The Global Fund

Office of the Inspector General

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I. Background

Key performance indicator framework

The Global Fund is a funding mechanism designed to end the AIDS, tuberculosis and malaria epidemics. It relies on its grant recipients in countries to achieve lasting impact and eventually bring the epidemics to an end. In this context, the Global Fund measures its performance of the progress achieved against the diseases through a Key Performance Indicator (KPI) framework.

The framework consists of corporate and operational KPIs. The corporate framework for 2014-2016 comprises 16 indicators (three strategic and 13 activity-based) assessing the progress against the 2012-2016 Global Fund Strategy. The framework was approved by the Board in November 2013. The Secretariat reports to the Board on the results against KPIs twice a year.[1]

The indicators were developed through extensive consultation with the three committees of the Board, Board constituencies, the Technical Evaluation Reference Group, technical and funding partners, civil society, and the academic sector between February and November 2013.[2]

The Board approved five principles to guide the development of the framework:

1. align the framework with the Global Fund Strategy for 2012-2016;
2. define a clear hierarchy for the framework with logical links between levels;
3. reduce the number of KPIs;
4. ensure indicators are visible and measurable; and
5. set the framework for the lifetime of the strategy.

The corporate KPI framework is complemented with a set of 19 operational indicators (OKPI). The OKPI results are reviewed quarterly by the Management Executive Committee for operational decision-making at their level, in accordance with the Board-approved guidance.[3] Both corporate and operational frameworks are detailed in Annex A to this report.

KPI management and accountability structure

The Strategic Controlling Team (referred to throughout this report as "Strategic Controlling") provides operational support for the development of the KPI framework.[4] The team ensures overall coordination, administration, and preparation of KPI reports for the Board, its committees and the Management Executive Committee. It uses the data generated by various business process owners across multiple divisions in the organization, pertinent to their respective assignments.

In September 2015, Strategic Controlling prepared a draft document outlining the steps of data collection, aggregation, quality control and reporting processes, along with respective individual and team accountabilities for each KPI and OKPI. In November 2015, the Strategic Information Department also completed a review of processes to report on KPI 3 on strategic service delivery, a strategic KPI with the largest volume of data.

The Secretariat started work in July 2015 on a structure for sourcing, storing and reporting KPI data. The project, known as the "KPI Cube" aims to compile final data for a number of KPIs from existing

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[1] The Global Fund Corporate KPI Framework for 2014-2016, as approved by the Global Fund Board in November 2013

[2] As above

[3] As above

[4] The 2012 restructuring plan called "Organizing to deliver" reshaped the Global Fund Secretariat in March 2012. This plan introduced a team called "Performance and Management Information" to coordinate and manage the development of performance metrics, and monitor the organization's performance. The name of the team was subsequently changed to Strategic Controlling, reporting to the Chief Financial Officer.

data systems for better data control, analysis and more nimble reporting. At the time of this audit, a pilot version of the "KPI Cube" remains in development.

Looking ahead to the 2017-2022 Global Fund Strategy

At its 35th meeting in April 2016, the Board is expected to endorse the 2017-2022 Global Fund Strategy alongside a new KPI framework, which is currently under development. This new KPI framework will form the basis for the development of KPI targets and operational indicators to be set by the end of 2016, in time for the launch of the 2017-2022 Strategy in January 2017.

II. Scope and Rating

Audit objectives

The overall objective of this audit was to review whether procedures, systems and controls underlying the corporate and operational KPIs are effective in measuring and supporting the achievement of the Global Fund strategy and objectives. The audit pursued three specific objectives:

Objective 1: Adequacy and effectiveness of the KPI framework

- Assess whether the processes and controls for performance measurement, reporting and decision-making are adequately designed and operating effectively, with particular respect to data availability, adequate measurement of quality, timeliness of reports, and effectiveness of target setting.

Objective 2: Data validation

- assess the controls over data collection and reporting to ensure the reasonableness and accuracy of the data used in KPI reports;
- validate the accuracy of data collected and reported; and
- assess whether KPI reports are produced accurately and reflect the data reported.

Objective 3: Use of data for decision-making

- assess actual use of KPI reports for performance-based decision-making; and
- assess whether progress is measured effectively against set targets and milestones, and underperformance issues are addressed.

Scope and methodology

The audit was based on the existing KPI framework. The Global Fund is currently developing a new KPI framework, which was not part of the audit scope, although the lessons learnt from the existing framework will inform the new framework. The audit included:

- detailed review and analysis of documentation and datasets used for 60% of corporate KPIs and 55% of OKPIs currently measured by the Global Fund, including all key KPIs prioritized based on a detailed risk assessment. For this purpose, the OIG reviewed KPI data reported in Quarter 2, 2015 reports to the governing bodies and the Management Executive Committee.
- review and assessment of processes for KPI data collection, aggregation, reporting and decision-making;
- review of pertinent documents and reports from the Board, its committees, the Secretariat and the OIG;[5] and
- interviews with relevant employees (primarily Strategic Controlling, contributors to KPI and OKPI reports, business process owners and KPI users) including some Management Executive Committee members and department heads.

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[5] Key documents included Board, Management Executive Committee and TERG papers; The Global Fund's Strategy, Planning, Implementation and Monitoring Processes Audit report, Office of the Inspector General, GF-OIG-16-008; and Governance Review report, Office of the Inspector General, GF-OIG-14-008.

Rating[6]

Below are the OIG's overall ratings of the Key Performance Indicator framework:

Operational Risk	Rating	Reference to findings
Adequacy and effectiveness of the KPI framework	Partial plan to become effective	01, 02, 03
Data validation	Generally effective	04
Use of data for decision-making	Partial plan to become effective	01, 02

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[6] See Annex B for the definitions of the OIG ratings

III. Executive Summary

In November 2011, the Global Fund Board requested the adoption of a KPI framework to measure the progress against the Global Fund Strategy 2012-2016. After a lengthy development process, a corporate framework is now in place. A significantly revised framework, which was not part of the audit scope, is currently under development. This audit identified gaps in the existing framework for monitoring strategy implementation, and gaps in KPI framework implementation and its use for decision-making. However, the overall KPI results reported to the Board so far were found to be largely correct and aligned with underlying performance data of the Secretariat.

Data validation

The OIG validated more than 55% of the KPIs in the latest KPI report to the Board (Quarter 2, 2015), including all strategic and other key KPIs, and did not identify any overall material errors in calculation, estimation or lack of alignment between results reported and the underlying data. However, significant inefficiencies were noted in data collection and aggregation processes, which largely rely on manual processes and have weak quality controls.

Significant improvements and ongoing efforts for automation were noted throughout the data validation process. Based principally on the accuracy of data, the OIG rated data validation as **generally effective**.

Adequacy and effectiveness of the KPI framework

There was a 15-month gap between the approval of the 2012-2016 strategy by the Board, and work formally starting on designing and operationalizing the processes for performance measurement, reporting and decision-making. The OIG noted gradual improvements in both the design and effectiveness of these processes and related controls, leading to the first complete KPI report to the Board in November 2015, after more than three quarters of the implementation period of the current strategy cycle had passed.

However, gaps continue to exist with respect to complete coverage of the Global Fund strategy, with a number of operational areas of the strategy not currently measured. As noted in a recent audit of Global Fund strategy processes (GF-OIG-16-008), the KPI framework is only one aspect of strategy monitoring at the Global Fund. The Secretariat plans to complement it with thematic reporting applicable to the new strategy. Furthermore, the current KPI reports do not supplement the quantitative ratings with sufficient narrative analysis explaining areas of, and reasons for, underperformance to enable the unambiguous interpretation of results. In addition, this audit found examples of a lack of adequate data and limited portfolio coverage in KPI reporting. Finally, various efficiency and effectiveness gaps were observed in the interpretation, reporting and follow-up of KPI results. These include risks of uncontrolled changes in assumptions or methodology, lack of clarity in roles relating to results interpretation, and limited integration of information systems. These factors also contribute towards risks of comparability of results across periods and timeliness of reports.

The ongoing revision of the KPI framework, along with possible benefits from various ongoing initiatives relating to automation and integration, are likely to result in improvements in data availability. Based on the materiality of related findings, and since plans to address these issues are currently under development, the adequacy and effectiveness of the KPI framework is rated as having a **partial plan to become effective**.

<u>Use of data for decision-making</u>

Despite the length of time it has taken to develop and operationalize the framework, the current KPI framework has started to be used more proactively at the Board and the senior management levels. While many operational decisions are now based on useful KPI information, gaps remain in the information needed by senior decision-makers to ensure they are adequately informed about the areas of the portfolio that require management attention.

The performance targets are not effectively cascaded at the Secretariat to drive managers' accountability. In many cases, such targets can be directly controllable and measurable at lower levels of management, while in other cases an improved measurement of the Global Fund contributions is possible.

However, the OIG noted recent improvements in the use of the KPI results in decision-making, especially at the Secretariat level. Furthermore, the ongoing preparation of a new framework to measure progress against a new Global Fund strategy is likely to further enhance and embed the use of KPI reports in decision-making. As part of the work towards the new framework, the Secretariat is improving the analysis, contextualization, qualitative and quantitative coverage, and interpretation of the KPI reports, while ensuring that data is available or will be obtainable through additional, identifiable processes. Furthermore, the Secretariat has agreed to develop a framework applicable to the new strategy, and outlining which divisions, teams, and managers are accountable for corporate performance against specific objectives.

Based on these findings and ongoing work to address the related issues, use of data for decision-making has been rated as having a **partial plan to become effective**.

IV. Findings and Agreed Management Actions

01 KPI reports do not adequately inform and drive strategic decisions

Initial delays in KPI framework formulation and KPI reporting

As noted in an OIG review of Global Fund governance (GF-OIG-14-008), the KPI framework for the 2012-2016 Strategy was approved by the Board in November 2013, almost two years into the existing strategy period. Furthermore, the methodology for measurement for 11 out of 16 KPIs was not finalized until November 2014. While KPI reporting was initiated in November 2014, it was incomplete with no results for three strategic and various activity-based KPIs. In the March 2015 KPI report to the Board, partial progress updates were included for the three strategic and one activity-based KPI. The first complete KPI report was submitted to the Board in November 2015, after more than three quarters of the current strategy period had passed:

Figure 1. Timeline from the approval of the 2012-2016 strategy to the first complete KPI report.
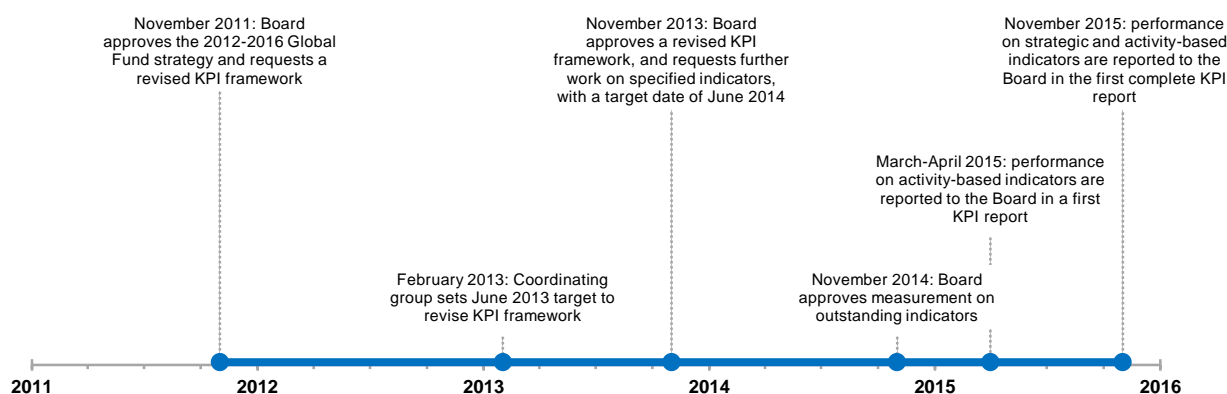
Similarly, the Management Executive Committee approved the first set of 19 OKPIs in April 2014. The first report to the Management Executive Committee was in February 2015. 11 out of 19 OKPIs are currently monitored by the Management Executive Committee. Other OKPIs either remain under development, have been delegated to team-level monitoring or were ultimately cancelled by the Management Executive Committee.[7]

The main contributing factors behind the delays in operationalizing the KPI framework include a lack of solid basis of management information to report on KPI results, limited technical capacity of staff involved in interpretation and compilation of various data sets, manual information systems, and limited resources in a two-member Strategic Controlling team. Various data collection mechanisms and systems for KPIs are now at different stages of development.

Limited analysis and contextualization of results for the Board, the committees and the Management Executive Committee

Current KPI reports for the governing bodies, as well as OKPI reports for the Management Executive Committee, show gaps in the adequacy of analysis and contextual details. While some of the missing information is communicated to the Board and the Management Executive Committee through other means outside the KPI framework, the KPI reports do not consistently make reference to these. These gaps can hamper full comprehension of the performance results by the decision-makers. Such issues identified during the audit include:

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[7] For details, see Annex 1, Table 2

Lack of clear communication of data limitations: As noted from Quarter 2, 2015 KPI reports to the Board and the Management Executive Committee, portfolio coverage, period coverage, or data unavailability are not adequately disclosed to decision-makers. For example:

- Seven of the twelve indicators sampled for this audit covered less than half of the countries in the Global Fund portfolio. In two of these cases, the datasets used to report on the KPI were clearly not representative of the portfolio. KPI 5 on health system strengthening is currently calculated on the basis of only one country. OKPI 13a on human rights investments only covers prospective grants, where such investments have been requested by the applicant countries, which covers 3% of the allocation under the New Funding Model. These limitations were communicated to the Board and the Management Executive Committee, but their impact on the KPI results were not adequately explained in the KPI reports to the Board in November 2015and to the Management Executive Committee in August 2015.

- In the Quarter 2, 2015 report, the data available for KPI 3 on strategic service delivery is labelled "mid-2015", which is the date of the KPI report, rather than "end 2014", which is the actual cut-off date that the data pertains to.

- For KPI 3 on strategic service delivery, in the absence of an update from fund recipients, the reports used alternative data from the World Health Organization for Nigeria, which represents over 7% of the total portfolio. This was not disclosed in the report to the Board in November 2015.

- In the data aggregation for OKPI 1a on grant programmatic performance, material approximations were used to compensate for unavailable data points. This was not clear in the report to the Management Executive Committee in August 2015;

- For OKPI 13 on human rights investments, the results were reported based on budgets requested in concept notes. However, as per the measures approved by the Management Executive Committee, this OKPI should also have been based on the actual expenditures. Data unavailability on human rights related expenditures was not explained in the report to the Management Executive Committee in August 2015.

In most of these cases, the data or methodology limitations were available to the Board outside the KPI report through dashboards, KPI methodology documentation or during Board discussions and responses to their queries. However, these sources of information were not referenced in the KPI report.

Inadequate analysis or granularity of results: The current KPI reports do not supplement the quantitative ratings with sufficient narrative analysis explaining areas of, and reasons for, underperformance. As a result, significant variances are not adequately explained within or outside the KPI reporting. While in some cases such granular information is not available with the Secretariat, recent significant improvements in financial data have often meant that such granular information was readily available, and was communicated subsequently. Examples from Quarter 2, 2015 include the KPI for results on access to funding (KPI 7), measuring the time it takes to make a grant and disburse its first installment, which reported a result of 54%, compared to a target of 75%; and the cash balance in recipient countries (OKPI 10b), reported as 59% of the annual grant expenses, while its target was a maximum of 30%.

KPI results are now starting to drive and inform some decisions of the Secretariat. For instance, the Executive Director's report issued to the Board in November 2015 cites how recent results of KPI 3 on strategic service delivery led to management decisions to improve data availability, through systems improvements and integration. However, unless the KPI fulfills the remaining information needs of decision makers, key decisions will be made without optimal information and analysis, and the requests for ad-hoc information will likely persist.

Agreed management action 1:

For the new strategy cycle, the Secretariat will ensure that the new KPI framework along with a plan for thematic reporting supporting and informing the KPI results, are finalized, which will together envisage:

- Provision of sufficient elements of context to readers to unambiguously interpret the results. These elements of context will include explanations on the methodology used, portfolio share and time-period covered, other pertinent data limitations and corrective actions pursued;
- Adequate level of granular information commensurate with the roles and responsibilities of the decision-makers, enabling adequate comprehension of results, root causes for performance gaps and options for their redressal.

Owner: Chief Financial Officer, Finance Information Technology Sourcing and Administration Division

Target date: 31 December 2016

02 KPI targets are not effectively cascaded to drive accountability by managers

KPI targets are initially proposed by the Secretariat, and then presented to the Board for approval. Performance is measured against these targets. The recent improvements in the Global Fund's financial processes and data have enabled a significantly enhanced performance measurement of managers against cascaded targets. However, for certain essential non-financial KPIs, the accountabilities are not defined within the organization to achieve these targets.

For example, KPI 3 on strategic service delivery, which includes seven different performance measures, as well as OKPI 12 on the performance of the Country Coordinating Mechanisms, both measure performance at country level. However, global targets for these KPI are not further attributed to regions or country teams.

For various performance areas, particularly KPI 3, targets and performance do not depend solely on managers and are influenced by a number of factors, including the funding allocations to the country portfolio; the country's timing and ambitions in setting the targets; and its capacity in meeting them. However, an accountability matrix matching results with the levels of control or influence managers can exercise on them does not exist.

This leads to the risk that managers at divisional, departmental and country-team levels are not accountable for the achievements needed to reach global KPI targets, particularly the strategic service delivery targets.

In turn, the Management Executive Committee and senior management do not have adequate data on which areas or countries of the Global Fund portfolio are underperforming against the global targets, which is necessary to undertake corrective actions.

Agreed management action 2:

For the next strategy cycle, the Secretariat will develop an accountability framework matching divisions, teams and individual managers with their roles in achieving corporate targets. The framework will cover all key corporate targets, and will balance accountability with level of control or influence staff have on results.

Owner: Chief of Staff, Office of the Executive Director

Target: 31 March 2017

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03 A number of operational areas in the Global Fund Strategy are not measured

The Global Fund strategy includes strategic goals, targets and objectives for its achievement. It also defines specific strategic actions and enablers for its achievement. According to the Board-approved KPI framework, strategic goals, targets and objectives are measured through corporate KPIs, while the strategic actions and enablers should be measured through OKPIs.[8] Although the KPI framework is only one aspect of strategy monitoring at the Global Fund, and the Secretariat plans to complement it with thematic reporting applicable to the new strategy, certain gaps exist in the measurement of a number of strategic actions and enablers in the current strategy.

Two of the strategic actions are not measured by a KPI or OKPI:

- Strategic action 2.2 *"Facilitate the strategic refocusing of existing investments";* and

- Strategic action 4.3 *"Integrate human rights considerations throughout the grant cycle".*

For a number of other strategic actions and enablers, the adopted KPI or OKPI measures have inadequate qualitative or quantitative coverage or do not capture the spirit of the strategy:

- For strategic action 1.3 "*Maximize the impact of the Global Fund investments on strengthening health systems*", the measure adopted for KPI 5 on health systems strengthening currently has data only from one country to measure improvement in service availability. No other supporting measurements of the Global Fund's role in health systems strengthening have been designed.

- For strategic action 3.3 "*Make partnerships work to improve grant implementation*", the adopted OKPI 12 only measures CCM performance in meeting their eligibility criteria, as decided by the Management Executive Committee. No other measures are available to track the Global Fund's qualitative or quantitative performance in building partnerships, the CCM role therein, or successes from such partnerships.

- For strategic enabler "*Enhance partnerships to deliver results*", the Management Executive Committee monitors the Board-mandated special initiatives through OKPI 15 on technical assistance.[9] However, the performance of four special initiatives under the label of Technical Assistance measures only the total spending on these initiatives without any qualitative measurement.[10]

- For strategic enabler *"Transform to improve Global Fund governance, operations and fiduciary controls"*, two KPIs are currently measured. However, a number of originally designed OKPIs are no longer monitored by the Management Executive Committee based on its decision in March 2015, currently without alternative measures. Consequently, no OKPI currently measures areas such as the organization's internal controls, or quality of programmatic and financial data and systems.

As in the case of Finding 01, the main root cause for the gaps in the measurement of strategic actions and enablers is the absence of a solid basis of management information. In April 2014, the Management Executive Committee considered an extensive list of other potential OKPIs to measure

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[8] Approved by the Board as follows: *"The previous framework had no clear links to the strategic aims of the organization. As recommended by the independent review, the corporate level KPI framework should focus on the Goals, Targets, and Objectives of the Strategy (GF/B29/07/Annex 3). Indicators to monitor the Strategic Actions of the Strategy, the tasks required to achieve the Strategic Objectives, will be developed for Secretariat level operational KPIs once agreement has been reached on the corporate level framework."* Par. 13 of the Global Fund Corporate KPI Framework for 2014-2016, November 2013

[9] Board approved special initiatives include: US$ 30 million for the Humanitarian Emergency Fund; US$ 17 million for Country Data Systems; US$ 29 million for Technical Assistance for Strong Concept Notes and Principal Recipient Grant-making Capacity Building; US$ 15 million for Technical Assistance on Community, Rights and Gender; and US$ 9 million for Enhancing Value for Money and Financial Sustainability of Global Fund Supported Programs. The Humanitarian Emergency Fund is out of the scope of this indicator.

[10] The quality of Technical Assistance provided was expected to be assessed through a special evaluation study.

performance on other important operational areas. However, they were not adopted primarily due to the unavailability of data, complexity or cost to obtain them, or the potential information overload.

These gaps expose the organization to the risk that certain key aspects of strategic performance might not be effectively overseen, and therefore not achieved.

Work is underway to develop measures of success against the 2017-2022 Global Fund Strategy. The Board decision on a new corporate KPI framework is scheduled for April 2016. In response to this, the Secretariat is also developing a new set of OKPIs. It also plans to complement the OKPI framework with more granular management information required for Global Fund portfolio management.

Agreed management action 3:

The Secretariat will ensure that the new KPI framework and the plan for thematic reporting, taken together:

• Do not exclude any material aspects of the 2017-2022 Global Fund Strategy from measurement, and;
• Do not include any measurement for which necessary data is not available, or is without an approved plan to collect the necessary data.

Owner: Chief Financial Officer, Finance Information Technology Sourcing and Administration Division

Target date: 31 December 2016

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04 Effectiveness and efficiency gaps in KPI data collection, aggregation, reporting, and follow-up

The data aggregated for the Quarter 2, 2015 KPI report was materially accurate, with one exception detailed below for OKPI 1b on grant financial performance. However, the following weaknesses were noted in the KPI data collection, aggregation, reporting and follow-up processes:

Unclear roles in data collection, aggregation, interpretation and reporting

The Secretariat has documented a draft methodology for data collection, aggregation, quality control and reporting for all KPI and OKPI in use. This methodology has not been formalized and the roles of various contributors are not clearly defined. This leads to risks of ambiguity, uncontrolled changes in assumptions or methodology, or lack of comparability of results across periods. Examples of some of these risks were noted during the audit:

- The actual processes carried out differed from the defined methodology in the case of KPI 3 on service delivery, KPI 5 on health systems strengthening, and OKPI 15 on technical assistance.

- Different methodologies between mid-year and year-end reports were noted for KPI 9 on operational risk management, with a possible impact on results.

- Strategic Controlling and contributors to reports had conflicting interpretations of results for KPI 1 on strategic goals, and KPI 9 and OKPI 6b on operational risk management. These were left unresolved when results interpreted by Strategic Controlling were presented to the Board and the Management Executive Committee.

Inadequate quality controls in data collection and aggregation

While only one material error highlighted below was identified by the OIG in the sample-based data validation tests, gaps were identified in the quality controls over data, which lead to risks of more data inaccuracies and misreporting, in particular due to human error. For example:

- Gaps in segregation of duties: KPI 3 on strategic service delivery relies on data entries in the grant management information system for all grants in the portfolio. The data is entered on the basis of source documents but is not subsequently validated by other staff, even on a sample basis. For KPI 6 on alignment of supported programs with national systems, the same contributor collects, aggregates and reports data, without quality control by other staff.

- Validation of external data is lacking: External data input on KPI 5 on health system strengthening is not internally validated. While the audit identified seven minor errors in the data, there is a risk of more material errors in external data inputs remaining undetected if they are not validated internally;

- Lack of automated controls: The use of a spreadsheet-based tool resulted in material misreporting of OKPI 1b on grant financial performance. For this OKPI, during the audit, the Secretariat identified an error in the formula which changed the reported funds absorption rate from 64% to 69%. Use of spreadsheets may result in other material errors in the future.

- Lack of audit trail: Data collection and aggregation audit trail is incomplete for KPI 3 on strategic service delivery, KPI 9 and OKPI 6b on operational risk management, and OKPI 1a on grant programmatic performance. For these KPIs, baseline calculations can only be re-performed on the basis of explanations provided by staff involved in the calculation. This creates a key person dependency risk, and limited verifiability of any errors in calculating results.

Room for efficiencies in the data collection, aggregation, reporting and follow-up

Manual processes and gaps in the integration of information systems: Data collection and reporting systems for most KPIs are either manual (using spreadsheets) or not internally integrated. Besides the quality control gaps identified above, this results in more staff time taken in collecting, aggregating and reporting data. For example:

- Manual processes are used for KPI 1 on strategic goals, KPI 2 on quality and coverage services, KPI 10 on value for money, OKPI 1a on grant programmatic performance and OKPI 1b on grant financial performance.

- Gaps in the integration of information systems: The raw data for KPI 3 on strategic service delivery is manually entered into the centralized grant management system based on documentation received from the grant recipients. The information is then extracted and aggregated manually to prepare KPI reports.

  For OKPI 1b on grant financial performance, budget and expenditure data are extracted from two different systems and then consolidated in a spreadsheet.

- Considerable time taken in preparation of KPI reports and development of management actions: It has taken up to two months after the end of a reporting period to prepare KPI reports. In addition, it has taken up to two more months to design management actions for the Management Executive Committee to address performance gaps highlighted in KPI reports.

Two projects are currently underway which may contribute to enhancing KPI reports and data availability. The first is project Accelerated Integration Management (AIM), which is designed to integrate and align grant management processes, data and systems, and visualization of management information. The other is the 'KPI Cube', designed to automate the process of KPI calculation and reporting using the data to be generated by the Project AIM. In the long term, 'KPI Cube' is envisaged to automate end-to-end process to input, aggregate and validate the KPI data, either from manual sources or automated systems.

The detailed scope of the two projects, and their role in addressing gaps identified above, is currently under development.

Agreed management action 4:

For the new KPI framework, the Secretariat will finalize the methodology outlining accountabilities for various steps in KPI reporting including data collection, aggregation of results, preparation of KPI reports to the Management Executive Committee and the Board and decision-making for addressing underperformance.

This methodology will describe the tools, systems and processes to be used to source performance data, including all the new automated systems introduced through ongoing initiatives for improving data quality and controls.

Owner: Chief Financial Officer, Finance Information Technology Sourcing and Administration Division

Target date: 31 March 2017

Annex A. Corporate and operational KPI framework

Table 1. Corporate KPI framework, as at 30 June 2015

Legend: blank   indicator monitored by the Global Fund
         ▪   temporary indicator that was designed for use only throughout 2014 and is no longer monitored

		Strategic goals		Strategic targets			
Corporate KPI	**Strategic**	**KPI 1** Performance against strategic goals		**KPI 2** Quality and coverage of services		**KPI 3** Performance against strategic service delivery targets	
		SO1 Invest more strategically	**SO2** Evolve the funding model	**SO3** Actively support grant implementation	**SO4** Promote and protect human rights	**SO5** Sustain the gains, mobilize resources	**Strategic Enablers** Transform to improve governance, operations and fiduciary controls
	Activity specific	**KPI 4** Efficiency of Global Fund investments decisions	**KPI 7** Access to funding	**KPI 9** Effective operational risk management	**KPI 12** Human rights protection	**KPI 13** Resource mobilization	**KPI 15** Efficiency of grant management operations
		KPI 5 Health Systems Strengthening	**KPI 8** New funding model implementation	**KPI 10** Value for money		**KPI 14** Domestic financing for AIDS, tuberculosis and malaria	**KPI 16** Quality of management and leadership
		KPI 6 Alignment of supported programs with national systems		**KPI 11** Grant expenses forecasts			

Table 2. Operational KPI framework, as at 30 June 2015

Legend: blank   indicator monitored by the Management Executive Committee
         ▪ (orange)   indicator under development
         ▪ (blue)   indicator no longer reviewed by the Management Executive Committee, delegated to team-level monitoring
         ▪ (grey)   indicator initially considered for monitoring, but ultimately cancelled by the Management Executive
Committee

	SO1 Invest more strategically	**SO2** Evolve the funding model	**SO3** Actively support grant implementation	**SO4** Promote and protect human rights	**SO5** Sustain the gains, mobilize resources	**Strategic Enablers** Enhance partnerships; and Transform to improve governance, operations and fiduciary controls
Operational KPI	**OKPI 1** Grant portfolio performance	**OKPI 3** Funding disruptions	**OKPI 6** Risk assessment	**OKPI 13** Human rights investments	**OKPI 14** Post replenishment pledges	**OKPI 15** Technical assistance
	OKPI 2 Maternal and child health partnerships	**OKPI 4** Grant approval	**OKPI 7** OIG recommendations			**OKPI 16** Quality of internal data
		OKPI 5 New funding model transition	**OKPI 8** Unit costs			**OKPI 17** Quality of external data
			OKPI 9 Procurement efficiency			**OKPI 18** Internal controls
			OKPI 10 Grant financial performance			**OKPI 19** Succession planning
			OKPI 11 Idle funds			
			OKPI 12 CCM performance			

Annex B General Audit Rating Classification

Highly Effective	**No significant issues noted**. Internal controls, governance and risk management processes were adequate, appropriate, and effective to provide assurance that objectives should be met.
Generally Effective	**Some significant issues noted but not material to the overall achievement of the strategic objective within the audited environment.** Generally, internal controls, governance and risk management processes were adequate, appropriate, and effective. However, there is room to improve.
Full Plan to Become Effective	**Multiple significant and/or (a) material issue(s) noted. However, a full SMART (*Specific, Measurable, Achievable, Realistic* and *Time-bound)* plan to address the issues was in place** at the time audit Terms of Reference were shared with the auditee. If implemented, this plan should ensure adequate, appropriate, and effective internal controls, governance and risk management processes.
Partial Plan to Become Effective	**Multiple significant and/or (a) material issue(s) noted. However, a partial SMART plan to address the issues was in place** at the time audit Terms of Reference were shared with the auditee. If implemented, this plan should improve internal controls, governance and risk management processes.
Ineffective	**Multiple significant and/or (a) material issue(s) noted.** Internal controls, governance and risk management processes were not adequate, appropriate, or effective. They do not provide assurance that objectives will be met**. No plan to address the issues was in place** at the time audit Terms of Reference were shared with the auditee.

Annex C: Methodology

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

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

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

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

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