



Office of the Inspector General Operational Progress Report

January to September 2021

GF/B46/08
46th Board Meeting
8-10 November 2021, *Virtual*

Board Information

Purpose of the paper: to update the Board on the activities of the Office of the Inspector General's activities in 2020 to date, and on the workplan and budget for 2021.

Executive Summary

COVID-19 is having a devastating impact on Global Fund programs and operations. All five strategic themes highlighted in our latest Progress Report directly relate to the pandemic.



COVID-19 has impacted testing, case notifications and incidence.

Global Fund support to countries through the COVID-19 Response Mechanism (C19RM) has helped mitigate the pandemic's impact on HIV, TB and malaria programs, however our global progress continues to be threatened. The original C19RM was materially adequate and effective as an emergency response, although we have noted significant variances between countries' capacity to absorb and utilize the new funding, and to implement C19RM-funded activities. Recognizing the significant impact of the additional tranche of funding, we are currently reviewing the revised framework.

The pandemic's impact can be seen in declines in HIV testing and in TB case notifications, and in rising malaria incidence. Movement restrictions, the redeployment of health staff to COVID-19 activities, and the closure of key population centers are all impacting prevention and treatment. In response, countries are innovating, adapting workplans and implementation models to ensure program continuity. With global and national supply chains under great strain, the Secretariat has adapted its procurement activities to ensure the steady availability of medicines. Challenges remain with the excessive use of manual controls, which the Secretariat will need to integrate and automate to support any further significant scale-up of transactions through the Wambo.org platform.

In a context of decreasing fiscal space, the Global Fund's role in Domestic Financing for Health will be critical; an OIG advisory detailing opportunities to enhance impact in this area is being finalized.

The OIG continues to see a rise in opportunistic fraud, underlying the need for early interruption and identification to prevent systemic wrongdoing and material losses. The OIG will enhance its Prevent and Disrupt strategy in 2022.

At an operational level, the OIG had to adapt its practices in light of COVID disruption. Having learnt lessons from the difficulties of remote working over the last year, we remain largely on track to deliver the 2021 workplan (see Section III), albeit with reporting delays. We have developed a new OIG strategy for 2022-2027, which aims to drive impact through assurance and trusted advice (see Annex 5).



Significant Strategic Themes

1. COVID-19 continues to disrupt grant activities across the three diseases

As noted in the 2020 [OIG Annual Report](#), the COVID-19 pandemic has impacted all aspects of Global Fund activities. This continues to hold true in 2021: country-level programs have generally continued, albeit with different levels of disruption, thanks to measures instituted by implementers and the Secretariat. A current focus on programmatic catch-up and scale-up is however being complicated by a resurgence in COVID-19 cases and deaths, linked to new variants of the virus.

In **Kenya**¹, the HIV program has been negatively impacted by COVID-19 along-side other factors. This has led to an overall drop in HIV testing (a 59% reduction in testing when comparing 2020 to 2019), disruptions in community testing and a significant decline in testing for key populations. The malaria program experienced an increase in incidence and the TB program experienced a 15% decline in TB case notifications between 2019 and 2020. Negative trends across all three programs are linked to numerous factors including movement restrictions impacting community health worker outreach, the redeployment of staff towards COVID-19 efforts and the closure of key population hotspots. In addition, the increase in malaria incidence can be linked to several factors, including delays in the local procurement of long-lasting insecticidal nets (LLINs).

In the **Philippines**¹, COVID-19 has negatively impacted program delivery. The disease programs are mitigating the pandemic's effects through various innovations and adaptation of workplans and implementation modalities to ensure service continuity and focus on catch-up. Private sector implementers have distributed program supplies and PPE, and sub-national and community-based actors have strongly engaged in supporting programs. Treatment implementation has also been adapted to limit COVID-19's impact. For MDR-TB, the country adopted WHO's recommended all-oral treatment regime, thus reducing the need for patients to frequently visit health facilities. The TB program also adopted TB telemedicine for remote consultation, treatment adherence, monitoring and contact tracing. The HIV program has experienced significant disruptions to prevention interventions, as well as interruptions to treatment services, especially for Key Affected Populations. Following our audit fieldwork, the country developed an HIV Adaptive plan in August 2021.

The disruption caused by the pandemic is also producing increased risk of opportunistic fraud, as indicated in Section II.5. We will continue to assess the impact of COVID-19 on disease programs in our 2021 and 2022 country audits and provide further insight on this topic in the 2021 OIG Annual Report.

The resurgent pandemic is compromising efforts on programmatic catch-up and scale-up.

¹ These OIG audits are currently being finalized, however key conclusions are shared with the Board for their information and oversight.

2. In-country procurement challenges are hindering the absorption of COVID-19 Response Mechanism funding

The Global Fund has continued to play a critical role in the COVID-19 response, providing funding to countries through C19RM (the Global Fund's COVID-19 Response Mechanism launched in 2020 and extended in 2021²) and through grant flexibilities. As of 31 August 2021, 81% (US\$2.6bn) of the current C19RM funding envelope had been awarded or recommended for Board Approval through the mechanism³, however there was demand in excess of available funds of US\$1.2bn³. Funds can be approved through to 31 March 2022, with 31 December 2023 the final deadline to use them.²

These resources are helping to mitigate COVID's impact on HIV, TB and malaria programs, reinforce national responses to the pandemic, and bolster health and community systems. As at 31 August 2021, 76% of total awards are supporting the second component.³

Our April 2021 [audit report](#) on the design of initial C19RM ("version 1.0") found that the mechanism was materially adequate and effective for an emergency response. Looking beyond design, however, the effective use of funds and their timely absorption is critical, and the litmus test for the mechanism given the emergency nature of the COVID-19 response. Recent OIG audit work² in Philippines, Kenya and Cameroon provides a mixed verdict regarding the level of utilization and absorption of C19RM funding, and on implementation of associated activities.

C19RM was materially adequate for an emergency response, but timely absorption is critical.

In the **Philippines**, both COVID-19 grant flexibilities and C19RM funding have been effectively utilized. At the time of our audit, the country had moved quickly to develop and implement comprehensive adaptation and catch-up plans for TB and malaria programs, to ensure continuity of services and to reduce the pandemic's impact. In addition, the country's response was supported by strong procurement planning, and well-managed distribution of key commodities, including PPE. This resulted in the high absorption rates for both grant flexibilities and C19RM funds.

In contrast, **Kenya** and **Cameroon**² had low absorption of grant flexibilities and C19RM resources as of June 2021, as per our early findings; this was principally due to protracted country-level procurements.

- **Kenya's** absorption rate is affected by lengthy local procurement processes and slow approvals of work plans. **Cameroon** has successfully executed programmatic activities such as training, communications and development of tools. Commodity procurements, however, which account for majority of funds, have experienced significant delays due to the Principal Recipient's delays in contracting procurement agents.

Since the Board approved a second extension to C19RM in 2021, the Secretariat has scaled up its functioning and operationalization. A new monitoring, oversight and assurance framework is being rolled out, to improve visibility on the execution of activities. We are currently auditing the design of the second extension processes, with our report expected to be published in Q1 2022. Given its importance, the OIG will continue to assess the effective use of C19RM resources in our country audits.

² GF/B44/ER12 – Revision 2

³ 2 September 2021 GAC and CTAG September Monthly Review Presentation

3. Measures implemented to ensure effective and efficient flow of commodities, but support through PPM and Wambo could be enhanced

The pandemic has generated substantial and complex challenges for both global procurement and in-country supply chains. COVID-19 disruptions have increased national health programs' reliance on the Global Fund's Pooled Procurement Mechanism (PPM) and on Wambo.org, its online procurement platform. With approximately 65%⁴ of C19RM-awarded procurements to date expected to be channeled through Wambo, the platform plays a key role in supporting timely procurement and in safeguarding against procurement risks. Overall, the number of countries supported by Wambo.org increased by 16% from 69 in 2019 to 80 in 2020, placing an even greater demand on the Secretariat teams supporting these efforts.

During the pandemic, countries such as **Eritrea** and the **Philippines** started sourcing health products via Wambo.org⁴ to benefit from the Global Fund's ability to negotiate with suppliers, while **South Africa** utilized the Global Fund's Rapid Supply Mechanism⁵ to support emergency commodity orders.

- Our 2021 audits of [Wambo.org](#)² and of [Procurement and Supply Chain during the COVID-19 pandemic](#)² highlight the significant support provided to countries during 2020/2021 including the Supply Operations Department taking appropriate steps to reduce COVID's impact on procurement activities. This included increasing communications and engagement with suppliers and Procurement Supply Agents, monitoring performance, and introducing Quality Assurance flexibilities. Supply Operations introduced mitigation measures for orders that required adjustments and/or where Principal Recipient orders could not be processed on time in order to secure supplies from manufacturers. Despite OIG assurance activity being limited to the central level, as travel and other restrictions inhibited our ability to test at the health facility level, our review identified some areas where mechanisms and platforms can be further strengthened. This includes strengthening quantification and forecasting, improving the oversight of Procurement Service Agents (PSAs) and increasing visibility over in-country stock levels.

- The Wambo.org platform has been used successfully by the Global Fund in ensuring procurement of drugs during the pandemic. Wambo/PPM procurements allow for better risk management in a pandemic environment where assurance over local procurements can become costly and difficult. Although mostly effective for the current volume of transactions, the existing process set-up and workflows for Wambo.org require extensive use of manual controls which cannot be easily adapted to the expected increase in transaction volume. In such cases, associated costs could be high, as more staff may be required to execute manual controls, and the controls' effectiveness could be compromised. The Secretariat will therefore need to integrate and automate existing controls to support any further significant scale-up of transactions through the platform.

The OIG will continue to assess procurement and supply chain issues in our 2021 and 2022 country audits, and will specifically review procurement related to C19RM in our audit of the C19RM's second extension. Conclusions from these reports will contribute to our 2021 annual opinion on governance, risk management and internal controls, which will be presented to the Board in May 2022.

Wambo plays a key role in safeguarding against procurement risks.

4 GF-OIG-21-010 – OIG Audit of Continuity and oversight of country programs during the COVID-19 Pandemic

5 GF/B45/03 - The Office of the Inspector General 2020 Annual Report & GF/B43/02 - The Office of the Inspector General 2019 Annual Report

4. The Global Fund could enhance its impact in domestic health financing

The importance of health financing, a key enabler for the Global Fund mission, was highlighted in both the 2019 and 2020 OIG annual reports⁵. COVID-19 has meant many countries face diminishing fiscal space, leading to increased debt and associated costs in many implementer countries. The pandemic's impact differs by country, but implementer government budgets will likely be severely constrained, with implications on health budgets, prioritization decisions and expenditure over the next 10 years. At the same time, domestic financing plays an increasingly important role in programmatic outcomes which are essential to the Global Fund's mission.

It is therefore imperative that the Global Fund continues to mature its role and approach to domestic financing for health. Our ongoing advisory review on *Domestic Financing for Health (DFH)*² has highlighted this need, including better defining the Global Fund's role and approach in this area in 2021; this included appointing a Head of Health Finance, setting up a new Health Finance department and articulating a new Global Fund vision, ambition and high-level approach for health financing. Significant opportunities exist however to enhance the organization's impact in this area:

- **Defining clear strategic approaches for Domestic Financing for Health:** While developing a new Global Fund strategic vision, ambition and high level approach has been crucial to progress, there is a need to bridge the gap between the high-level ambition and Secretariat operations, and ensure technical support is aligned to strategic needs.
- **Effectively supporting and leveraging Civil Society Organizations:** The Global Fund has a critical comparative advantage over other global health partners in terms of the depth and breadth of its engagement with civil society and community actors. These relationships are not however fully leveraged to drive impact in DFH at country level, and GF's vision and ambition for DFH. The Global Fund should develop comprehensive CSO approach on the role of CSOs in DFH – including their role as advocates for DFH and as implementers of services essential to achieve GF objectives.

- **Improving the DFH operating model and embed activities into core processes:** internal operating mechanisms need to be strengthened to support an increased level of ambition in the DFH space, including enhancing technical support to Country Teams and implementers and embedding DFH into core organizational processes.
- **Strengthening key DFH activities undertaken by the Secretariat defined as “levers”:** There is a need to enhance the operationalization of the levers and prioritize activities related to co-financing and joint/blended finance, as well as cross-cutting activities around managing partnerships and value for money technical support.
- **Increasing ambition around public financial management and health financing data:** There is a need to increase ambition on PFM and health financing data as a critical enabler of DFH; this includes continuing to scale up strengthening of financial management by setting more ambitious objectives and targets at the country level, which will need to be coordinated jointly with partners. The Global Fund should also increase the scale and scope of investment to improve health finance data/systems.

Significant opportunities to strengthen the Global Fund's impact in domestic health financing.

5. Adapted risk mitigation and assurance measures needed to prevent opportunistic fraud

Two recently published OIG investigation reports relate to opportunistic fraud, which was flagged in our [2020 Annual Report](#) as increasing due to pandemic-related disruptions to working practices and increased emergency procurements.

Our investigation in [Namibia](#) found that staff members at the Ministry of Health and Social Services (MOHSS), a Principal Recipient, embezzled US\$89,476 in grant funding by diverting daily subsistence allowances (DSAs) from their intended recipients. The inherently high-vulnerability of DSA to fraud and insufficient control mechanisms at MOHSS meant the fraud went undetected for 18 months. Following our investigation, the Secretariat is working with MOHSS to strengthen policies and procedures around claiming daily allowances, and routine spot checks will be conducted.

Our investigation in [Malawi](#) revealed how senior staff from a Global Fund implementer, misappropriated US\$70,572 from a program supporting Adolescent Girls and Young Women (AGYW). The former Executive Director colluded with others to improperly withdraw funds from the AGYW program bank account, then altered bank statements to conceal the wrongdoing. As a result of the investigation, the organization is no longer implementing Global Fund grants and the Secretariat committed to ensuring that all Global Fund implementers strengthen their controls on sub-implementers' financial reporting.

Left unchecked, opportunistic fraud can become a systemic issue with material losses. In 2021, the OIG [reported on](#) a third-party logistics provider who defrauded Global Fund-supported programs by systematically inflating invoices for the distribution of health commodities to warehouses and health facilities throughout Nigeria. Resulting in over US\$3.4 million in non-compliant expenditures, this underlines why early interruption and identification of opportunistic fraud is essential. The OIG is performing a Fraud Risk Maturity Assessment in 2021.

In 2022, the OIG will perform an advisory review of how the Local Fund Agent model, a critical component of in-country assurance, can be enhanced. We will increase our outreach activities with in-country assurance providers to enable early identification and better disruption of opportunistic fraud.

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Operational Update

1. Overview

In common with its peer oversight organizations worldwide, the OIG has faced multiple challenges in delivering its workplan due to the ongoing disruption caused by COVID-19. At the start of 2021, we radically reformulated our working practices, embracing a remote assurance model and techniques such as virtual platforms and remote interviewing. Such a fundamental shift necessarily brings a steep learning curve, resulting in delays to most deliverables and affecting our anticipated progress against our ambitious KPIs. However, we remain largely on track to deliver the approved 2021 workplan.

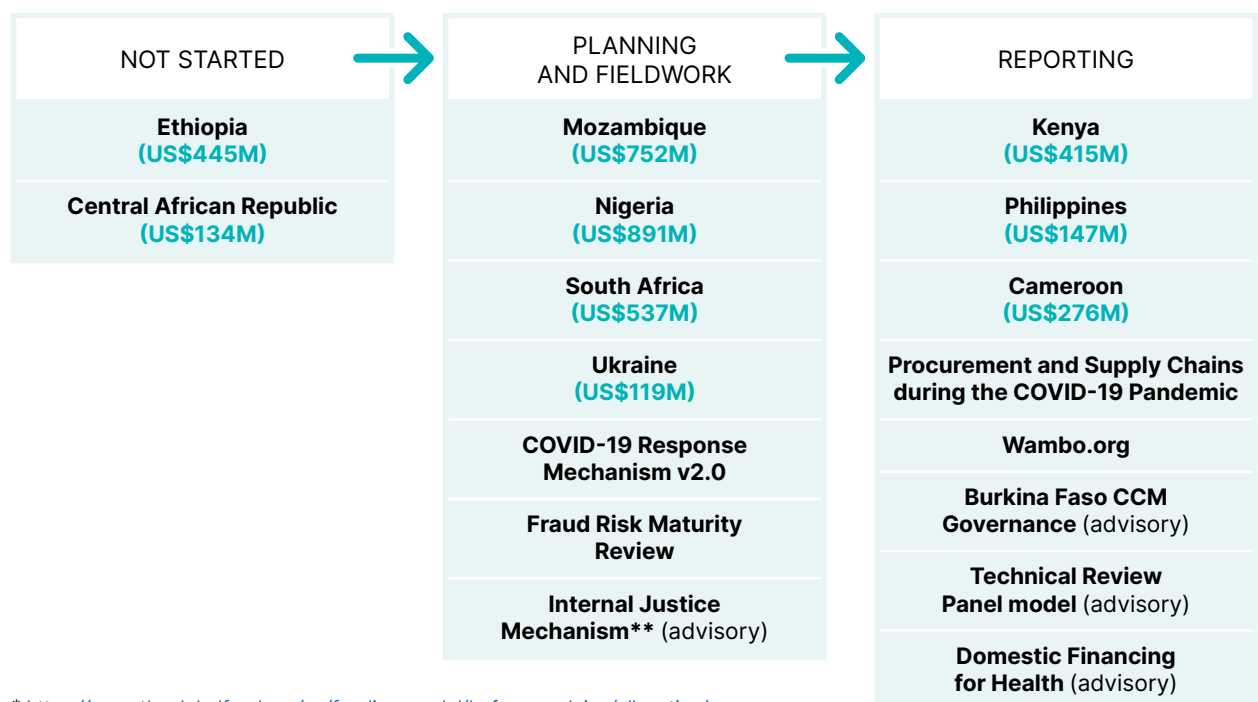
- Seven of our nine planned country audits and all of our eight planned internal audits and advisory reviews are in progress, with eight of these audits at the reporting stage.
- A rise in reporting led to the Investigations unit screening 108% of its planned 2021 total of allegations, and opening 109% of its planned assessments by September.
- A detailed account of OIG performance against KPIs is presented in Annex 2.

2. Audit

The Audit Unit is largely on track to deliver its 2021 workplan despite multiple challenges during the year. As of September 30th, **31%** of audits and **50%** of advisories had reached Stage 4 in the OIG Stakeholder Engagement Model (the target as per the OIG's KPIs is to reach **80%** by the end of the year). Our work in the **Philippines**, **Cameroon** and **Kenya** has confirmed that remote auditing of countries is possible, albeit with significant challenges such as delays in receiving documents from auditees and the increased scrutiny required to ensure audits meet our

stringent quality standards. We aim to provide an analysis on lessons learned from remote auditing, including the impact on our SEM timelines, at our next update to the committee. During 2021, **22%** of audit effort was spent on completing previous-year assignments, compared to an average of 9% in prior years, mainly due to continuing global disruptions caused by COVID-19, as outlined in our [2020 Annual Report](#) (see Foreword, page 4). Findings from the 2021 audits have informed the strategic themes outlined in Section II.

FIGURE 1. 2021 Audit Unit Engagements, Status as of 30 September (2020-2022 Funding Cycle Allocations*)



* <https://www.theglobalfund.org/en/funding-model/before-applying/allocation/>

** This review has been paused until Q1 2022, in agreement with the Executive Director.



3. Investigations

While we have been able to continue most investigation activities during the pandemic, challenges were encountered during in-country collection of evidence. Wherever possible we have leveraged third parties to obtain documentation and to conduct vendor verifications. Remote interviewing using available technologies have proven effective in the main but take more time to arrange, and the quality of internet connectivity

can be problematic. Gaining the trust and confidence of whistleblowers is also challenging. Whilst far from business as usual, we have been able to conclude cases by analyzing data collected by third parties in 2021 in ten countries: **Côte d'Ivoire, Democratic Republic of Congo, Guinea, India, Kenya, Lesotho, Liberia, Nigeria, Sierra Leone and Tanzania.**

(i) Progress Against Workplan as of 30 September 2021

INVESTIGATION ACTIVITY	2021 PLAN	YTD	% OF PLAN
Reporting	80% of reports issued in draft by year end (stage 6 of the Stakeholder Engagement Model).	Four of the planned six reports have been published, one closed by memo, one pending. Three additional cases not anticipated in our 2021 workplan have also been published.*	133% of reports had reached stage 6 of the SEM, or been closed. Two further reports that are in the pipeline will be published.
Triage and case intake	Produce screening outcomes for all reports received within 30 days up to 31 December 2021.	114 of the 189 reports received were screened in under 30 days.	60% of screening outcomes approved within 30 days (95% of high-priority screenings done within 30 days).
Case closures	By 31 December 2021, close 90% of high priority investigations carried over from previous year(s).	6 of the 10 high priority cases have been closed, 2 will be closed by year end and the outcome of the remaining 2 is yet to be determined.	60% of high-priority investigations (Stage 3 and above) carried over from previous year have been completed.
	By 30 June 2021, close 90% of assessments carried over from previous year(s).	5 out of ten cases closed, two have moved to investigation.	70% of OIG assessments carried over from previous year have been completed or progressed to investigation.
Training, awareness raising and outreach	Complete 80% of all workplan ISON training activities (18 planned).	12 of the 18 planned events have taken place.	67% of ISON training activities have been completed.

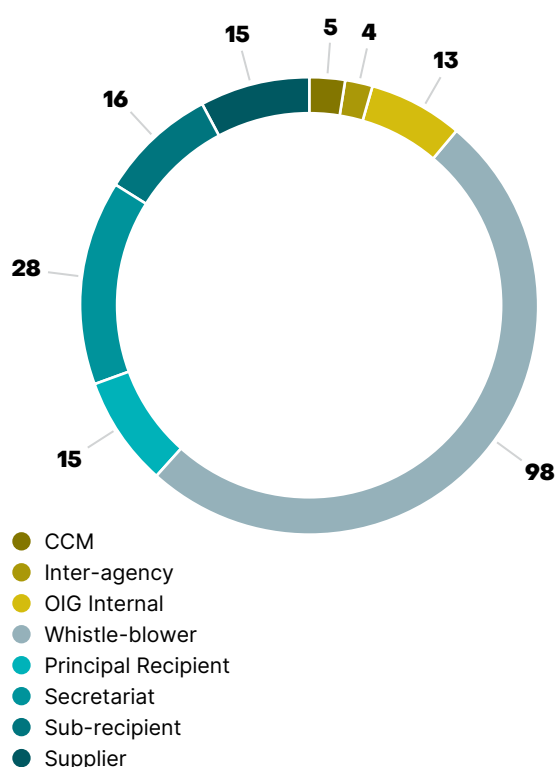
* GF-OIG-21-005 Ghana, GF-OIG-21-011 Malawi, GF-OIG-21-012 Namibia



(ii) Case intake

- 60% of screening outcomes approved within 30 days. There has been a **32% rise in reporting**: 194 reports received so far this year, up from 146 in 2020. 114 of the 189 closed reports were screened within 30 days of receipt, the remainder are in progress.
- To date, 51% of reports received have come from whistle-blowers, compared to 47% in 2020. The number of reports received by the Secretariat and implementers is consistent with prior years.
- The highest reporting countries are Pakistan, Nigeria, South Africa, Kenya and Indonesia. We have received reports from 20 of the 24 “high-impact” countries (all except Ethiopia, Thailand, Viet Nam and Zanzibar).
- 38% of reports of fraud and abuse received by the OIG go on for further assessment/ investigation (i.e. when reports are verifiable and actionable). Our rigorous screening process ensures a high proportion of cases investigated result in substantiated wrongdoing (73% of cases investigated).

FIGURE 2. Reports by reporter type, Jan-Sep 2021



(iii) Investigative activity

- **Processing cases already in the pipeline:** Compared to 48 predicted, we carried over 62 assessments/investigations into 2021, of which 30 have been closed.
- **New cases opened:** reflecting the increase in reporting, we have opened 49 new assessments (22 complaint-led, 27 oversight), against a predicted total of 45 for 2021. 7 of the predicted 14 new complaint-led investigations have been opened, with more predicted throughout 2021.
- **Cases closed:** to date, we have closed 42 of 54 planned complaint-led, oversight and proactive cases.

Case Closure Memoranda

Not all investigations result in a published report; we issue case closure memoranda when an allegation is **unfounded** (the evidence does not support the allegations), **inconclusive** (insufficient credible or substantive evidence) or has already resulted in a **proportionate response** (not material, risks mitigated, or deficiencies addressed, e.g. a low-level expense fraud committed by one staff member where monies had been returned and disciplinary action and risk-mitigating measures taken).

(iv) Investigative impact

In 2021, we have published six investigation reports involving wrongdoing in Pakistan, Ghana, Nigeria, Namibia and Malawi (summaries are in Annex 3) and ten closure memos. Cases in 2021 have identified and recommended **US\$4,715,400** in potential recoveries, and three suppliers have been referred to the Global Fund’s Sanction Panel. As a result of our investigation, the Secretariat has:

- Developed a framework related to harassment, including sexual harassment, bullying and abuse of power in the context of Global Fund programs. Roles and responsibilities have been defined and clarified, as have the relevant sections relating to funding agreements and codes of conduct.



- Committed to improving quality control practices for Long-Lasting Insecticidal Nets, including formalizing guidance for pre-shipment inspection, sampling, and testing, post market surveillance and internal verifications of quality control practices by PRs and the PPM procurement agents.
- Agreed to establish an interim framework which provides guidance on assurances and necessary oversight of identified strategic logistic providers/prime contractors used by the Global Fund, enabling detailed analysis of contract performance against signed budgets.
- Committed to ensuring all Global Fund implementers strengthen their controls on sub-implementers' financial reporting, using direct annual bank confirmations for verification of periodic cash positions and in preparation of annual audits.

(v) Oversight Activities

In 2021 to date, the OIG has opened 27 new oversight assessments⁶, closed 20, and a further 36 are ongoing (see Annex 4 for details). These cases, which include stolen and diverted commodities, data fraud and salary kickbacks, have resulted in US\$2,216,600 in non-compliant expenses and US\$149,132 recoverable amounts.

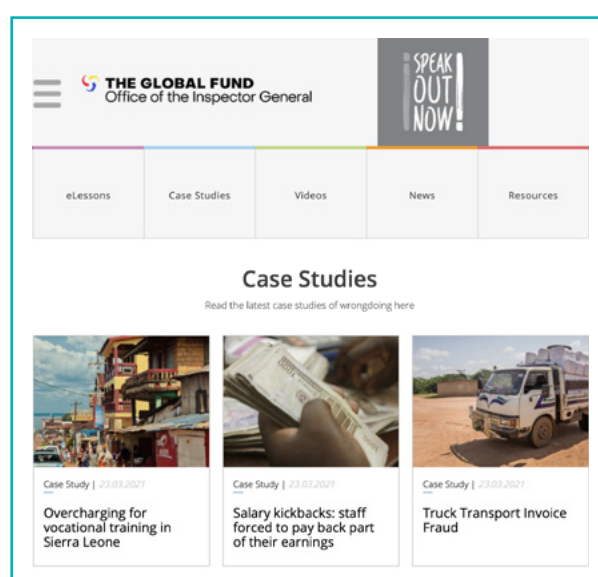
TABLE 1. Oversight vs In-house Activities 2021

	NO. CASES	NON-COMPLIANT US\$	RECOVERIES US\$
Cases investigated by OIG	20	114,221,055*	4,715,400
Cases investigated by implementers, overseen by OIG	20	2,216,600	149,132

* US\$106m of this relates to [one case](#)

(vi) Awareness-raising activities

In recognition of the inherently risky environment, caused by pandemic-related disruptions, we have increased our efforts regarding internal and external fraud awareness initiatives. Using the www.ispeakoutnow.org (ISON) website and virtual webinars, we are engaging with grant implementers and Local Fund Agents to increase their awareness of risks of fraud and of sexual exploitation and abuse (SEA) to equip them to spot, interrupt and report wrongdoing in our programs before wrongdoing becomes systemic.



Twelve of eighteen planned outreach sessions had been delivered by September, with more scheduled for October. These include: grant implementer webinars on SEA awareness and reporting, COVID-19 fraud risks, and best practice in whistle-blower and fraud reporting practices. Lessons learned from recent OIG investigations are shared with the Secretariat and Regional Teams are updated on the latest fraud allegations and trends. We are planning technical training for finance specialists on detecting and identifying possible fraud schemes and risk, and will upgrade the ISON website's design, content and architecture by 2022.

⁶ When an implementing partner has proven investigative capacity, the OIG can opt to oversee the implementer's investigation rather than launching its own investigation. The OIG reviews the scope of work where necessary and assesses the adequacy of risk mitigation measures to prevent further recurrence – however note these cases do not result in a published OIG report.



4. Professional Services Unit

PSU played a significant role in **developing the OIG 2022 – 2027 strategy**, the outcomes of which are highlighted in Annex 5, and in ensuring the right people, processes and systems are in place for the strategy commencement in 2022. To enable remote audits and investigations, the unit has focused on **improving the use of data analytics and business intelligence**:

- **Enabling remote auditing and investigations:**
PSU has tracked working-level challenges, experimenting with new virtual tools and systems, fine-tuning our approach and embedding learning across the delivery teams. We have been developing enhanced testing and audit documentation tools to enable in-country consultants to perform their assigned tasks in line with our quality standards. For example, we launched an electronic application to aid evidence collection at health facilities and warehouses. Piloted in 2021 and compatible with mobile devices, this enables offline evidence collection and is expected to be in use for all Q4 2021 audits.
- **Data analytics and knowledge management:**
PSU supported delivery teams with data, analytics and strategic insights through the year. We leveraged our Datamart, a data analytics tool, for our 2022 risk assessment, and we supported audit and investigation assignments and outreach activities.

While the pandemic has created many challenges, remote working has brought into sharp focus the importance of **engagement with in-country assurance partners** such as Supreme Audit Institutions (SAIs). Benefiting both parties, the OIG has been actively engaging with SAIs and their umbrella bodies to support our country audits. This has resulted in advanced negotiation in signing memoranda of understanding with two SAIs in 2021 – the Auditor General of the Federal Republic of Nigeria and Auditor General of South Africa. We are also providing technical support to Aidspan in building the capacity of SAIs across Africa. In March 2021, we held a partnership session with GAVI, the World Bank and the United States Government on the need to build SAI capacity.

1. Proposed 2022 Work Plan at a Glance

Snapshot of OIG-wide engagements to be completed or initiated in 2022



2. Audit Work Plan

TABLE 2. Summary of proposed audit engagements for 2022

OIG AUDIT WORK PLANS	2022 PROPOSED	2021 PLANNED	2020 (REVISED)
Country audits	12*	9	0
Internal audits	3	4	7
Value for Money Reviews	1	0	0
Total assurance engagements	16	13	7
Advisory	3**	4**	N/A***
Total engagements	19	17	7

* 12 country audit reports covering 14 countries.

** Estimated, based on requests and business needs

*** Advisory resources were allocated to support front-line activities (more than 5,000 hours of OIG work)

The OIG follows a **risk-based approach** to determine where the OIG can provide the most impactful assurance and value add. **Over 200 data points** are gathered and analyzed to support a comprehensive understanding of the risk landscape both externally and internally to the organization. The OIG ensures the process is as transparent and inclusive as possible, engaging over 50 stakeholders in its formulation across the Secretariat and governance bodies.

The rise in pandemic-related risks at the implementer level is reflected in an increased need for country-level assurance (12 country audits⁷ versus nine in 2021), and internal audits which focus on country-facing risks, including monitoring and risk management of grant implementation, and on in-country data and data systems. The plan aims to provide assurance that grants are delivering positive results, that COVID-19 funds are being effectively utilized, and that the organization will be able to deliver impact. Our remote audit experiences in 2020/2021 are helping us drive efficiencies in our approach, meaning that the number of audits planned has increased. As in 2021, the work plan will need to remain dynamic, with risk and priorities being continuously reassessed.

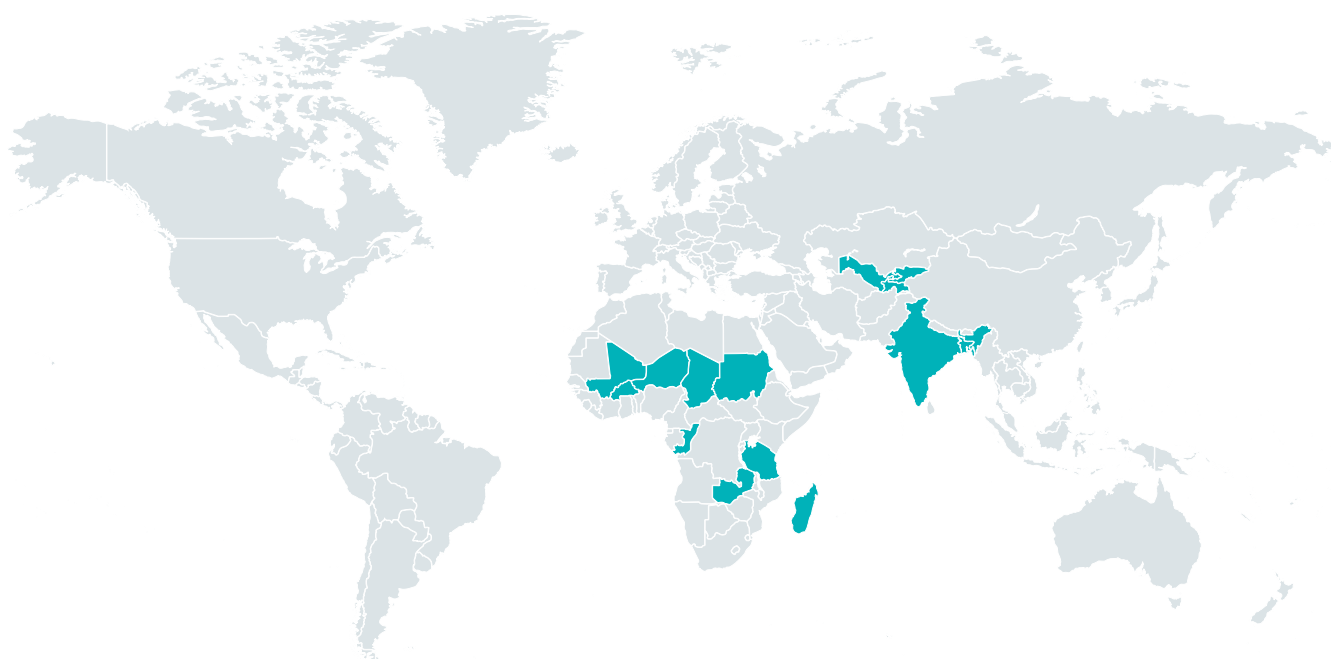
7 12 Country audit assignments covering 14 countries. One country audit is a TB/MDR-TB thematic review in the EECA region covering Uzbekistan, Kyrgyzstan & Tajikistan.

(i) Country audits

The countries selected for 2022 have high residual risks and represent significant investments across high-impact, core and focused portfolios. Collectively, they account for **20%** of Global Fund 2020-2022 allocations, **18%** of the Global HIV Disease Burden, **21%** of the Malaria Disease

Burden and **39%** of the Tuberculosis Disease Burden. Regarding COVID-19 investments, we have considered the allocation of C19RM investments, general political and security risks influenced by the pandemic, and specific health sector disruptions.

FIGURE 3. Country Audits, 2022



HIGH IMPACT PORTFOLIOS

Tanzania	US\$675m
India	US\$605m
Zambia	US\$381m
Burkina Faso	US\$269m
Mali	US\$206m
Bangladesh	US\$195m

CORE PORTFOLIOS

Sudan	US\$176m
Niger	US\$162m
Chad	US\$157m
Madagascar	US\$107m
Congo	US\$73m

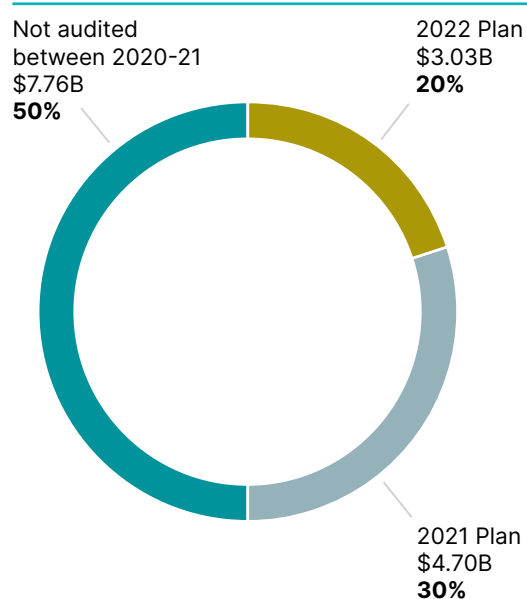
FOCUS PORTFOLIOS

Thematic review of TB/MDR-TB programs in EECA region with a focus on:

Uzbekistan	US\$26m*
Kyrgyzstan	US\$15m*
Tajikistan	US\$11m*

* Allocation for TB as communicated in allocation letters to countries

50% of new Global Fund allocation covered by audit plans from 2020-2022



(ii) Internal audits

Our methodology for selecting internal audits considers materiality and likelihood⁸, mitigating factors⁹ and qualitative factors, including disruptions.¹⁰ In 2022, we will perform three cross-cutting internal audits, compared to four in 2021:

- **Global Fund approach to Grant Monitoring:** assessing the adequacy and effectiveness of Secretariat activities for monitoring grant performance and risk management during grant implementation. This will cover the design and effectiveness of processes, people and tools, Country Teams' roles in grant monitoring, risk management department, oversight mechanisms.
- **In-Country Data and Data Systems:** assessing the adequacy and effectiveness of the Global Fund's framework for strengthening data systems and quality relating to programmatic data. This will include reviewing country-level investments and trends in data management and quality as well as how in-country data is managed, analyzed and used for decision making at both the country and Secretariat level.
- **Global Fund's CCM model and approach:** assessing the efficiency and effectiveness of the Country Coordinating Mechanism (CCM) including the implementation of the CCM Evolution project.

(iii) Value for Money reviews

Value for Money (VfM) reviews assess the extent to which our investments have generated the intended results, looking at economy, effectiveness, efficiency, equity and sustainability. This includes interdependencies and trade-offs, including the balance between short and long-term results. Recognizing that we are still building this capability at the OIG, we will produce one Value for Money review in 2022, on **Global Fund investments in health and laboratory-related equipment**.

(iv) Advisory reviews

The number of advisory reviews is estimated, based on requests and business needs. Three advisories are expected in 2022. One anticipated review on the "Evolution of Local Fund Agents approaches for country-level assurance" has been identified which will be sponsored by the Executive Director. Additional reviews are under consideration and will be allocated throughout the year, as appropriate.

Coverage of key risks and strategic objectives

Our audit plan aligns with the organization's Corporate Risk Register and Strategic Objectives as follows:

- **100%** (1/1) of "very high" risks¹¹, **82%** (9/11) of "high" risks¹², and **100%** (10/10) of "moderate" risks¹³ are covered by OIG audits during 2019–2022. The high risks not covered are *transition* and *reputation risk*. The OIG reviewed transition in 2018 and the TERG followed up in 2020. We do not audit reputation as a standalone subject as it is the impact of other risks not being effectively managed.
- We have partly or fully covered all **of the Global Fund's 2017–2022 strategic objectives** in the last three years.
- COVID-19 response and impact has been reviewed through several audits in 2020 and 2021, and will continue to be factored into the scope of country-level audits in 2022.

8 E.g. performance and accountability indicator results, impact on KPIs, corporate budget, Secretariat process complexity.

9 E.g. process maturity, OIG audit reviews, Agreed Management Actions.

10 E.g. the corporate risk register, ongoing internal initiatives, corporate priorities, management feedback, COVID-19 disruption.

11 As per Q2 2022 Corporate Risk Register – Program Quality for TB is classified as very high risk.

12 The following are classified as high risks – Program Quality for HIV & Malaria, M&E, Procurement, In-Country Supply Chain, Financial and fiduciary risk, Human Rights and Gender inequality, Transition, Drug & Insecticide Resistance, SEAH and Misconduct, Reputation, based on the organization's Q2, 2021 risk register.

13 The following are classified as moderate risks – In-Country Governance, Quality of Health Products, Future funding, internal operations, Integrated Grant Policies, Processes, Systems & Data, Risk Management & Internal Controls, Legal, Governance and oversight, Organizational Culture, Workforce Capacity, Efficiency & Wellbeing.

3. Investigations Work Plan

INVESTIGATION ACTIVITY	2022 PLAN	RATIONALE
Training, awareness raising and outreach	Complete 80% of all workplan ISON training activities.	15 outreach activities will target oversight bodies LFA etc and low-reporting high impact countries.
Triage and case intake	Produce screening outcomes for all reports received within 30 days up to 31 December 2021.	We anticipate in excess of 220 reports of fraud and abuse. Training of analysts will be conducted to ensure this objective can be met.
Case closures	By 31 December 2022, close 90% of high priority assessments/investigations carried over from previous year(s).	Based on a projection of 17 high priority investigations carried over from previous year(s).
	By 30 June 2022 close 90% assessments carried over from previous year(s).	Based on a projection of 23 assessments carried over and 30 oversight cases.
Reporting	80% of reports issued in draft by year end (stage 6 of the Stakeholder Engagement Model).	Based on a projection of 40 new assessments, 10 investigations, which will likely result in 8 published reports.

1. Impact: investigation activities that enhance programs

If we find credible, verifiable and material red flags of fraud and abuse, we will assess their materiality and potential impact on Global Fund programs. As of 30 September, we are actively monitoring 70 cases, and new cases will be opened between Sept-Dec. We anticipate a carry-over of 70 cases to be finalized in 2022, either through a published report or a case closure memorandum.

In addition, we anticipate opening **40 new assessments** between now and the end of the year, of which **10** will go through to the full investigation stage. We will prioritize certain types of investigation, e.g. if wrongdoing directly affects beneficiaries, such as Human Rights and Sexual Exploitation and Abuse cases, or if an issue appears systemic, or is expected to produce material losses.

While whistle-blowers and reporters are an important source of information, we proactively analyze our available data. The OIG is developing a tool, which will be ready in 2022, to identify red flags that we will proactively assess and investigate if necessary. Additionally, we will conduct **three proactive cases**, using data from intelligence and data analytics. This will serve to disrupt and interrupt fraud which would otherwise have gone undetected. In 2022, we will **close 28 oversight cases** and **32 assessments / investigations** carried over from 2021.

2. Triage and Case Intake Process

Based on past data, and taking into account the increased fraud risk environment due to COVID19, in 2022 we expect to receive and assess in excess of **220 reports**. Intake begins with allegations or complaints of wrongdoing received through our dedicated centralized channels (email account, telephone hotline, online referral forms, mail), accessible to all Global Fund stakeholders. We review all incoming material irrespective of its source, including allegations/complaints of wrongdoing from anonymous or confidential sources.

There are four possible outcomes of the triage process:

1. If the issues reported are assessed as **material, verifiable and credible**, the matter will be further assessed and investigated by the OIG. This can result in a published investigation report or a case closure memorandum.
2. If we determine that a matter is **programmatic in nature**, or the potential prohibited practices are **too vague to be actionable**, we brief the Global Fund Secretariat, who can use the information we provide for operational risk management activities.
3. If the implementer has **proven investigation capacity** and the issue is **low in materiality**, an oversight case is recommended; these cases are closed with a memorandum.
4. If the information **lacks actionable detail and information**, we retain the information for intelligence purposes.

3. Prevent & Disrupt: counter-fraud activities designed to disrupt and prevent wrongdoing

We seek to disrupt and detect wrongdoing at the earliest opportunity. Experience shows us that most fraudulent events start slowly and build over time. While fraud is almost impossible to eliminate, effective controls and early reporting can limit its impact and prevent it from becoming systemic.

Our counter-fraud priorities for 2022 are to:

- Promote the concept of interrupting fraud/wrongdoing
- Encourage reporting of fraud and abuse through engaging implementers and civil society organizations
- Analyze trends on a routine basis to inform our activities/products
- Target implementers in high-impact but low-reporting countries
- Produce fraud red-flag information for Local Fund Agents to encourage early reporting

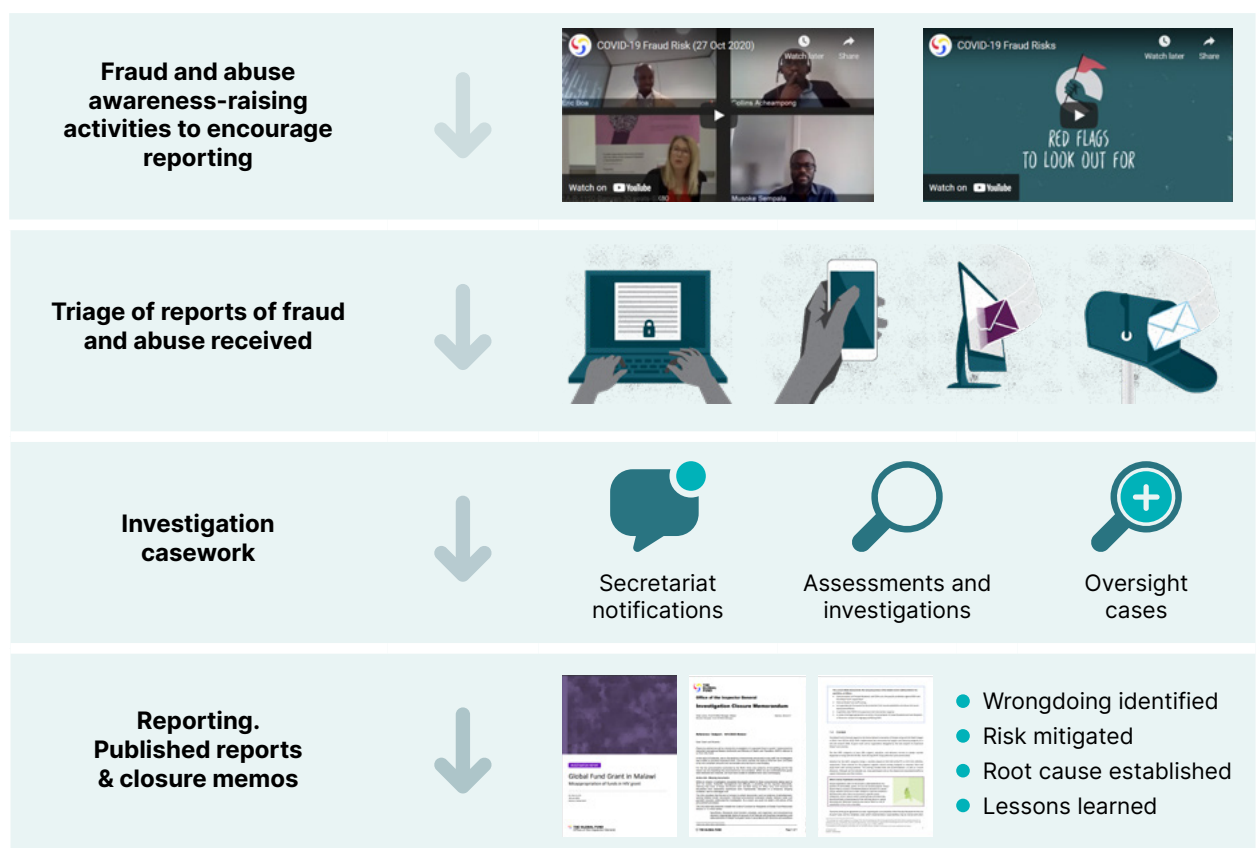
In 2022 we will update our counter-fraud platform. The www.ispeakoutnow.org website is our core platform to communicate lessons learned about fraud and abuse. We plan to expand our outreach to implementers and assurance providers through at least **15 webinars and training sessions** on how to identify fraud and abuse.

To ensure an efficient use of resources, we have established criteria for deciding case priority and likely impact. Case priority is dynamic and may change throughout the investigative process as new information becomes available. Factors considered include time sensitivity, organizational impact, type of allegation, grade/position of subjects, and proximity in time of alleged wrongdoing.

Based on past data and taking into account the increased fraud risk environment due to COVID-19, in 2022 we expect to receive and assess in excess of **220 reports**.

Fraud awareness activities play a vital role in stimulating the flow of reports to the OIG (see Figure 4 below).

FIGURE 4. OIG Investigation activities



4. Professional Services Unit Work Plan

PSU seeks to drive OIG impact, integration and quality through strategic insight and operational solutions. The 2022 PSU workplan is dominated by four key areas:



Building new analytical and insight capabilities

With an increase in its headcount, PSU will build a professional capability to leverage technology, data and analytics to better identify key strategic risks. This will include investing in analytical systems and tools that enable continuous assurance and intelligence-led proactive investigations over key processes and portfolios. The existing scope and functionality of the OIG DataMart will be enhanced to ensure real time data for decision making.

PSU will continue to support OIG assurance and investigation activities, building delivery teams' capacity in engagement-level data analytics to drive efficiency in our assignments. Our knowledge management and reporting capability will be advanced via our IOIG platform, which ensures information is adequately leveraged across the OIG and shared with the Secretariat where appropriate.



Quality Assurance and Business Process

PSU will establish a central quality assurance program to further bullet proof our work. For audits and investigations, this will focus on effectiveness, efficiency and compliance with international standards and frameworks, and combine vertical (across the stages of an audit or investigation) and horizontal review (in-depth review of a specific stage). We will leverage technology and digitization for the quantitative elements of the Quality Assurance Improvement programs, complementing these with comprehensive qualitative factors to ensure reviews go beyond compliance and focus on improvement. Review outcomes are expected to translate into lessons learnt and improvement initiatives which will be tracked and monitored. Lessons learnt and improvement initiatives will also look at best-in-class industry benchmarks across audit and investigation processes.



Maximizing OIG's performance and impact

As part of the OIG strategy implementation (see Annex 5), PSU will be developing a revised monitoring framework to better measure OIG performance and impact including ensuring adherence to risk-based methodologies, best use of resources and most critically, the impact of our work. This will include determining the right strategic indicators for AFC and Board reporting, and operational KPIs for internal monitoring.



Outreach and stakeholder engagement

PSU will lead and coordinate OIG inputs to key organizational processes and initiatives as part of our real time advice to the Secretariat; these include participation in Secretariat working groups and committees on Information Security and Business Continuity compliance, Data Governance & Quality, and Assurance. PSU will lead collaboration efforts between the OIG and partners such as GAVI, USAID and relevant professional networks such as the Representatives of Internal Audit Services of United Nations (RIAS) and the Conference of International Investigators. In 2022, we will further embed our working relationships with SAIs through Memoranda of Understanding, training interventions, and sharing OIG tools and technology.

PSU will drive internal and external outreach and communications, and will coordinate fraud awareness and training initiatives on Sexual Exploitation, Abuse and Harassment for OIG staff and implementers which will be delivered by the Audit and Investigation Units.

5. Proposed 2022 Key Performance Indicators and operating budget

Given the volatile environment, from both an operational and a risk perspective, the OIG suggests retaining largely the same KPIs as in previous years. These can be found in Annex 2. As part of the OIG's new strategy, we will propose enhanced KPIs to the Committee during 2022.

At its 17th meeting, the AFC approved the proposed OIG budget of US\$14.9 million, **the same amount as for 2021**. Despite the significant increase in C19RM funding, the OIG budget has been under absorbed over the last few years and therefore additional funds will only be requested if our current budget is exceeded. Detailed budget analysis can be found at Annex 1.

To support our 2022-2027 strategy, we are converting professional fees to staff positions in 2022, increasing overall headcount from 52 to 57 without increasing our overall budget.

Annex 1:

Budget and staff analysis as of 30 September; 2022 budget

2021 operational budget including full-year forecast and proposed 2022 budget

BUDGET LINE	2021 BUDGET	YTD BUDGET	YTD ACTUALS	YTD VARIANCE	YEAR-END FORECAST	2022 BUDGET	2021-2022
Staff costs	10,538	7,904	6,461	-1,443	8,601	10,690	152
Professional Fees	2,779	1,888	1,402	-486	3,059	2,487	-292
Travel	1,218	778	92	-686	307	1,171	-47
Meetings	50	28	6	-22	40	40	-10
Communications	92	64	35	-29	102	150	58
Office Infrastructure	217	155	93	-62	213	356	139
Depreciation	4	3	-	-3	4	4	0
Total	14,898	10,820	8,089	-2,731	12,326	14,898	0

At the end of September 2021, OIG had a YTD budget underspend of US\$2,731k (-25%). This is mainly attributed to vacancies (-US\$1,443k) and travel restrictions due to COVID-19 (-US\$686k).

- **Professional fees** have been favorably affected by savings achieved on Q1/Q2 audits and adversely affected by the need to contract long term consultants to back-fill vacancies created by staff secondments and vacant positions. Due to our ongoing assignments, an overspend is expected at the end of the year however this is likely to be entirely offset by the staff cost underspend.
- The **Office Infrastructure** increase is driven by the planned replacement of the OIG servers. This will commence in Q4 2021 and will continue into 2022 due to the significance and complexity of the project. Variances on **meetings, communications and office infrastructure** are attributed to timing differences. For instance, costs for retreats, ISON campaign costs and IT spend will affect the budget later in the year.
- The **travel** budget is being used for in-country consultants travelling to service delivery sites and staff and consultant travel where possible.

For 2022, a reduction in professional fees and travel will be partially offset by the creation of seven new staff roles across the three units.

Full-time Equivalent (FTE) and vacancies as of 30 September 2021

UNIT	30 SEPT 2021	BUDGET	VACANCIES
Front Office (PSU)	11	11	0
Audit	17	23	6
Investigations	16	18	2
Total	44	52	8

On 30 September 2021, the OIG had 44 FTE (45 employees) out of a budget of 52. The 8 vacancies include five secondments (three with the GF Secretariat and two within OIG). The remaining vacancies include:

- Auditor roles which were generated following internal promotion
- an Analyst in Investigation generated by a job-sharing arrangement

Recruitment activity is currently underway to fill all remaining vacancies and will continue until the end of the year. We expect to complete all appointments by 31 December 2021.

Annex 2:

Progress on 2021 Key Performance Indicators (as of 30 Sept.) and proposed KPIs for 2022

Unless otherwise stated, we propose to retain the 2021 KPIs and targets in 2022.

THEME	2021 TARGET KPI	PROGRESS
A To deliver an efficient and effective service	A.1 AUDIT <ul style="list-style-type: none"> 80% of reports as per the work plans issued in draft by year end (stage 4 of the Stakeholder Engagement Model "SEM"), as a proportion of all engagements in the work plan. <i>(Target of 80% for assurance and 67% for Advisory engagements in 2022).</i> 	AUDIT <ul style="list-style-type: none"> For audits, 31% as of 30 September 2021. This is below the average for the past three years (40%), which is due to time spent on completing 2020 assignments, staff vacancies and onboarding new consultants. For advisories, 50% as of 30 September 2021.
	A.1 INVESTIGATIONS <ul style="list-style-type: none"> 80% of reports as per the work plans issued in draft by year end (stage 6 of the SEM). Produce 100% screening outcomes for all reports received within 30 days up to 31 December 2021. By 31 December 2021, close 90% of high priority investigations carried over from previous year(s). By 30 June 2021, close 90% assessments carried over from previous year(s). Complete 80% of ISON training activities. 	INVESTIGATIONS <ul style="list-style-type: none"> 133% of reports had reached stage 6 of the SEM, or been closed, with a further two published reports in the pipeline. Three cases not anticipated in our workplan have been closed or published. 60% of screening outcomes approved within 30 days. 114 of the 189 reports were screened within 30 days of receipt. 60% of high-priority investigations (Stage 3 and above) carried over from previous year have been completed as of 30 September 2021. These cases have been affected by challenges in collecting country-level evidence through a remote approach. 70% of OIG assessments carried over from previous year have been completed or progressed to investigation as of 30 September 2021. 67% of ISON training activities completed as of 30 September 2021.
	A.2 Costs managed within 10% of approved budget.	As of 30 September 2021, the OIG had a budget underspend of US\$2,731k (-25%) against the 2021 Operating Expenses Budget. This is mainly attributed to vacancies and travel restrictions. With the majority of country level audits scheduled for H2 2021, we anticipate that this underspend will improve by the end of the year (see Annex 1).
B To foster confidence by being accountable and transparent	B.1 Annual quality self-assessments completed to confirm ongoing conformance with requirements of Quality Assurance and Improvement Program (QAIP), including general conformance with the Stakeholder Engagements Models (SEM) timelines.	Annual quality self-assessments for both Audit and Investigation Units were completed in February 2021, and resulting actions are being followed up and implemented. All audits and investigations have, to date, followed the SEM steps. Remote working, limited availability of stakeholders and disruptions at the country level have placed an additional burden on our ability to meet and fully comply with the SEM timelines.
	B.2 Triennial external quality assurance review to confirm, once every 3 years, that the quality of assessment processes, work papers, reports, and interaction with key stakeholders adheres to professional standards and guidelines.	The External Quality Assessment commenced in October and is expected to be completed before the end of the year. The final report will be presented to the AFC's March 2022 meeting.
	B.3 Annual assurance statement on governance, risk management and controls at the Global Fund.	Completed. The 2020 Annual Opinion was issued in March 2021. The next Annual Opinion is due by 31 March 2022.

THEME	2021 TARGET KPI	PROGRESS
C To ensure impact in our work	C.1 Agreed actions tracked, reported on monthly and validated within 30 days of Secretariat reported "Completed" date. Reports of slippage on agreed actions are escalated.	As of 30th September, 100% of the Agreed Management Actions reported as implemented during the year by the Secretariat had been validated by the OIG within the 30-day limit.
	C.2 Client engagement surveys are conducted for at least 90% of audit engagements completed during the year.	100%. Surveys sent for all audit reports published in 2021. Overall score received was 3.5/4 (1- poor, 4 -good). No audits from the 2021 workplan have reached the stage at which surveys are sent.
	C.3 Conduct annual stakeholder satisfaction survey, including all AFC and Board members (or alternates), and achieve an overall satisfaction score of 80% or better.	The OIG received a 98% satisfaction rate from the Board and Audit and Finance Committee in the survey carried out in January 2021. The next survey will be carried out in December 2021.
	C.4 Sixty Percent (60%) of Agreed-Management Actions are remediated by the Secretariat, by their due date, over a rolling period of eight (8) quarters.	The OIG follows up on Agreed Management Actions (AMAs) on a monthly basis, with a status report issued to the Management Executive Committee and long overdue AMAs reported to the AFC. 24% of AMAs were implemented by the Secretariat by their due date between 1 October 2019 and 30 September 2021,, partly due to competing priorities occasioned by the pandemic.
	C.5 Achieve following coverage targets over a three-year audit cycle: <ul style="list-style-type: none"> ● 60% of the disease burdens (for each of the three diseases) ● 60% of the country allocation amounts ● 30% of the countries classified as High Risk. 	At the end of 2021, we will have covered the following for the 2019-2021 cycle: <ul style="list-style-type: none"> ● 66% of the HIV burden, 62% of malaria burden and 44% of the tuberculosis burden ● 58% of the country allocation amounts ● 45% of the countries rated as high risk. The shortfalls were solely due to pandemic-related restrictions which prevented any country audits in 2020. Based on the proposed 2022 workplan, we expect to cover the following between 2020-2022: <ul style="list-style-type: none"> ● 63%/55%/61% of HIV, malaria and TB burdens ● 50% of country allocation amounts ● 28% of countries rated as high risk
	C.6 At least four (4) advisory engagements during the annual work program cycle. <i>(At least three (3) advisory engagements during the annual work program cycle in 2022)</i>	There are currently four ongoing advisory engagements, with three at reporting stage.
D To recruit and retain the best people and foster a culture of trust and teamwork	D.1 All employees have a development plan approved by their managers by end of Q1. At least 90% of staff will complete by year end a minimum of 20 hours of formal training.	100% of staff have had their development plans approved in the system within the deadline. 60% of staff have completed at least 20 hours of formal training, which is in line with prior years. Staff training frequently occurs in the second half of the year and we expect the figure to significantly rise by end of the year.

Annex 3:

High-level summary of OIG reports released or published during January-August 2021

INVESTIGATION INTO TANA NETTING

GF-OIG-21-001

No rating TANA Netting failed to control the quality of over 52 million Long-Lasting Insecticidal Nets, resulting in sub-standard products being purchased with US\$106m of grant funds. TANA used unapproved manufacturing methods to bind insecticide to the nets, and attempted to falsify data to cover up the non-conformity. TANA and its sister company HSNDs obstructed the OIG investigation and failed in their contractual obligation to produce manufacturing data and documentation. The investigation found Global Fund quality assurance mechanisms to be inadequate, and ineffective in identifying non-compliance.

INVESTIGATION INTO NIGERIAN SUPPLY CHAIN

GF-OIG-21-002

No rating Zenith Carex, a sub-contractor of Chemonics International, defrauded grant programs of US\$3 million by systematically inflating invoices for distributing commodities to warehouses and health facilities. Chemonics staff missed key red flags when reviewing Zenith's invoices. Inadequate financial monitoring, combined with potential collusion between Chemonics and Zenith staff, allowed the fraud to remain undetected. Following this investigation, the Global Fund has strengthened the sustainability and cost effectiveness of its Nigerian supply chain.

AUDIT OF GLOBAL FUND INTERNAL FINANCIAL CONTROLS

GF-OIG-21-003



The finance function has become a strategic enabler for the Global Fund, thanks to mature financial management processes, robust systems, effective controls and oversight, and adequate ownership over financial data. Performance is monitored regularly against KPIs, while controls for disbursements and payments of strategic initiatives and operating expenses are effective. Improvements are needed however in Annual Funding Decision, disbursement and forecasting processes. Processes to identify, mitigate and track key actions similarly need to improve, and procedures and guidelines require updating.

AUDIT OF GRANT CLOSURE PROCESSES

GF-OIG-21-004



Grant closure processes have significantly improved since 2016. Operational policies, IT systems and tools have been enhanced, and controls, monitoring, and accountability strengthened. While the average grant closure time has reduced from 1,326 to 500 days, only 20% of grants are being closed within the required twelve months. Secretariat calculations of outstanding cash balances on grants due for closure are materially accurate, however differences for certain grants could not be resolved due to limited information on opening cash balances.

INVESTIGATION INTO MISCONDUCT AFFECTING GLOBAL FUND GRANTS

GF-OIG-21-005

No rating Executives at the Ghana Network Association of People Living with HIV (NAP+) fostered a culture of sexual and financial exploitation, demanding sex acts and money as a condition of access to benefits. The grant Principal Recipient and sub-recipient failed to cascade down Code of Conduct and ethical obligations to NAP+. The Global Fund's governance policy framework in relation to protection from sexual exploitation and abuse and sexual harassment (SEAH) is inadequate. The organization operates without a meaningful framework to prevent, prohibit, detect, or respond to SEAH in its programs.

KEY: OIG Ratings

- Effective: no issues or few minor issues noted
- Partially effective: moderate issues noted
- Needs significant improvement: one or some significant issues noted
- Ineffective: multiple significant and/or (a) material issue(s) noted

AUDIT OF GLOBAL FUND EMERGENCY PREPAREDNESS

GF-OIG-21-006



In response to COVID-19, the Global Fund Secretariat instituted measures to ensure business continuity and grant implementation. Disbursements to countries, governance activities and key human resource functions remained stable, despite the uncertainty caused by the crisis. The Secretariat should leverage lessons from its COVID-19 response to strengthen its emergency preparedness, adapting COVID-19 measures in developing a broader crisis response framework.

INVESTIGATION INTO GLOBAL FUND GRANT IN PAKISTAN

GF-OIG-21-007

No rating

The Indus Hospital engaged in anti-competitive and collusive practices and failed to properly mitigate actual or apparent conflicts of interest in the selection of Interactive Research and Development as a supplier. The Indus Hospital also engaged Interactive Health Solution as an IT supplier following a procurement process compromised by anti-competitive, fraudulent and collusive practices. One root cause was that the safeguards proposed to mitigate conflicts of interest in the management of the grant proved not to be effective.

AUDIT OF COVID-19 RESPONSE MECHANISM

GF-OIG-21-008



C19RM's design was robust and inclusive, and clearly linked to the Global Fund's strategic objectives. Roles and targets were clearly defined, and key flexibilities, risk assessment and mitigation were incorporated into process operationalization. CCMs were mobilized to achieve stakeholder engagement and integration with national COVID-19 responses. The review and approval of funding requests was effective. C19RM's design could be enhanced in future to be more agile, envisaging ongoing, responsive adjustments to changes in COVID-19 cases, country needs, fund utilization, and data availability and reliability.

AUDIT OF CONTINUITY AND OVERSIGHT OF COUNTRY PROGRAMS DURING THE COVID-19 PANDEMIC

GF-OIG-21-009



The Global Fund took decisive, positive action to reduce the impact of COVID-19 on grant implementers and to facilitate program continuity, introducing measures such as grant flexibilities and new and redirected funding. Tuberculosis programs have suffered the most disruption, HIV treatment programs have generally continued with low-level interruption and Malaria programs have been least impacted by the pandemic. The Secretariat introduced new measures to monitor programs and increase engagement with implementers.





AUDIT OF KEY ORGANIZATIONAL CONTROLS

GF-OIG-21-010



Global Fund internal controls continue to mature. Controls for key business processes have been strengthened, and monitoring of Technical Review Panel recommendations is improving. The Secretariat has enhanced policies and controls for the grant-making process and strengthened mechanisms to allow investments to adjust to programmatic requirements. There is limited and inconsistent monitoring of prioritized business processes, policies and controls supporting implementation readiness are not yet embedded in the grant making process, and control gaps remain in market shaping processes.

KEY: OIG Ratings

-  Effective: no issues or few minor issues noted
-  Partially effective: moderate issues noted
-  Needs significant improvement: one or some significant issues noted
-  Ineffective: multiple significant and/or (a) material issue(s) noted

INVESTIGATION INTO MISAPPROPRIATION OF FUNDS IN MALAWI HIV GRANT

GF-OIG-21-011

No rating Senior staff members at Chinansi Foundation, an implementer of Global Fund grants in Malawi, engaged in opportunistic fraudulent activity. US\$70,572 was misappropriated from a program supporting adolescent girls and young women. The staff submitted fabricated bank statements to conceal the wrongdoing. Additionally, there were non-compliant expenses amounting to US\$9,924, due to inadequate supporting documents and irregular procurement of vehicle hire services.

INVESTIGATION INTO DAILY SUBSISTENCE ALLOWANCE DIVERSION, NAMIBIA

GF-OIG-21-012

No rating Staff at the Ministry of Health and Social Services (MOHSS), a Principal Recipient for Global Fund grants in Namibia, diverted daily subsistence allowances from their intended recipients. US\$89,476 was misappropriated from program bank accounts over 18 months. Gaps in MOHSS internal controls, including submitting unsigned and undated lists of participants in editable electronic format, failing to verify payments against original participant lists, and reconcile with the bank confirmation letters, facilitated the wrongdoing.

KEY: OIG Ratings

- Effective: no issues or few minor issues noted
- Partially effective: moderate issues noted
- Needs significant improvement: one or some significant issues noted
- Ineffective: multiple significant and/or (a) material issue(s) noted

Annex 4:

Significant OIG Oversight Investigations in 2021

When an implementing partner has proven investigative capacity, the OIG can opt to oversee the implementer's investigation rather than launching its own investigation. The OIG reviews the scope of work where necessary and assesses the adequacy of risk mitigation measures to prevent further recurrence – however note these cases do not result in a published OIG report.

WRONGDOING	FINDINGS	OUTCOME/ACTION
Product theft	A warehouse was looted and US\$2.3m of inventory was lost, of which US\$458,463 from the Global Fund. Another warehouse was also looted; US\$1.6m in Global Fund funded mosquito bed nets were reported as stolen. <i>Total non-compliant amount: US\$ 2,058,463.</i>	These events were acts of politically motivated unrest. Stakeholders are working with the Country Team to respond to the loss, including any insurance claims.
Procurement fraud	The Local Fund Agent found indications of bid splitting of a procurement of materials. This facilitated the purchase of items via Purchase Order, rather than open tender. Overpricing identified. <i>Ton-compliant amount: US\$ 50,446.</i>	The LFA now reviews all procurements over US\$ 9,000.
Product theft	Stolen GF-funded condoms were identified for sale in local markets. Health commodities were diverted and sub-recipients had inflated the number of covered beneficiaries, allowing sub-recipient employees to order more health commodities than were needed to enable the diversion. <i>Total non-compliant amount US\$34,390.</i>	Health commodities are now barcoded to trace and track their deliveries to all SRs. The oversight action plan has been updated to increase the accountability and control. Independent verification of the populations served to prevent overestimations and false forecasting.
Expenses fraud	Sub-recipient staff engaged in a practice of overclaiming on fuel expenditures as well as submitting dubious supporting receipts. <i>Total non-compliant amount US\$23,386.</i>	A financial and programmatic spot check of SRs has been commissioned.
Salary kickbacks	Credible evidence of salary kickbacks and nepotism (over one third of staff had a familial connection). <i>Total non-compliant amount US\$ 19,634.</i>	All sub-recipient contracts to prohibit staff contributions. The PR is also required to define measures to strengthen oversight and governance at the sub-recipient level.
Product theft	Diversion of 207k GF condoms and 225k lubricants by sub-sub-recipients. <i>Total non-compliant amount US\$10,936.</i>	There is an ongoing local law enforcement investigation. A standardized inventory management tools for daily tracking of health products at the SSR/CBO level has been developed.
Product theft	Weak warehouse controls led to the theft of 4,400 mosquito bed nets by an employee. <i>Total non-compliant amount US\$10,340.</i>	Staff member required to repay the value of these nets and has been terminated.
Expenses fraud	Expense fraud committed by a staff member and the theft of payments intended for participants. <i>Total non-compliant amount US\$9,005.</i>	Employee was terminated and misappropriated funds withheld from their pay. Risk-mitigating measures taken.

The OIG oversaw a further six cases where wrongdoing was not substantiated. All loss amounts are pursued via the Secretariat's standard recovery process.

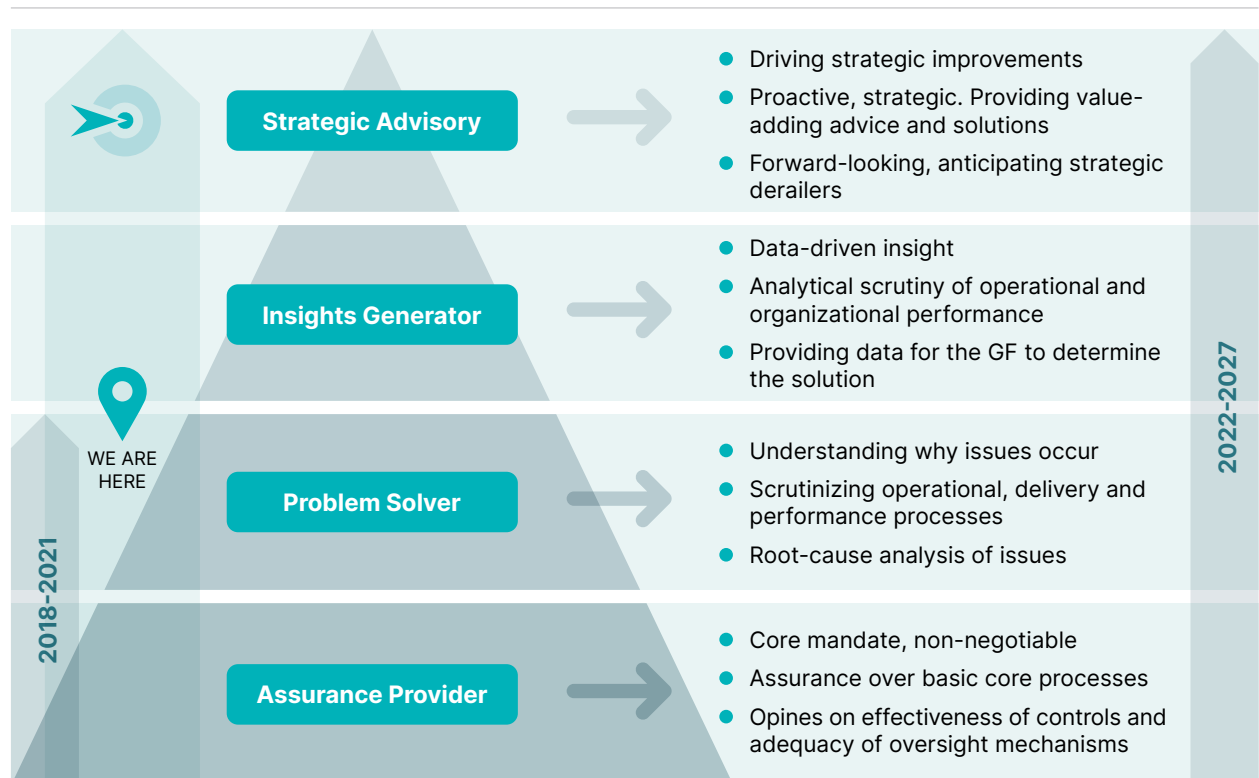
Annex 5: OIG Strategy 2022-2027

As indicated in our July report to the AFC, throughout 2021 we have been developing a new OIG internal strategy for 2022-2027 to align with the overall vision, set out by the Inspector General, of a world-class OIG which drives impact through assurance and trusted advice. It reflects changes in both the global health and the organizational landscape: COVID-19 is threatening (and in cases reversing) progress achieved against the three diseases, there is a constrained funding environment, and persistent barriers to impact such as human rights abuse remain. The new OIG strategy is designed to help enable the Global Fund in achieving its desired impact.

The Strategy focuses on four key areas:

- Maintaining core assurance, with a sharpened focus on risk and impact
- Evolving our definition of impact
- Maintaining key stakeholder relationships and demonstrating Return on Investment
- Nurturing a high-performing OIG team

FIGURE 5. What does a World-Class OIG look like?



The OIG operates in a diverse, complex, stakeholder landscape. Achieving the Strategy and delivering impact will involve maintaining positive, candid relationships. This will include fostering trust with donors, working with in-country assurance providers, being an independent force of positive change (e.g. helping to mature risk appetite and

fortify operations, supporting innovation, anticipating risks), and acknowledging the challenges of the partnership model (working with binding constraints, remaining objective, providing a balanced and inclusive view).

During H1 2021, the Audit, Investigation, Professional Services teams identified the following as key aspects of the Strategy:

Audit

The Audit unit will focus on providing mission-driven assurance, strategic advisories and Value for Money reviews, leveraging mature internal processes and the latest technologies.

- **Assurance.** In addition to our traditional review of key controls and processes, “mission-driven” assurance will review: large portfolios with a focus on beneficiaries; multi country grants, focus portfolios and transition countries; thematic issues within countries and the Secretariat; and key organizational priorities.
- **Advisory.** Our advisory work will seek to: generate insight and recommendations to management; review major organizational projects; identify and analyze emerging risks and engage the Secretariat to find solutions; contribute to strategic Global Fund initiatives; and build capacity among partners and stakeholders.
- **Value for Money reviews.** At the Secretariat level, we will assess efficiency and effectiveness in delivering objectives. At country level, we will look at economy, efficiency, effectiveness and equity in program delivery.

Investigations

We aim to drive positive change and accountability in program delivery, and be an industry leader in counter-fraud programming, focusing on detection and prevention of fraud and abuse. The unit will focus on four main areas:

- **Impactful activity that enhances programs.** This means interrupting wrongdoing, analyzing trends and using insight to guide us. A smart resourcing model will let staff work on high-impact activities and improve quality assurance, and we will communicate more effectively.
- **Sharpened focus on risk.** This involves: developing sources and leads to be less dependent on whistle-blowers; deterrence activities; smart use of intelligence to inform OIG work; and sharing intelligence with the Global Fund Secretariat.
- **Relationship-building and Return on Investment.** This includes: generating leads and intelligence; productive partnerships with implementers and civil society; and improved metrics and KPIs.

Professional Services

This client-focused team aims to drive OIG impact, integration and quality through strategic insight and operational solutions, focusing on providing:

- **Analytics and Insight.**
 - 1) Impact: driving OIG and Global Fund activities through analytics, insight and risk monitoring.
 - 2) Knowledge Management: leveraging internal and external knowledge for OIG work and for learning & development.
 - 3) Analysis: building OIG capacity by providing digital analytical tools and technology.
 - 4) Reporting: leveraging analytics and insight in OIG decision-making and for OIG reporting to the Global Fund, Board and Committees.
- **Centers of Excellence.**
 - 1) Strategy: defining and monitoring impact and performance, and risk management at the OIG.
 - 2) Quality: performing internal and external assessments, quality review of reports and processes to bullet proof OIG's operations.
 - 3) Business and Process Agility: refining processes, generating improvements, sharing best practice, managing cross-OIG projects.
- **Operational support** to Audit, Investigations and the Inspector General (provision of systems and tools, admin support, communications, budgeting, sourcing of consultants, etc).

Central to the implementation of the strategy is nurturing a high performing team. This involves having the right unit structure (differentiation of roles and specialized areas), OIG-wide integration for impactful products, and building skills with strategic hires. As such, we are implementing a number of structural changes, including the creation of new staff roles across the three units, increasing headcount to 57 FTE. In 2022, and following the completion of the structural changes, the OIG will review and improve its performance metrics to better align to the vision and strategic objectives which will enable better monitoring of OIG performance and impact.