial findings and recoveries decreasing.



Limited cases where audit issues were not previously identified by LFA.



Overall assurance costs, including LFA costs, have been managed.

# Areas for potential improvements



**Optimizing results against LFA investments:**  
Aligning LFA Focus with Risks

- LFA has limited ownership/inputs of its activities. Incremental budgeting.
- Limited LFA inputs to align activities with business risks. Partnership approach needed.
- Not optimizing LFA skills as business risk and audit risk experts;
- LFA budget is misaligned with risks. Right program vs. financial assurance balance needed. How can LFA escalate right risks to inform budgets?

**Prioritization & Practicality**

- Prioritize risks and provide practical solutions.
- Try and Agree with management.

# Areas for potential improvements-Cont.



## Team mix (Local vs. Fly-in)

- Balance between localized skills (linguistic, familiarity, high-involvement benefits) vs. fly-in arrangements (independence, efficiency benefits).

## Sharing Learnings

- Sharing and exchanging knowledge and experiences across regional & other teams, and other assurance providers.

## Resolution- focus

- More effort needed on resolving issues, not just reporting them.  
Stronger prioritization and follow-up.

☺ Thank You! ☺

# Appendices