

BOARD REPORT

2013 Annual Report of the Office of the Inspector General

GF/B31/11 ■ 17 February 2014



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Board Information

**OFFICE OF THE INSPECTOR GENERAL
ANNUAL REPORT 2013**

Purpose: This paper provides an update on the activities of the Office of the Inspector General (OIG) and has been reviewed by the Audit and Ethics Committee for recommendation to the Board.

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Part 1: Letter from the Inspector General

Dear AEC and Board members,

The Office of the Inspector General (OIG) begins 2014 in a stronger place than a year ago.

We are now closer to having the optimal resources to ensure that the Global Fund gets the most impact out of every dollar spent. The recent arrival of Katie Hodson as the Director of Investigations, working alongside Elmar Vinh-Thomas as the Director of Audit and myself, means the senior management team is now complete. Staff levels rose by 37% in 2013 with the recruitment of 13 new staff allowing us to concentrate on developing long-term skills and knowledge rather than relying on external, temporary resources. This shift is reflected in the 2013 cost base with a 62.5% decrease in external consultant fees compared to 2012.

The 2013 Key Performance Indicators set for the Office have been broadly met. Specifically, a comprehensive communications strategy has been developed, the office budget was carefully managed, the tracking of management actions is now systematized and 95% of the audit workplan has been completed. 2013 was also the year in which the OIG's audit unit received external independent validation with an assessment that it now "generally conforms" to International Internal Auditing Standards.

Significant progress has been made with clearing the backlog of 2005 to 2012 investigations cases and allegations. The Office is publishing more investigation reports than at any other time in its history and this trend will continue as the backlog is cleared. The recent investigation report of Global Fund grants to Cambodia highlights the Office's strong commitment to clearing the backlog and reporting in a transparent and independent manner. It also demonstrates how the Office is a key protagonist in the Global Fund's zero tolerance approach to fraud and abuse within the programs it finances. As Bill and Melinda Gates wrote in their recently published annual letter: "it's a good thing when the press holds institutions accountable. But the press didn't uncover this scheme. The Global Fund did, during an internal audit. In finding and fixing the problem, the Global Fund did exactly what it should be doing."

In conclusion, the OIG is an independent, well-staffed office that reports directly to the Board, through the AEC, and compiles regular, publicly available audit and investigation reports of financial, programmatic, and reporting aspects of the Global Fund, its grantees, and Local Fund Agents.

Looking forward to 2014 our priorities will be:

1. Combined Assurance: making the Global Fund combined assurance model a success. It is pleasing to note that the Management Executive Committee has made this one of their top priorities for 2014 and has recently set up a working group to ensure success. Given the business and operating models of the Global Fund, assurance is essential to making sure grant money is spent as intended to achieve the maximum impact. This requires a joined-up approach across the Secretariat and with the OIG.
2. Assurance Statement: the OIG will bring forward by twelve months an overall opinion on the governance, risk management and internal controls of the Global Fund. This will be based on the engagements in 2013 and 2014, and issued in early 2015 instead of 2016.
3. Communications strategy: 2014 marks the roll out of our formal communications strategy. This new strategy is a comprehensive framework which aims to answer some

fundamental questions: how we interact and engage with key stakeholders, what our reports are designed to do, how to encourage good practice and deter 'bad behavior'... to mention but a few. One key component is our revised Disclosure Policy. It goes back to basic principles and reaffirms our commitment to transparency and accountability. The past year has seen a growing momentum towards more openness with peer organizations and specialized UN Agencies publishing internal audit reports. With this as a backdrop, we propose to return to the original, pioneering spirit of the Global Fund's Disclosure Policy and publish not only our investigations reports but also all audit reports, whether they look at Secretariat processes or grant recipients.

4. Professional standards: we will continue to follow internationally recognized professional standards and guidelines for our audit and investigation work, and this will be reinforced by the internal safeguards built into our stakeholder engagement model. In addition, starting from 2014, we will introduce an annual external quality assurance review covering both audit and investigations, to ensure that we maintain these high standards.
5. Agreed action/recommendation tracking: we have put in place a robust monthly tracking mechanism with the emphasis on high priority actions linked to the achievement of strategic objectives. Further work needs to be done to capture, analyse and record all agreed actions/recommendations emanating from our investigations work.
6. Legacy cases: finalizing legacy investigations and the 2013 case load.
7. Structure: embedding our operational structures and filling our vacancies.

Our gratitude is extended to the Audit and Ethics Committee, the Board and executive management for their continued support. The professional working relationship with executive management continues to support a common understanding of the key risks facing the Global Fund.

With kind regards,



Martin O'Malley
Inspector General, the Global Fund

Part 1b: Statement from the Audit and Ethics Committee

Dear Board Members,

The enclosed Office of the Inspector General Annual Report to the Board is shared with the full approval and endorsement of the Audit and Ethics Committee, and has been prepared at the request of the Committee. This revised reporting model falls within the overall objective of both the OIG and the AEC of providing the Board with a general statement of assurance, based on the three-year work plan as approved by the AEC in 2012, at the first Board Meeting of 2015. The committee welcomes comments from the Board on the revised reporting approach, and looks forward to discussions at the Thirty-First Board Meeting.

On behalf of committee members, this cover note serves to express our sincere appreciation for the level of commitment and achievement demonstrated by the Inspector General, Martin O'Malley, the Interim Inspector General, Norbert Hauser, and the staff of the OIG throughout 2013.

2013 represented a year of transformation for the OIG. Under the transitional leadership of Norbert Hauser as acting Inspector General, and following the arrival of Inspector General Martin O'Malley, the AEC has observed significant professionalism, focus and impact of the function and its activities.

In particular, the AEC commends the OIG for externally validated conformance with international professional standards for its internal auditing work and the preparation under way to achieve the same for its investigations work, for strategic restructuring, effective recruitment, and balancing of staff to consultant ratios, and for the normalization of the relationship with the Secretariat. The introduction of risk-based internal audit of Secretariat activities and functions represents welcome progress, while the statistics enclosed in the attached report surrounding close-out of legacy investigations cases bear witness to the intense workload undertaken by the OIG in 2013, and highlight the focused approach of OIG staff.

The AEC commends the OIG for making marked improvement in all areas of its work, and highlights the disciplined approach visible within both the audit and investigations functions. The AEC is able to wholeheartedly recommend the enclosed Annual Report to the Board, and to emphasize to the Board the committee's confidence in the work of the OIG.

The committee looks forward to reviewing the work of the OIG in 2014 and to sustainment of the improvements already achieved.

Sincerely,

Graham Joscelyne
Chair

Brian Brink
Vice-Chair

Part 2: Issues for the Board's Attention

2.1. Issues identified in the period

Our assurance work identified five key control risk areas in 2013 that have not yet been fully mitigated through the ongoing reforms at the Secretariat:

- 1 Assurance providers: Limited reliance can be placed on assurance providers constituting the first and second lines of defense. For example, Country Coordinating Mechanisms are neither sufficiently independent nor adequately resourced to provide reliable assurance, and external audit arrangements over grant recipients are less than satisfactory.
- 2 Record-keeping: Information management and the building of institutional knowledge at the Global Fund requires improvement. The majority of audits undertaken this year have highlighted a lack of documentation and inconsistent record-keeping. In particular, documents required for routine grant management, such as the external audit reports of grant recipients, or data on the price and quality of pharmaceuticals, are not consistently available or reliable. Whilst individually these findings may be medium or low-risk, in aggregate we consider this matter to be high risk.
- 3 Accountability: Individual responsibilities are not always well-defined. For example, the relationships between specialists in country teams and technical hubs in grant management have not been sufficiently delineated. In country teams, it was unclear who was ultimately responsible for approving grant-related documents. This was partly addressed in August 2013 through the "Country Team Responsibilities Matrix". An important next step will be to clarify the roles and responsibilities of stakeholders who have a management control function outside of the country team.
- 4 Grant closures: 50% of grants due for closure had not been closed at the time of our audit and only one grant closure audited was fully in compliance with policy and guidelines. This has been partly addressed through policy changes and a simplified approach to closing long-outstanding grants. An important next step is to close the long-outstanding grants.
- 5 Recoveries: Of the USD 118 million identified in OIG reports as not spent in line with the terms of the grant agreement, USD 26 million have been refunded in cash, and written commitments exist to repay USD 9 million. The Secretariat has retrospectively approved or written off USD 16 million. The recovery of the remainder has been slow and policies to guide the recoveries process remain in draft. All but one recovery case has been presented to the Recoveries Committee; however, most cases still include considerable sums subject to further analysis or explanation within the Secretariat before a recommendation can be made by the Committee to the Executive Director.

Full details of the status and action plans to address material issues, both those outstanding and those not yet due, are captured in Annex C. These are now reported monthly to the Secretariat and presented to the AEC and the Board at each meeting.

With regard to the five key control risk areas in 2013, key actions agreed with management are summarized in the table below:

Key actions agreed with management	Owner	Due Date
1 The Secretariat should determine how best to derive combined assurance on the use of grant funds from external audit, Local Fund Agents, the Country Coordinating Mechanisms, other donors, etc.	Grant, Risk, Finance Mgt	31 Dec 2013
2 Specific medium and low-priority recommendations related to record-keeping have been made in management letters to various business process owners.	various	varies
3 The Risk Management Department should work with the relevant divisions and departments in the Secretariat to establish an accountability framework that defines the roles, responsibilities, authorities and accountabilities of various stakeholders.	Risk Mgt	30 Sept 2013
4 The Secretariat should, as a matter of priority, close all long-outstanding grants, particularly those due for closure prior to 2012. The Grant Management and Finance divisions should jointly review and identify areas for simplification in the grant closure process. Proposed changes should be embedded in the Finance “Step-Up” project and other grant management systems platforms such as Salesforce.	Grant & Finance Mgt	31 Dec 2013
5 The Secretariat should resolve all long-outstanding recoveries cases and set indicative timelines within which identified “losses” are presented to the Recoveries Committee for consideration and to the Executive Director for approval. Policies need to be finalized.	Recoveries Committee	31 Dec 2013

Status Update

- 1 All core grant management processes are currently being revised, and the owners of this action propose to ensure that newly developed processes consider the combined assurance framework. Expected completion date: 30 June 2014.
- 2 The Secretariat, led by IT, is analyzing the current tools in place and a Document and Records Management Steering Committee now exists and is developing a change management strategy. Expected project start-up date: 30 April 2014.
- 3 Guidelines for Country Teams have been adopted although this has not been done for management levels outside the Country Teams. The Risk Management Department has developed a paper with proposals for setting risk tolerances. Expected completion date: 30 June 2014.
- 4 The Secretariat has adopted a differentiated and simplified approach for closing grants for the 248 grants identified as due for closure by 31 December 2012. As at 12 December 2013 this has been rolled out, with 38 of these grants fully closed and a further 112 “financially closed”. Expected completion date: 30 June 2014.
- 5 The Recoveries Committee has set a timeline of four weeks from the publication of OIG reports for the Country Teams to present a recovery plan for approval. The Country Teams, with support from the OIG, reviewed the data and subsequently presented their recovery plans to the Recoveries Committee at the end of 2013. Expected completion date: 28 February 2014.

2.2 Issues identified in prior periods

As at 15 January 2014:

Report Category	Open Actions	Actions due	Fully implemented			Partially implemented	Not implemented
			OIG Validated	Sec Reported	Total		
In-Country Reviews	149	128	31	22	53	74	1
Internal Audits	51	58	1	21	22	36	--
Total	200	186	32	43	75	110	1

The 115 actions that are overdue and not yet fully implemented have been categorized by age.

Overdue	<30 days	30-59 days	60-89 days	>90 days	Total
Very High	10	--	2	7	19
High	58	1	4	29	92
Total	68	1	6	36	111

They have also been grouped into ten categories that cut across processes both in recipient countries and at the Secretariat:

	Category	Due
1	Procurement & Supply Chain Management, including quantification & forecasting	28
2	Internal financial controls	21
3	Recoveries	14
4	Program implementation, including quality of services	13
5	Secretariat-level oversight and assurance	9
6	Secretariat-level grant management processes	8
7	Country-level oversight and assurance	7
8	Data quality	4
9	Information Technology	5
10	Human Resources	2
	Total	111

Part 3: Audit Unit progress update

3.1 Progress against the 2013 Audit Work Plan

The 2013 Audit Work Plan is materially complete, with the exception of two engagements where we have expanded the scope. All fieldwork has been completed and all assignments are at the draft report stage and will be completed within Q1 2014.

2013	Original Plan	Revised Plan	Completed	Reports Released	Work in Progress	Progress against Plan
Assurance	20	21	10	26	11	95%
Advisory	8	10	6	6	4	96%
Total	28	31	16	32	15	95%

Two pending engagements will be completed in 2014:

- **Review of Governance:** In consultation with the AEC and the Board leadership, it was decided to expand the scope of the original audit on the cost of governance to focus instead on the economy, efficacy and efficiency of governance as an advisory rather than an assurance deliverable. We are now looking to complete this by the end of Q2.
- **Quality and Strength of Assurance Provision:** In consultation with Grant Management and Risk Management, we collected additional evidence to complement the Secretariat-level review done in 2013. This will be completed by the end of Q1.

We wish to highlight a specific advisory engagement requested by the Secretariat:

- The FISA Division is implementing the “Finance Step-Up” project to overhaul the Global Fund’s financial systems. At the request of the Chief Finance Officer, the Audit Unit undertook an advisory engagement on this project. The audit team validated the accuracy of grant financial data in the pilot migration into the newly designed Oracle system. No material errors were observed in the process. The Audit Unit will continue to provide advisory resources to support the project implementation in the first quarter of 2014.

3.2 Audit Unit priorities for 2014

Our audit plan has been refined (with respect to the timing and the clustering of audits) to allow newly designed processes to settle in at the Secretariat:

- **Assurance statement:** In the multi-year audit plan (2013-2015), approved by the AEC in 2012, we indicated that we would provide an overall opinion as of the end of 2015. We intend to bring this forward by one year, based on the engagements in 2013 and 2014, and issue it in early 2015.
- **Alignment with the Global Fund strategic objectives and the Management Executive Committee priorities:** Our 2014 audit plan was designed to support the institutional strategic objectives. We are now considering the recently finalized Management Executive Committee work plan, to ensure that our work is aligned with the Global Fund’s evolving priorities.

- Agreed action tracking: We have been following up on outstanding actions with executive management since October 2013. This has focused particularly on material issues and has facilitated the discussion on risk at the Management Executive Committee. We will continue this process as an electronic tracking system is being developed.
- Advisory support: We will continue to support the Secretariat in the finalization and implementation of the New Funding Model, Step-Up and the results-based financing work in Rwanda. Since these processes are also on our 2014 audit plan, we will construct appropriate firewalls to ensure objectivity in our audit work pertaining to them.

3.3 Audit Unit Work Plan for 2014

The 2014 draft audit plan was approved at the sixth meeting of the Audit and Ethics Committee in October 2013. Based on deeper strategic analysis, and taking into account the absorption capacity of the Secretariat in 2014, the plan has been further refined to ensure that OIG audit products have the maximum impact:

- Country level testing: The Audit Unit will perform 14 bespoke in-country audits to tackle both the key risks to the portfolio and the important themes arising from the 2014 audit plan in the context of the country. These include data reliability, financial aspects, procurement, New Funding Model rollout and partnerships, as well as follow-up work on any outstanding recommendations from past audits. The final country list is based on a thorough risk analysis of country portfolios which considers factors including portfolio size, non-financial grant attributes, past audit and investigation data, independent assessments of corruption and security and senior management input from the Secretariat. In developing the plan, we also considered a number of quantitative and qualitative factors including: the disease burden coverage, the areas which have both undergone the greatest change and been subject to the most management focus, as well as achieving a balance between regions.
- Secretariat audits: A number of the reviews planned in the original 2014 plan have been merged to ensure that each audit is as comprehensive and forward-looking as possible. This also ensures that the significant levels of change ongoing at the Secretariat have been taken into account.

Full details are given in the refined 2014 Audit work plan in Annex D which was approved by the AEC at their 7th meeting.

Part 4: Investigations Unit progress update

4.1 Allegations

The OIG case intake is fuelled from various reporting channels of which the whistle-blowing hub is one of the most important. In June 2013, the Global Fund home page gave more visibility to this hub which led to a tangible increase in the number of allegations received in 2013.

Channel	2011	2012	2013
Secretariat	14	3	20
Local Fund Agents	-	-	7
Generic email	23	21	61
Global compliance hotline	6	9	5
OIG Audits	4	8	4
Direct personal complaint	-	-	1
Total	47	41	98

Upon receipt, all allegations received through these channels are screened by an OIG panel and the nature of the allegation determines whether a formal initial assessment is undertaken and a case is logged.

Assessment	2013
Screened, assessed and in the process of being investigated	38
Deemed “out of scope”	60
Total	98

4.2 Initial Formal Assessments

Several factors are considered during the initial formal assessment stage. These include:

- i. the seriousness and credibility of the allegations;
- ii. the threat to Global Fund programs and the integrity of its processes;
- iii. the estimated extent of potential loss of program funds;
- iv. the scope, cost and size of the investigation;
- v. the ability and capacity of the OIG to undertake the investigation; and
- vi. the perceived level of resources needed commensurate with the risk and gravity of the allegation.

The cases are assessed by an investigator, often involving information from the relevant Fund Portfolio Managers and Local Fund Agents. If the investigator determines that the case does not justify a full investigation, the Team Leader and ultimately the Inspector General sign off on what is known as a Closure Memorandum. In some cases, the information is shared with the Secretariat.

The 2013 investigations plan was finalized by the former Inspector General, approved by the Audit and Ethics Committee and presented to the Global Fund Board. During 2013, the plan was heavily revised in order to close the backlog of cases that had been opened in prior years, but not yet closed.

		Year of closure								
		2005 - 2007	2008	2009	2010	2011	2012	2013	Active cases	TOTAL
Year opened	2005 - 07	0	0	12	1	0	2	5	0	20
	2008	0	1	9	5	0	2	12	0	29
	2009	0	0	7	15	1	10	34	2	69
	2010	0	0	0	4	5	17	43	6	75
	2011	0	0	0	0	0	11	35	11	57
	2012	0	0	0	0	0	3	18	12	33
	2013	0	0	0	0	0	0	9	29	38
	TOTAL	0	1	28	25	6	45	156	60	321

Of the remaining 31 legacy (2009-2012) cases, 21 cases are anticipated to be closed within Q1 2014 and the remainder in Q2. Slippage into Q2 is due to the re-prioritization of 2013 cases, inter-dependencies on other agencies and new evidence that needs to be assessed. The table below shows the cumulative case load of the Investigations Unit.

	2005-2007	2008	2009	2010	2011	2012	2013
# Cases b/f	0	20	48	89	139	190	178
# Cases opened	20	29	69	75	57	33	38
# Cases closed	0	1	28	25	6	45	156
# cases c/f	20	48	89	139	190	178	60

The majority of cases closed in 2013 were closed at the assessment phase of the investigation. This included intake from prior years, when all allegations were automatically counted as cases. The assessment phase requires a thorough evaluation by the investigator, taking into account:

- i) the seriousness and credibility of the allegations;
- ii) the threat to Global Fund programs and the integrity of its processes;
- iii) the estimated extent of potential loss of program funds;
- iv) the scope, cost and size of the investigation.

	Year of closure							
	2005 - 2007	2008	2009	2010	2011	2012	2013	Total
Assessment Phase	-	1	19	23	1	38	120	202
Investigation Phase	-	-	9	2	2	3	29	45
Reporting Phase	-	-	-	-	3 cases	4 cases	7 cases 5 reports	14
Total	-	1	28	25	6	45	156	261

When the investigator has determined that the case does not justify a full investigation, the Team Leader and ultimately the Inspector General must sign off the closure of the case. The high volume of cases that were closed at the assessment phase in 2013 and review of individual files indicates that many did not have a proper investigation plan nor did they follow a rigorous allegation assessment process. During 2013, the interim Inspector General introduced a formal screening process of incoming allegations by an OIG panel to prevent this situation from re-occurring. When pertinent, a memorandum is sent to the Secretariat to ensure useful information is shared and acted upon.

4.3 Investigation reports

In 2013, reports were published for cases investigated in Cambodia, Madagascar, Papua New Guinea, Kyrgyzstan and Kazakhstan. A summary of the five reports published in 2013 can be found in Annex E.

The refined Investigations work plan for 2014 was approved by the AEC at their 7th meeting.

4.4 Investigations Unit priorities for 2014

- 1 Completing the remaining legacy (2009-2012) cases and 2013 cases.
- 2 Embedding the OIG investigation team structure to develop regional and functional expertise.
- 3 Devising and implementing an Information Management Strategy to maximize efficiency and impact. Develop an intelligence building capacity within the Investigations (and Audit) Units, expanding the body of knowledge, identifying trends, root causes, driving understanding and helping to develop measures for mitigation or prevention.
- 4 Critically reviewing the form and style of the investigations report, ensuring clarity, conciseness, accuracy and timeliness. Review existing processes and procedures to maximize the effectiveness and impact of the investigations team.
- 5 Working with the Secretariat to assist in loss determination and enable the timely recovery of misused funds.
- 6 Actively promoting a stronger speak-up culture, encouraging engagement both internally and externally, strengthening our ethical foundation.
- 7 Conducting retrospective due diligence on all OIG investigation providers, to ensure compliance with Global Fund obligations to partner with entities that conduct business ethically.
- 8 Preparing operational procedures for allegations which go against the strategic objective of the Global Fund Strategy Framework 2012-2016 concerning Human Rights: “ensure that the Global Fund does not support programs that infringe Human Rights”.

Part 5: Resources

	Core budget US\$'000	Contingency Budget US\$'000	Actual Expenditure US\$'000
2010	10,242	0	12,148
2011	16,794	3,000	15,397
2012	25,169	3,000	17,028
2013	21,108	0	13,357

Actuals costs for 2013 are below budget and the favorable variance is primarily due to careful control of professional fees and the tight management of consultants and the scope of their work. By way of example, total professional fees and consultant costs exceeded US\$8m in 2011 and 2012 compared to an actual cost of just over US\$3m for 2013. In 2011 and 2012, audits and investigations were conducted using firms that could provide large teams that spent extensive periods of time in country on wide-ranging scopes of work. In 2013, there has been greater emphasis on having clearly defined scopes of work and relying more on staff members and individual consultants.

2013	Budget	Actual	Variance
Staff	\$9,553,168	\$7,988,650	\$1,564,518
Professional fees	\$7,308,613	\$3,034,642	\$4,273,971
Travel costs	\$2,690,917	\$907,947	\$1,782,970
Training/other	\$109,500	\$107,716	\$1,784
Communications	\$130,000	\$36,169	\$93,831
Office Infrastructure	\$1,316,060	\$1,281,728	\$34,332
Total	\$21,108,258	\$13,356,852	\$7,751,406

Headcount

Headcount	Actual at the start of year	Recruited during the year	Departures during the year	Actual at the end of the year	Remaining vacancies	Budgeted
2010	11	8	-5	14	9	23
2011	14	6	-2	18	12	30
2012	18	14	-5	27	8	35
2013	27	13	-3	37	11	48

Actual and budgeted staff levels are both higher in 2013 than in any other year. The current level of vacant positions is similar to prior years and mainly reflects the continued growth and investment in the Office combined with the time it takes to find the right individuals.

Of the 11 vacancies, the Director of Investigations position has been filled. Recruitment is under way for the remaining vacant positions and, in the interim, the extra workload is absorbed through the careful use of consultants.

The beginning of 2014 also marks a reorganization of resources at the OIG:

- Both the audit and investigations teams have been realigned geographically and functionally such that there is closer alignment with the Secretariat management structures. This will help to develop deeper knowledge and understanding of regions and functional processes.
- Intelligence gathering and analysis has been built into our structures at a strategic, tactical and operational level. This is designed to ensure that our service is both forward looking ie. anticipating emerging risks and threats and backward looking ie. that the Global Fund is learning the lessons from the past.
- The Joint Inter-Agency Task Force initiative set up to track counterfeit, stolen or diverted anti malaria drugs has moved to the Procurement and Supply Chain Management Department to help develop a supply quality assurance capability across a broader front (upstream and downstream supply chain and across a wider product range). Interaction with the OIG will continue in the form of risk analysis collaboration and the transfer of intelligence for further OIG investigation.

Part 6: Communications Strategy and Disclosure Policy

The new OIG Communications Strategy and a proposal for a revised Disclosure Policy are included in the Board meeting pack.

Part 7: Annexes

- A. Matters arising from the last Audit and Ethics Committee meeting
- B. 2013 Audit Work Plan progress update
- C. Summary of material audit recommendations
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Matters arising from the 6th AEC meeting**Annex A**

#	Action item	Status update
1	Upon review of an updated 2014 OIG Budget, including any associated updates to the 2014 OIG work plan, the AEC will notify the FOPC of any necessary adjustments to the 2014 OIG Budget.	Headcount and structures have been finalized. The detailed budget will be completed in time for the Global Fund Corporate Quarterly Re-Forecasting exercise in March.
2	OIG will provide a table listing LFAs and all other sources of fraud reports, showing the relative contribution of each source to fraud reports.	Analysis is captured in the body of the Annual Report.
3	OIG to finalize and share with the AEC an internal audit on Operational Risk Management Framework data integrity.	Status of this audit is captured in Annex B.
4	OIG and Secretariat to finalize and roll out their new OIG recommendations shared electronic tracking tool.	A monthly manual tracking process has been implemented pending the roll out of the electronic solution. This has been de-prioritized by IT in light of other commitments eg. Salesforce implementation. In the interim, the OIG is exploring alternative solutions e.g. Teammate.

	Secretariat Division or Department	Audit Name	Engage-ment	Report Status
1	FISA (Finance, IT, Sourcing, Administration)	Follow-up on IT review	Assurance	Released
2	Risk Management	Quality of the QUART	Advisory	Released
3	Risk Management	Risk Register	Advisory	Released
4	Risk Management	Minimum Standards	Advisory	Released
5	Grant Management	Country Team Approach: Embedding Specialists	Assurance	Released
6	Grant Management	Grant closure (Chapeau)	Assurance	Released
	6.1	High Impact Africa 1 – Secretariat processes		Released
	6.2	High Impact Africa 2 – Secretariat processes		Released
	6.3	High Impact Asia – Secretariat processes		Released
	6.4	Asia, Europe, Latin America and the Caribbean – Secretariat processes		Released
	6.5	Africa and the Middle East – Secretariat processes		Released
	6.6	Inspection (Cameroon, Ghana, Nigeria and Zambia)		Published
7	Grant Management	Assurance at Country Level: Use of External Audit (Chapeau report)	Assurance	Released
	7.1	High Impact Africa 1		Published
	7.2	High Impact Africa 2		
	7.3	High Impact Asia		
	7.4	Central Africa		
	7.5	Middle East and North Africa		
	7.6	Western Africa		
	7.7	Southern and Eastern Africa		
	7.8	Eastern Europe and Central Asia		
	7.9	Latin America and the Caribbean		
	7.10	South East Asia		
8	FISA	Payroll	Assurance	Released
9	FISA	Benefits	Assurance	Released
10	FISA	Follow-up on ASA recommendations	Assurance	Released
11	Strategy Investment	Performance-based funding 1: Review of the TERG	Assurance	Released

	and Impact	Performance-based funding 2: Performance Measurement		Finalizing Report
12	Legal and Compliance	Recoverables	Assurance	Released
13	Grant Management/ FISA	Procurement and Supply Management 1: Quality Control	Assurance	Released
		Procurement and Supply Management 2: Quantification and Forecasting		Finalizing Report
14	External Relations and Partnerships	Strategic Communication	Assurance	Finalizing Report
15	Grant Management	Advising Civil Society delegation to the Board	Advisory	Finalizing Report
16	FISA	Collaboration with External Auditor	Advisory	Finalizing Report
17	Grant Management	Capacity Building	Assurance	Finalizing Report
18	Strategy Investment and Impact	Quality of Service	Assurance	Finalizing Report
19	Governance	Governance review	Advisory	Review Underway
20	FISA	Key IT Controls	Assurance	Finalizing Report
21	Grant Management	Testing the Risk Model: Pakistan	Assurance	Finalizing Report
22	Grant Management	Testing the Risk Model: Haiti	Assurance	Finalizing Report
23	Grant Management	Testing the Risk Model: DRC	Assurance	Finalizing Report
24	FISA	Advisory on Finance Systems (Step-Up Project)	Advisory	Finalizing Report
25	FISA/Risk Management	Joint Training on ERM	Advisory	No Report

	Added			
26	Grant Management	Themes requiring management action: CCM, LFA, PSM, PH	Advisory	Released
27	Grant Management	Democratic Republic of the Congo	Advisory	Released
28	Grant Management	Key Controls in the New Funding Model	Assurance	Finalizing Report
29	Risk Management	Quality and Strength of the Assurance Provision	Assurance	Finalizing Report
30	Grant Management	RBF in Rwanda Initiative	Advisory	Finalizing Report
31	FISA	Review of the MDAG	Assurance	Finalizing Report

Summary of Material Audit Recommendations at 15 January 2014

Annex C

For the current period, eight key management actions deemed material are not yet fully implemented (i.e. either not implemented, partially implemented or not yet due). Arising out of 40 specific recommendations, these relate to the following six categories:

- Recoveries (1)
- Secretariat-level oversight and assurance (3)
- Country-level oversight and assurance (specifically over grant funds disbursed to the PR Population Services International) (1)
- Internal financial controls (1)
- Procurement & Supply Chain Management (2)

Nature of Findings	Country or Sec't Division	Report Number	Report date	Rec. Number	Agreed Due Date	Days overdue	Summary of status of actions	Validated Status	Owner
Recoveries	A total of 21 material management actions related to recoveries of funds not spent in line with the grant agreement have not yet been fully implemented**								
	Audit reports								
1. A total of USD 76.3 million of recoveries related to 37 specific cases was outstanding. Only one case was yet to be presented to the Recoveries Committee for decision** (Draft status update to the AEC 16 January 2014.)	Recoveries Committee	GF-OIG-13-049	1/10/2013	1, 3	31/12/2013	15	The Secretariat continues with efforts to recover the outstanding amounts. In October, the Recoveries Committee set a timeline of four weeks from the publication of OIG reports for the Country Teams to present a recovery plan for approval. The CTs, with support	Partially implemented	Recoveries Committee

Nature of Findings	Country or Sec't Division	Report Number	Report date	Rec. Number	Agreed Due Date	Days overdue	Summary of status of actions	Validated Status	Owner
							of the OIG, reviewed the figures and subsequently presented their recovery plans to the Recoveries Committee by the end of 2013.		
	Countries with outstanding recoveries	GF-OIG-13-049	1/10/2013	Bangladesh, Burundi, Cameroon, Central Africa Republic, Djibouti, D.R Congo, Ethiopia, Georgia, Ghana, Guatemala, India, Kazakhstan, Kenya, Kyrgyzstan, Laos, Madagascar, Malawi, Mali, Mauritania, Mozambique, Namibia, Nigeria, Papua New Guinea, Senegal, South Sudan, Sri Lanka, Swaziland, Togo, Uganda, Zambia, Zanzibar			Status of recovery actions and amounts for specific cases are detailed in the Audit of the Recoveries Process report and the Losses and Recoveries report to the AEC	Partially implemented	GMD
** See recoveries audit report (GF-OIG-13-049) and draft update to AEC.									
Secretariat-level oversight and assurance	A total of 8 material management actions related to assurance over the appropriate use of grant funds have not yet been fully implemented								
2. The Grant Management Assurance Framework spells out how combined	Secretariat Divisions	GF-OIG-13-029-39	8/08/2013	1, 3, 4, 5	31/12/2013 31/07/2015	15 N/A	As all core grant management processes are currently being revised, the newly developed	Partially implemented	FISA & GMD
		GF-OIG-13-016	29/05/2013	1, 6	31/12/2013 31/03/2014	15			

Nature of Findings	Country or Sec't Division	Report Number	Report date	Rec. Number	Agreed Due Date	Days overdue	Summary of status of actions	Validated Status	Owner
assurance should be obtained. However, this framework has not been implemented.							processes should incorporate the thinking expressed in the assurance framework. Implementation of this action plan is in process. All of the key CCM recommendations from OIG report 13-015 and a number of the LFA-related recommendations (including adoption of a risk-based approach to use of LFA services) have been reported as implemented.		
3. Accountability in the Global Fund Secretariat is not well defined.	Secretariat Divisions	GF-OIG-13-024	3/07/2013	3	31/12/2013	15	An accountability framework is needed to define the roles, responsibilities, authorities and accountabilities of various	Partially implemented	Secretariat Divisions

Nature of Findings	Country or Sec't Division	Report Number	Report date	Rec. Number	Agreed Due Date	Days overdue	Summary of status of actions	Validated Status	Owner
							stakeholders in the Secretariat. The Secretariat has rolled out the 'Country Team Approach' guidance and clarified roles and responsibilities within Country Teams and through line management. These are being implemented. However, further work was deferred to 2014 due the on-going "streamlining initiative" that will clarify roles and responsibilities at all levels.		
4. The independence of the TERG is not ascertained.	SIIC	GF-OIG-13-048	18/09/2013	1	31/10/2013	76	TERG independence should be strengthened by enhancing institutional arrangements,	Partially implemented	SIIC Chair and Vice Chair TERG

Nature of Findings	Country or Sec't Division	Report Number	Report date	Rec. Number	Agreed Due Date	Days overdue	Summary of status of actions	Validated Status	Owner
							resourcing and clarity of roles and responsibilities. While the Secretariat reported that some action or decisions have been taken by the SIIC and/or TERG, we have not been able to validate this since documentation confirming those actions or decisions is outstanding.		

Country-level oversight and assurance (PSI)	<i>A total of 5 (+5) material management actions related to assurance over the appropriate use of grant funds by the PR PSI have not yet been fully implemented</i>								
5. Assurance over grants managed by PSI is not given, in particular related to streamlining work with the LFA, audit	PSI Headquarters and four countries (Burundi, Madagascar, Togo, South	GF-OIG-10-022	31/10/2011	3, 4, 7, 14, 16	No due dates	N/A	PSI had raised objections to findings which were related in several countries (Burundi, Madagascar, South Sudan, and Togo). Discussions between the Secretariat and PSI have been on-going and recently, an “ <i>Aide Memoir</i> ” was signed between the	Partially implemented	GMD

arrangements, compliance with grant agreements, reporting and strengthened financial management systems.	Sudan)						Secretariat and PSI. Implications of this document are yet to be clarified. An independent report by IBTCI, a firm contracted by the Secretariat to review PSI's Financial Management System recently concluded that the System was robust enough to support the proper financial management of grants in multiple countries, including the Global Fund's. The Secretariat (Grant Management and Finance) has expressed confidence in the systems and the OIG is planning a follow-up mission to PSI Headquarters to confirm whether risks have been adequately addressed. However, there are still recoverable amounts outstanding from several country grants managed by PSI.		
Internal Financial Controls	<i>A total of 2 (+ 4 PSI above) material management actions related to internal financial controls have not yet been fully implemented</i>								
6. There is a need urgently to close all long-outstanding grants that have ended.	GMD	GF-OIG-13-040-46	15/08/2013	1, 3	31/12/2013	15	An accelerated process has been adopted for long-outstanding grants that have ended and their closure is well underway. Going forward, the closure process is expected to be quicker and less burdensome as new processes across the organization are rolled out.	Partially implemented	GMD

PSM	<i>A total of 4 material management actions related to PSM have not yet been fully implemented</i>								
7. Procurement practices are not in line with the grant agreement, which means that value for money is not a given and/or that delays take place.	Kazakhstan	GF-OIG-11-004	11/12/2012	16c, 19b	09/09/2013 09/09/2013	128 128	The PR in Kazakhstan should ensure transparent and competitive bidding and other sound procurement practices. Review by the LFA noted that The PR now undertakes market research to check prices in the Kazakh and the international market, prior to tender launch. However, in some procurement cases there was no evidence that such checks were done.	Partially implemented	Kazakhstan FPM
	India	GF-OIG-13-011	24/04/2013	7	No due date	N/A	The India National Program and procurement agent should address delays in procurement of anti-malarials and RDTs and ensure timely delivery to health workers and facilities in North eastern region supported by Global Fund grants. Implementation actions are in progress.	Not due for validation	India FPM
8. Quality control over medicines and adequate quantification and forecasting is not sufficient to support availability of quality medicines for recipients	Congo (Rep.)	GF-OIG-13-009	8/05/2013	8	31/07/2013	168	Establish a "Medicines Committee" to oversee the establishment of a national quantification and forecasting process and facilitate sharing of consumption, distribution and morbidity data; joint forecasting and procurement planning among partners and the government. The MOH will be restructured under presidential decree; the organization of the "Medicines Committee" is subject to this restructuring.	Not implemented	Congo FPM

	Cancelled			
	FISA	Validation of Global Fund Financial Data in preparation for EA	Assurance	Cancelled due to changes in EA in 2013
	FISA	Advisory on new IT Systems	Advisory	Cancelled in light of delayed arrival of CIO and added item 28
	Postponed			
	FISA	Grant Budgeting	Assurance	Postponed to 2014 in light of added item 29

OIG Audit Unit Plan for 2014

Refined in January 2014

GF/B31/11 – Annex D

1. Georgia (published 23 May)

This case investigated allegations of misappropriation of Global Fund grant funds disbursed to the Global Projects Implementation Center (GPIC), the Principal Recipient in Georgia from January 2011 to July 2012. Irregularities were found in GPIC's food voucher program for HIV and TB patients, as well as indications of improper procurement practices and bid rigging.

The investigation found evidence that two suppliers, contracted by GPIC to implement its food voucher program for HIV and TB patients, colluded to steer food voucher contracts to each other with the help of GPIC staff. The OIG found USD 853,804, paid to the suppliers in service fees, was improperly secured without a transparent or competitive process. The OIG also found that USD 24,143 was paid to a GPIC senior manager's domestic partner for work that was not performed.

- The Principal Recipient has been replaced.
- The matter has been considered by the Recoveries Committee and the Executive Director has accepted the Committee's recommendation.
- Cost of the investigation: USD 307,843

2. Papua New Guinea (published 31 August)

This investigation focused on a malaria grant disbursed from 2009 to 2011 to a Principal Recipient, the Rotary Club of Port Moresby, to procure and distribute long-lasting insecticide treated nets to every household in Papua New Guinea and to train health staff in new diagnostic and treatment protocols. Substantive and credible evidence revealed that two senior executives of the Rotary Club steered a USD 1.4 million contract to provide human resources services to a company controlled by the family of one of the implementer's senior executives.

The Rotary Club's decision to appoint the contract to the service provider resulted in additional costs of USD 359,543 compared to the next rival bid that met the requirements and where there was no conflict of interest.

- The human resources contract has been retendered.
- The matter has been considered by the Recoveries Committee and the Executive Director has accepted the Committee's recommendation.
- Cost of the investigation: USD 92,562

3. Kyrgyz Republic (published 27 September)

This case involved the misappropriation and gross mismanagement of USD 53,577 of grant funds as revealed during an investigation of the National Center of Phthisiology, the Principal Recipient of the Global Fund Tuberculosis Round 2 and Round 6 grants in Kyrgyzstan.

The findings revealed that, between 2003 and 2009, senior officials and staff at the Principal Recipient colluded with favoured vendors to secure contracts awards.

- The Principal Recipient has been replaced.
- The matter has been considered by the Recoveries Committee and the Executive Director has accepted the Committee's recommendation.
- Cost of the investigation: USD 81,932

4. Cambodia (published 14 November)

This OIG report presented the results of an investigation into three cases involving Global Fund grants to government entity implementers in the health sector within Cambodia, including the National Centre for Parasitology, Entomology and Malaria Control (CNM), a Principal Recipient; the National Centre for HIV/AIDS, Dermatology and STD Control, also a PR; and MEDiCAM, a Sub-recipient of the Ministry of Health.

The investigation identified wrongful conduct in the three entities from 2006 to 2011. Two Cambodian officials from CNM accepted financial inducements from mosquito net suppliers in return for awarding contracts. The report also cites improper charges and manipulation of procurement practices at the two other organizations. The wrongful conduct identified in the report involved a total of approximately US\$431,000.

- The Sanctions Panel recommended that the two mosquito net suppliers be suspended pending a full review of the case. CNM was replaced as a Principal Recipient for a malaria grant and the funds are being recovered.
- A new framework for procurement is being putting in place, in all risk countries, to ensure all bulk purchasing is undertaken in a transparent, lawful and ethical manner.
- The matter has been considered by the Recoveries Committee and the Executive Director has accepted the Committee's recommendation.
- Cost of the investigation: to be determined.

5. Kazakhstan (published 13 December)

The investigation found that employees from the Republican Center for Prophylactics and Control of AIDS (RCAIDS) in Kazakhstan concealed from the Global Fund a bank transfer of US\$ 105,227. The money was a partial reimbursement from a pharmaceutical company following a worldwide recall of an antiretroviral drug due to a possible contamination in 2007. The money was then earmarked for an anti-HIV/AIDS information campaign by the Director General of the RCAIDS without the authorization of the Global Fund.

Furthermore, to implement the un-authorized campaign, the RCAIDS conducted a tender process which was found to be non-competitive, with evidence of collusion between three bidding companies and RCAIDS staff.

- As a condition for receiving more grants, RCAIDS will have to reimburse the full amount of misused grant funds and propose an alternative solution to working with the RCAIDS staff implicated by the investigation.
- The matter has been considered by the Recoveries Committee and the Executive Director has accepted the Committee's recommendation.
- Cost of the investigation: to be determined.

Priorities for 2014 (1/2)

AEC-approved work plans determine our resource needs, budget and priorities:

- Alignment with Global Fund strategic objectives and Management Executive work plan
- Geographical and thematic alignment of OIG teams with Secretariat structures, regional and thematic expertise and historical workload
- Embedding data and intelligence functions
- OIG staff growth opportunities

Priorities for 2014 (2/2)

- Strengthening audit capability
- Deeper, higher quality audits that answer important questions
- Maturing the audit function (from 'general conformance' to world-class)
- Finalizing 2013 reporting
- Embedding structures
- Filling vacancies

Audit Themes for 2014 plan

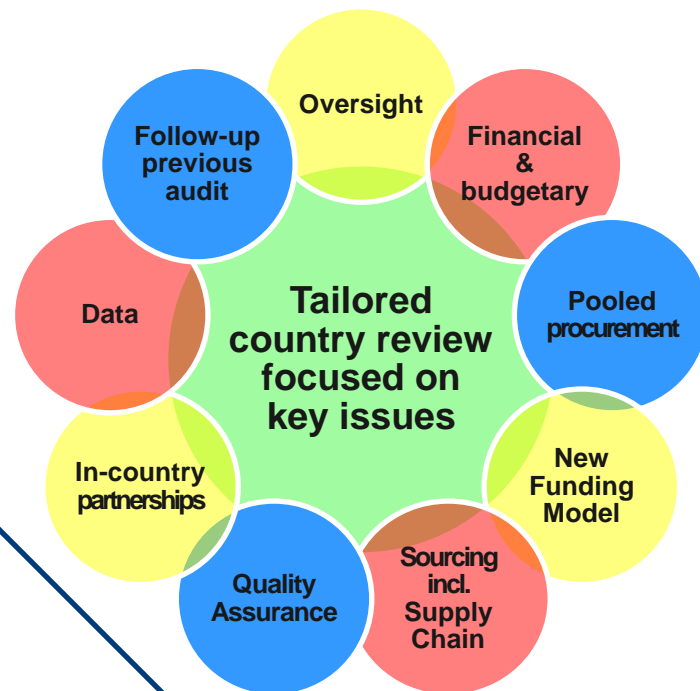
<p>Global Fund 2012-2016 Strategy</p> <ol style="list-style-type: none"> 1. Invest more strategically 2. Evolve the Funding Model 3. Actively support grant implementation success 4. Promote and protect Human Rights 5. Sustain the gains, mobilize resources 	<p>2014 Audit Plan focus on five cross-cutting themes:</p> <ol style="list-style-type: none"> 1. Mechanisms and processes to achieve and measure impact (1,3,4,5) 2. Progress of the NFM in achieving intended objectives (1,2,3) 3. Organizational change management (2,3) 4. Management of financial and fiduciary risks in grants (2,3) 5. Value for money in and quality of pharmaceuticals and health products (2,3)
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Changing emphasis in country audit

2012: Standardized

Financial and fiduciary risks	Procurement and Supply Chain management risks
Public Health risks	Oversight risks (PR-SR, CCM, LFA, Secretariat)

2014: Tailored



New audit approach emphasizes

- Deep-drill auditing
- Greater emphasis on data analytics
- Bespoke approach to answer fewer, more important questions
- Compelling evidence to support conclusions

14 Country audits

Risk-based selection:

- Ghana
- Guinea-Bissau
- Liberia
- Rwanda
- Tanzania
- Uganda
- Kenya
- Nigeria
- Sudan
- Guinea
- Ecuador
- Honduras
- Myanmar
- Ukraine

Coverage:

- 7 high impact countries
- 25% of grant portfolio by grant size
- 30% of HIV burden
- 37% of malaria burden
- 7% of TB burden

Bespoke emphasis on:

- Oversight
- Finance & budget
- Sourcing
- Procurement
- NFM
- Quality assurance
- Partnerships
- Data
- Follow-up on previous audit
- ...

7 Secretariat audits

Theme 1: Impact

- Effectiveness and efficiency of governance (advisory)
- Effectiveness of the processes to implement the strategic plan including the KPI framework

Theme 2: New Funding Model

- Adequacy of controls in place to support the NFM

Theme 3: Change Management

- Effectiveness of organization-wide change management including finance, HR and grant management

Theme 4: Internal Financial Controls

- Effectiveness of managing key financial and IT risks
- Ongoing advisory work for Step-Up project

Theme 5: Sourcing

- Effectiveness of controls in sourcing strategy

Integrated within other reviews:

- COSO implementation
- Organizational waste
- Ethics

Deferred until 2015:

- Sanctions panel

Audit Plan 2014 timings

Quarter 1

Secretariat: Governance

Country: Ghana, Guinea-Bissau

Quarter 2

Secretariat: Governance, Key financial, IT and Sourcing controls

Country: Liberia, Ecuador, Myanmar

Quarter 3

Secretariat: KPI framework, NFM controls, Change management

Country: Rwanda, Tanzania, Uganda, Honduras

Quarter 4

Country: Ukraine, Kenya, Nigeria, Sudan, Guinea

Throughout 2014

Secretariat: Finance Step-Up, Change Management

KPI	Status update
1. Conducting audit and investigation activities	
1.1. Adherence to the audit and investigations plans	
1.1.1. 90% completion of annual work plan (internal process audits, thematic audits, country audits and consulting/advisory engagements) taking into account changes to the work plan as per guidance by the Inspector General	
1.1.2. Substantial progress towards completion of the achievable annual work plan (taking into account factors that may be outside of OIG control – such as extensions of time to, and non-cooperation by, subjects, witnesses and relevant parties in investigations)	
1.2. Number of reports and findings (audit and investigations)	<p>In broad terms this KPI is being met with the exception of the legacy investigation cases. For these a revised work plan has been developed such that 98% of these cases were due to be closed by 31 March 2014. This has slipped to 76% due to the re-prioritization of other cases, inter-dependencies with other agencies and new evidence that needs to be assessed. All legacy cases will be closed by 30 June 2014.</p> <p>The audit unit has completed 95% of the 2013 workplan. All fieldwork has been completed and the remaining draft audit reports will be completed within Q1 2014.</p>
1.3. Timeliness	
1.3.1. First draft of an Audit report is shared with the Secretariat no more than ten working days after the debrief in-country or with the Secretariat	
1.3.2. Final report released no later than eight weeks after exit meeting (barring circumstances outside Audit Function's control)	
1.3.3. No more than 10% of investigation cases where investigation deadline was extended without justified external factors, and without compromising the quality of investigation	
1.3.4. Investigations report draft completed within two months of the end of the last in country mission	
1.3.5. Final draft report issued to the subjects for comments four months after the completion of the last in-country mission (barring circumstances outside Investigation Function's control)	

KPI	Status update
2. Quality of findings	
2.1. Meaningful findings and recommendations	The formulation of recommendations in audit and investigations reports has improved and takes place through a consultative process with the Secretariat. Auditors and investigators meet with Secretariat staff on a regular basis and share relevant information timely to allow the Secretariat to put in place remedial measures as necessary.
2.1.1. Recommendations formulated in audit and investigation reports are relevant, strategic and reasonable and are aimed at addressing and mitigating key risks, and strengthening Global Fund grant management	
2.2. The absence of surprises for management and Board	
2.2.1. Heads-up communication shared with the Secretariat no more than ten working days after the end of the last in-country mission	The quantity of audit recommendations was significantly reduced from 1700 in early 2013 to prioritize the recommendations and allow for better tracking of implementation status. Investigations work plan and budget has been developed, including pro-active elements such as JIATF and Forex verification exercises.
3. Impact of findings	
3.1. Financial benefits	Advisory assignments make up 32% of all assignments in the 2013 work plan. A robust process to track and validate high priority recommendations generated through audits and investigations has been initiated. This is reported monthly to the Secretariat and presented to the AEC and the Board at each meeting.
Objective TBD – note: the recoveries process lies with the Secretariat	
3.2. Non financial benefits	
3.2.1. Audit advisory services as listed in annual audit plan make up at least 20% of engagements	
3.3. Recommendations implemented and lessons learned integrated into new business processes	
3.3.1. Audit: no less than 90% of accepted recommendations implemented in-country within 3 months of the due date in the management action plan*	
3.3.2. Audit: no less than 90% of accepted recommendations implemented by the Secretariat within 3 months of the due date in the management action plan*	

KPI	Status update
3.3.3. Investigations: no less than 80% of recommendations accepted by in-country stakeholders implemented fully, or partially in the case for long-term recommendations, within 12 months of release of report;	
3.3.4. Investigations: no less than 90% of recommendations accepted by the Secretariat implemented fully, or partially in the case for long-term recommendations, within 12 months of the release of the report	
<i>* the management action plan (or MAP) is the plan at the back of each audit report detailing details the agreed actions, implementation dates and responsible persons.</i>	
4. Feedback	
4.1. Feedback from those involved in audit/investigation process on quality of experience and no substantiated complaints received against the behavior of OIG auditors and /or investigators (measurement: surveys, feedback)	The Audit Unit routinely collects satisfaction surveys from auditees following the audit and again following report publication. Data is used to improve the audit process. No major complaints were received this year.
4.2. Feedback from staff on office functioning (measurement: staff survey)	An internal staff engagement survey (all GF staff) is planned for March 2014.
5. Cost effectiveness of office	
5.1. Money saved versus cost of operating audit/investigation functions	<p>As of end of the year, the OIG is significantly below its annual budget as a result of careful control of professional fees. A detailed review of costs will be undertaken by the new Inspector General over the next month.</p> <p>The Senior Legal Advisor has routinely reviewed all contracts with consultants and suppliers. Daily rates and professional fees have been adjusted/reduced to achieve efficiency gains.</p> <p>Separate cost centers for the Audit and Investigations Units and the OIG Front Office were established as of February 2013.</p> <p>Timesheets were introduced at the end of 2012 for the Audit Unit and in February 2013 for the Investigations Unit.</p>
5.1.1. Resources utilized in a pro-active, reactive, effective and efficient manner, maximizing impact on key identified risks (measurement: substantial improvements in a targeted and prudent use of funds as compared to baseline situation as per self-assessment)	

KPI	Status update
5.1.2. Recoverable funds and/or ineligible expenses identified in a clear and supported manner (measurement: submission of a table of recoverable amounts identified in the past investigations with clear categorization, and draft methodology of identification of recoverable amounts developed and submitted to the Secretariat)	The OIG revised the recoverable amounts mentioned in its published audit and investigations reports and sent it to the Recoveries Committee on 20 June 2013. During this exercise, the OIG re-defined the categories of recoverable amounts.
5.2. Number of auditors per dollar of assets or revenues	
5.3. Percent of time spent auditing/investigating	
5.4. Actual costs versus budgeted costs, adjusted for work volume	
6. Peer review	
6.1. Externally validated quality review of audit function	A follow-up to the 2012 externally validated review of the audit function took place in mid-September 2013, and the Audit Unit was assessed as conforming to standards.
6.2. Peer review of investigation function	Investigations Unit self-assessment was conducted in April-May 2013 facilitated by an external consultant, Mr Ken Langford. Tracking of self-assessment recommendations in place, most recommendations implemented.
6.3. Audit committee review of quality of findings and recommendations (audit and investigation)	
7. Communications	
7.1. Communication strategy developed and approved, disclosure policy finalized	A communications strategy has been developed in conjunction with a revised disclosure policy. This together with revised report formats following best practice is now complete.
7.2. Best practice formats and for audit and investigation reports	
7.3. Communication optimization through upgraded whistle-blowing campaign	Whistle-blower brochure revised and currently in production.