



OFFICE OF THE INSPECTOR GENERAL

The Global Fund to Fight AIDS, Tuberculosis and Malaria

COMMENTS BY THE INSPECTOR GENERAL ON THE FINDINGS OF THE HIGH LEVEL PANEL PRESENTED TO THE 24TH GLOBAL FUND BOARD, 26 SEPTEMBER 2011

Welcoming the Panel's report

I very much welcome the Panel's report and its recognition of the rigor and thoroughness of the OIG's work. The Panel concludes that the depth of the OIG's work is "remarkable" and notes that the OIG's findings are critical to maintaining the credibility of the Global Fund with its donors.

I note that the Panel's own findings and conclusions draw heavily on the OIG's work.

I welcome the recognition by the Panel that the OIG must continue to have the independence to craft reports that reflect its unvarnished, professional findings, free from political or other interference.

I also welcome the proposal to establish an audit committee chaired by an independent member to inter alia oversee the work of my office.

Implementing the Panel's recommendations relating to the work of the OIG

The Panel's report makes a total of 10 recommendations that are specifically directed at the OIG. Most are helpfully captured in Annex S of the Panel's report. Many of these recommendations are already being implemented by my office.

I accept and intend to act swiftly to implement all 10 recommendations.

I will now set out some of the key actions I have already set in train as an urgent priority, and I stress the word 'urgent', to address the recommendations and issues raised.

The relationship with the Executive Director and the Secretariat

First, the Panel has concluded that a tense relationship between the Executive Director and the Inspector General has become an impediment to the efficient operation of the Global Fund.

When I saw this stark conclusion I immediately had a heart to heart with Michel and expressed my firm commitment to work with him transform “the nature and culture of our relationship” into a partnership that helps to strengthen the Global Fund. I stand ready to continue with such an initiative in good faith.

To take this forward:

I will schedule one to one meetings with Michel every two weeks or more frequently as needed.

I will escalate sensitive issues to Michel immediately they become apparent, even when he is travelling, and stand ready to receive feedback on urgent matters from him should he wish to raise them with me.

I offer myself up to participate jointly with Michel in Town Hall sessions with groupings of Secretariat and OIG staff.

I have already stressed to all staff in the OIG that it is essential that they also demonstrate a commitment to a more open, collaborative and trusting relationship with their counterparts in the Secretariat. To take this forward I am meeting, together with my two Directors, with Mark Edington and his unit Directors on Wednesday this week to agree on the initiatives we must take to nurture this relationship.

The behaviour of OIG contractors in the field

Although no specific recommendation is offered the Panel draws attention to reports it received regarding the behaviour of some OIG contractors in the field.

When such concerns first surfaced in December 2010, I immediately stressed to all OIG team members and contractors that I have zero tolerance of inappropriate behaviour in the field. I made it crystal clear that I expect all OIG team members to uphold the highest standards of professionalism in all aspect of their behaviour. This is now made clear to all contractors by our team leaders at the start of an assignment.

I am taking a number of other actions.

We are developing a code of conduct for all OIG team members, staff and contractors alike. This will be made contractually binding so that if there is a transgression we will take appropriate action, most likely the immediate termination of the contract.

Other action: for audits we have since the start of 2011 been sending out questionnaires to Principal Recipients and CCM Chairs asking for feedback on the way in which the audit field work has been conducted. This has focused specifically on professionalism and behaviour of OIG teams. The performance of team members was rated highly in response to these surveys. We had 20 responses, with a mean score of 3.6 (on a scale of 1=Poor to 4=Good). Respondents commented that “the audit was very educational”, that it was “constructive and effectively executed”, that the team was “maintaining very high standards and professionalism”, and that the “OIG consultants were all thorough and asked thought-provoking questions”.

Looking ahead I intend to ask auditees to send their responses to the Audit Committee or to an independent monitor - perhaps a sister organisation such as the World Bank - and to invite the

monitor to come along to a sample of cases of their choice at the end of the audit fieldwork to get feedback from auditees first hand.

I intend to establish the same process for investigators, but recognise that those that are the subject of investigations are heavily conflicted in providing objective feedback.

The timeliness of reporting

Next the issue of timeliness of reporting: the Panel quite appropriately recommended shortening the length of elapsed time from the beginning of an assignment to the release of the subsequent report.

I have already taken action to address this issue. Since the start of this year I have kept audit teams in country for an additional week so that they can develop well advanced draft reports in country. We are also, as the Panel notes, leaving a set of written recommendations in country so that the auditees can agree to and immediately begin to take action in response. This has been well received by auditees.

I should perhaps note, however, that some of the Panel recommendations will in practice add to the length of time it takes to finalize OIG reports: the Secretariat and Board have called for more time to review draft reports and we will need to await review at a quarterly meeting of the Audit Committee unless some mechanism can be found for review remotely ex Committee.

On investigations the issue of timeliness is more complex and as the Panel recognises is often due to factors beyond the OIG's control. So much depends on the complexity of the case, the level of cooperation we receive and impediments to obtaining information. For both audit and investigation the whole OIG team will be coming together on Thursday and Friday this week for a workshop to enable them to devise ways in which to speed up our reporting timelines.

The scope of audits and reviews

The Panel calls on oversight mechanisms, including the OIG, to focus on more recent transactions from Round 6 onwards. The OIG have since the start of the year not included closed grants in their audit coverage but will, with immediate effect, as the Panel recommends, limit their future audit coverage to Round 6 onwards. But as the Panel acknowledges, the Global Fund should continue to pursue fraud from any period of time.

I welcome the Panel's support for the shorter diagnostic reviews that the OIG is now undertaking to drill down into areas of particular risk. 6 such diagnostic reviews will take place in 2011 and 8 are planned for 2012. The schedule for writing and releasing them is much more compressed and as the Panel recognises enable the OIG to provide advice in real time. I must stress, however, that some of these reviews could well prompt full audits or investigations and have limitations as they are not based on detailed testing and visits to Sub Recipients which the Panel recognises to be an area of high risk. Diagnostic reviews are not a substitute for audits.

What gets reported

I accept the Panel's recommendations that the OIG should not in future publish audits of internal business processes within the Secretariat but it is important, as the Panel recognises, that I should provide the Board with summaries of those reports and the actions taken in response. That

approach has worked well in recent weeks. The OIG provided the Secretariat with detailed reports on our reviews of the IT and HR functions in the Secretariat. We will summarise these in our report to the Board and reproduce the Secretariat's Action Plan in response to these reviews. It is, however, important to distinguish these reviews of internal processes from reviews which are grant related. It was, for example, appropriate for me to provide the Board in 2010 with the complete report on the OIG review of the oversight of grant procurement - a high risk area as the Panel recognises.

I intend to experiment with providing separate versions of investigation reports for the Board and the Secretariat, law enforcement and the general public but do recognise that producing separate versions will be resource intensive and we need to guard against this adding yet more elapsed time to the release of reports. I also intend to reflect carefully, with immediate effect, on the tone of all reports, their size and the scope for segmentations of audit findings.

The relationship with UNDP

Finally, I welcome the Panel's call for the relationship with UNDP to be redefined to permit greater accountability to and access by the Global Fund. The Panel's analysis will help me and the Secretariat to take initiatives to move this forward, particularly the observation that Privileges and Immunities should not be used by UNDP to hold back on access. I am firmly committed to moving forward with a detailed Memorandum of Agreement with my counterpart in UNDP so that we can undertake joint investigations with the necessary exchange of confidential information and appropriate access to UNDP's internal documents. In that regard I met with my counterpart from UNDP last Friday and he asked me to stress to you that he is equally concerned to move forward collaboratively. Only time will tell if in practice UNDP is able to offer increased access and accountability.

My conclusion

In conclusion, I hope that what I have just related shows my commitment to take swift action to build the appropriate relationships with the Secretariat and those who are subject to the OIGs work, and to refine a number of our working processes whilst at the same time continuing to provide thorough and essential oversight, provide the requisite levels of assurance to the Board, and deliver high quality outputs which the Panel recognises and commends.

John Parsons
Inspector General
26 September 2011