

Audit Report

# Planning and Management of Consultants

GF-OIG-17-016  
2 August 2017  
Geneva, Switzerland

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*The Office of the Inspector General (OIG) safeguards the assets, investments, reputation and sustainability of the Global Fund by ensuring that it takes the right action to end the epidemics of AIDS, tuberculosis and malaria. Through audits, investigations and advisory work, it promotes good practice, reduces risk and reports fully and transparently on abuse.*

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### Audit Report

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### Advisory Report

OIG advisory reports aim to further the Global Fund's mission and objectives through value-added engagements, using the professional skills of the OIG's auditors and investigators. The Global Fund Board, committees or Secretariat may request a specific OIG advisory engagement at any time. The report can be published at the discretion of the Inspector General in consultation with the stakeholder who made the request.

### Investigations Report

OIG investigations examine either allegations received of actual wrongdoing or follow up on intelligence of fraud or abuse that could compromise the Global Fund's mission to end the three epidemics. The OIG conducts administrative, not criminal, investigations. Its findings are based on facts and related analysis, which may include drawing reasonable inferences based upon established facts.

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# 1. Executive Summary

## 1.1. Opinion

The Secretariat has made progress in improving consultant management processes, particularly over the last one and a half years. Consultant numbers and costs have almost halved; processes and compliance have improved. The Secretariat is aware of several outstanding weaknesses and has various ongoing initiatives to remediate them.

However, until these initiatives are fully designed and implemented, consultant management remains **partially effective** in the areas of workforce planning, analysis of resourcing options, clarity of roles and accountabilities, standardization of processes and enhancement of data systems.

## 1.2. Key Achievements and Good Practices

**Consultant planning.** The Secretariat initiated consultant procurement planning (as part of the annual corporate procurement planning), and employed zero-based budgeting and tighter budgetary controls in 2016, all of which contributed towards a reduction of total consultant costs, from 35% of the total staff cost of the Global Fund in 2015 to 19% in 2016. The first annual consultants procurement plan was completed in 2017.

**Consultant selection/ recruitment.** The Secretariat has revised its procurement processes several times. Some of the ongoing changes include strengthening controls on the 'exceptions to competition', approval thresholds, conflicts of interest declarations, and compliance monitoring and reporting. These improvements will be validated in a sourcing follow-up audit expected later this year.

**Self-identification of other outstanding weaknesses.** For this audit, the Secretariat volunteered to objectively self-identify various remaining gaps in consultant management, and to incorporate necessary improvements in two ongoing initiatives. Additional risks identified through this audit are also being incorporated in the scope of these initiatives. This self-identification of issues and the proactive approach to addressing them demonstrate a good level of control awareness on the part of management.

## 1.3. Key Issues and Risks

**Holistic workforce planning:** As in other comparable organizations, the Global Fund complements its workforce with consultants. However, the organization has not yet developed robust strategic workforce planning processes. Instead, the use of consultants has evolved organically, rather than being consciously determined through a comprehensive analysis of all resource options, the related costs, benefits and risks.

**Detailed analyses for long-term individual consultants versus full-time staff:** Similarly, the pros and cons of engaging employees as opposed to long-term consultants are generally not analyzed. Approximately 60% of the individual consultants are contracted for over one year. In some cases, long-term consultants were used after staff positions were denied due to an upper limit on staff costs.

Financial and other implications of long-term consulting need to be fully evaluated as part of the decision-making process. Workforce staffing versus consulting options, as well as the length of consulting engagements, need to be explored in more detail. Considerations should include legal, reputational and motivational risks, dependency and knowledge management risks, and ownership and accountability issues from long-term consulting. Potential advantages such as increased operational flexibility, quicker access to trained resources, and a generally lower administrative burden, should also be considered to arrive at the correct workforce mix.

**Clarity of roles and responsibilities:** The consultant planning and management cycle involves different business units: business/operational, recruitment/sourcing, financial budgeting and control, human resource management and legal. A lack of clearly defined roles and accountability has limited the effectiveness of controls related to consultant management.

**Consultant onboarding, off-boarding, and performance management:** The processes and controls over consultant management vary considerably across different teams and business units. There is a need for increased institutional guidance and standardized controls.

**Systems and data limitations:** The financial system used for managing consultant expenditures has strong controls. However, this system is not designed to address additional management information needs, which are addressed through manual processes. On the HR side, a system is not yet in place to provide easy and reliable access to key information on consultants, for effective strategic planning and operational decision-making. Software improvements are currently being designed, which will address these gaps and interlink systems.

#### 1.4. Rating

<b>Objective 1. Planning of the use of consultants and its alignment with strategic business needs.</b>
<b>Partially effective.</b> Annual planning has been initiated, and zero-based budgeting and stronger budgetary controls have been effectively employed to manage consultant costs. However, robust strategic workforce planning processes are not in place to holistically evaluate workforce needs against current internal resources to determine incremental consulting needs. Long-term consulting versus staffing options, and related costs, benefits, and risks, are not analyzed.
<b>Objective 2. Processes to ensure that consultants engaged are aligned with defined business requirements.</b>
<b>Partially effective.</b> Consultant qualifications, experience and other requirements are generally clearly defined and adhered to during actual selection for all material contracts, but not for other contracts. The ongoing improvements are expected to address these gaps.
<b>Objective 3. Contract and performance management of consultants.</b>
<b>Partially effective.</b> Ongoing initiatives have led to adequate on-boarding guidance for consultants, improved integrity checks, and generally well-defined scope of work. However, improvements are needed in the areas of compliance with contractual requirements, reference checks of consultants, and tracking and recording of performance.
<b>Objective 4. Internal processes, roles and accountabilities.</b>
<b>Need significant improvement.</b> The roles and accountabilities of various business units across the consultant management cycle have not been defined, leading to limited effectiveness of certain internal controls and delays in executing planned improvements. While systems employed have strong financial controls, financial and HR systems are not inter-linked, and do not enable easy and reliable access to key management information.

#### 1.5. Summary of Agreed Management Actions

As part of its ongoing improvement initiatives, the Secretariat will incorporate detailed guidance to business departments on the use of consultants; define roles and responsibilities for key aspects of consultant management; and enhance controls on contractual compliance, reference checking and performance tracking. The Secretariat will also analyze costs, benefits and risks for existing long-term consultants, against staffing options, to determine the way forward.

## 2. Background and Context

### 2.1. Consulting trends, benefits and risks

The use of consultants has increased steadily over the past decade. From 2011 to 2016, the global consulting industry revenue increased from US\$205 billion to US\$251 billion<sup>1</sup> with an average annual growth of 4.1%. In various international organizations (including some United Nations organizations), consultants comprise up to 78% of the the total workforce.<sup>2</sup> Many top consulting firms have registered significant expansion for the last several years, as consultants take on many jobs that organizations once performed themselves.<sup>3</sup>

Several factors make consultants suitable for business needs and drive these trends. Consultants provide flexibility; they are readily accessible as and when needed, particularly in times of higher workload or when a specialized skillset is needed for a limited activity, as an alternative to continuous staff costs. Consultants also enable the outsourcing of non-core business activities, facilitating management and operational focus on the core strategy and operations. Off-site consulting and contracting, particularly those financed from developing countries, provide cheaper alternatives to high cost, on-site staffing. Consultants can also have vital management or implementation experience of similar activities or projects in other organizations or countries, resulting in knowledge sharing and learning curve advantages for their clients.

However, the use of consultants also carries risks. These risks may include undue dependence on a contingent workforce for areas of ongoing strategic business needs, inherent conflicts of interest, reliance on off-the-shelf solutions that may not fit long-term organizational needs, reduced ownership and accountability, etc. When consultants are heavily used for key operational processes, an organization can also become overly dependent, leading to loss of critical skillsets in the absence of well-planned and executed succession.

### 2.2. Use of Consultants in the Global Fund

Consulting costs for the Global Fund in 2015-16 were US\$76.6 million<sup>4</sup>, constituting approximately 13% of total operational expenses in those two years. The number of individual-consultants-to-staff-ratio has decreased from 42% in 2015 to 20% in 2016.

The Global Fund defines all types of externally engaged services as consultants (with the exception of Local Fund Agent services). These services can include management, strategy or operational consulting (for example, support for developing procurement strategy), outsourcing of various tasks (for example, IT cloud maintenance), or contracting any other services (for example facilities management). Based on how they are contracted, paid, and engaged in Global Fund activities, consultants are categorized into six categories:<sup>5</sup>

- **Individual Consultants** - Consultants with a contract in their own name who work on or offsite, and invoice the Global Fund directly. They are often referred to as 'independent consultants'.
- **Individual Consultants using a Salary Host** - These consultants are selected by the Global Fund but have a contract with a salary host company such as Swiss Labour Contractors and Access Personnel. This company manages not only the payments but also the administrative and accounting aspects of the consultants (for example invoicing, taxation, and insurance).

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<sup>1</sup> Consultancy cost analyses by consultancy.uk. <http://www.consultancy.uk/consulting-industry/global>

<sup>2</sup> Joint Inspection Unit audit report on the "Use of non-staff personnel and related contractual modalities in the United Nations system organisations" in 2014.

<sup>3</sup> Gartner Analysis (2014) - McKenzie annual statements depict a growth of 5.5% in 2014. Deloitte Consulting was ranked first with a revenue of US\$ 14.7 billion (+6% increase) in 2014 (<http://www.consultancy.uk/news/2149/10-largest-management-consulting-firms-of-the-globe>). 44% of Ernest & Young revenues in 2015 were from consulting/advisory work (Financial Times, May 2017).

<sup>4</sup> GFS extract for Purchase Orders data for year 2015 and 2016 from the Sourcing Department.

<sup>5</sup> These categories are defined in the 2016 Guidelines for Consultants.

- **Agency Consultants** – These consultants are hired and employed through an agency such as Adecco or Michael Page. The Global Fund does not have any direct contractual relationship with the consultants.
- **Outsourced Service** – Under this arrangement, some support functions are outsourced to a company (for example IBM, a computing firm, for IT services, or International SOS for travel security services). The contract is essentially based on the satisfactory delivery of service, and not the number of individuals engaged or the level of effort.
- **Company Consultants** - Consultants work for a company that provides consulting services to the Global Fund including accountancy and consulting firms such as McKinsey, Deloitte or Accenture. This is similar to outsourced services, but the deliverable is usually an intellectual product (for example, developing strategies, business models) rather than a continuous operational service.
- **SYNI** – These are temporary non-staff hired and paid for by the Swiss Government. The Global Fund has no role in engaging, contracting, funding or paying these consultants. The Swiss Government recommends unemployed workers to provide support free of charge to the Global Fund.

Figures 1 and 2 below presents the actual and percentage costs of each consultant category engaged by the Global Fund in the last two years, and their distribution across various Global Fund divisions<sup>6</sup>:

Figure 1 Consultants by department 2015-2016 (in millions of US\$)

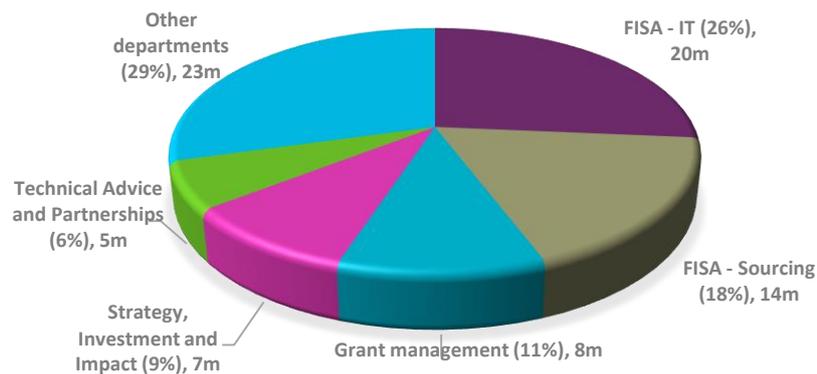


Figure 2 Consultants by category 2015-2016 (in millions of US\$)



<sup>6</sup> This data is based on GFS extract for Purchase Orders data from the Sourcing Department. It has limitations of accuracy, explained in more detail in Finding 4.1.6.

## 3. The Audit at a Glance

### 3.1. Objectives

The objective of the audit was to provide reasonable assurance on the design and effectiveness of controls over the planning and management of consultants at the Global Fund. In particular, the audit assessed:

- planning of the use of consultants and its alignment with strategic business needs;
- processes to ensure that consultants engaged are aligned with defined business requirements;
- contract and performance management of consultants; and
- internal processes, roles and accountabilities.

### 3.2. Scope

The audit reviewed the consultant management cycle from planning process to contract and performance management. However, the sourcing and hiring of consultants (including competitiveness and transparency of the selection process) was not part of this audit. This aspect will be covered later in 2017 in an audit of sourcing which is a follow-up to a 2015 audit ([GF-OIG-15-008- Procurement and Supply Chain Management at the Global Fund](#)- See further details in section 3.3 below). The audit covered the period of January 2016 to April 2017 for transactions testing, and January 2015 to April 2017 for trend analysis only.

The audit scope focused on the following four objectives:

- **Planning of consultant selection:** Processes around strategic analysis and planning of consultant requirements; management's assessment of options, trends, and risks related to use of consultants versus staff; and determination of consultant skills specifications.
- **Consultant performance and contracts management:** Monitoring of consultant performance and related management oversight; compliance with contractual requirements verified; on-boarding and off-boarding processes.
- **Internal processes, roles and accountabilities:** Clarity and effectiveness of roles and responsibilities for the different functional teams (Human Resources, Sourcing, Finance, requesting business unit, etc.) involved in the consultant management cycle, and related accountability mechanisms.

The audit scope does not include consultant recruitment/selection, as explained in Section 3.3 below.

### 3.3. Progress on Previously Identified Consultant Issues

**Consultant selection/ recruitment-** The OIG audit report on the Global Fund Procurement and Supply Chain Management in 2015 (GF-OIG-15-008) covered the recruitment and selection of consultants. Significant gaps were identified; for example 74% of non-health procurements sampled, including consultants, were selected using the 'exception to competition' option. The audit also confirmed earlier findings from a European Commission audit<sup>7</sup> of the Global Fund, about material weaknesses in procurement-related systems, controls, rules and procedures.

[GF-OIG-15-008- Procurement and Supply Chain Management at the Global Fund](#)

[OIG GF-OIG-16-016- limited scope review of Wambo services procurement](#)

[OIG GF-OIG-16-026- supplier wrongdoing investigation](#)

<sup>7</sup> European Commission Pillar Assessment of the Global Fund to Fight AIDS, Tuberculosis and Malaria dated 11 December 2014.

Subsequent OIG reports (GF-OIG-16-016 and GF-OIG-16-026) covering consultant selection also highlighted similar weaknesses. Other selection weaknesses were also noted, including missing critical bid evaluation details in the bidding documents, arbitrary use of different evaluation methods in selection which were not pre-defined, failure to prepare technical evaluation reports, evaluation committee members not declaring potential conflicts of interest, and non-competitive determination of consulting fee rates.

In response to these various findings on the selection processes, the Secretariat is currently revising all procurement regulations under an ongoing Procurement Improvement Plan, a joint initiative of the finance and sourcing teams. This plan is incorporating strengthened controls in the consultant selection processes, including stricter rules on the use of 'exceptions to competition', approval thresholds, and conflicts of interest declarations. The improvements also include clear definitions of compliance roles, accountabilities and reporting mechanisms. The revisions are captured in the Agreed Management Actions from the earlier OIG reports, with target dates of June 2017. The OIG will follow up on the design and implementation of these various improvements through the sourcing follow-up audit expected in late 2017 mentioned above. Accordingly, this audit did not cover the selection process.

## 4. Findings

### 4.1. Consultant management needs further improvements in workforce planning, analysis of resourcing options, roles and accountabilities, standardization of processes and enhancement of data systems

The Secretariat initiated annual consulting planning in 2016, and is now improving and embedding the process into organizational policies. When completed, these improvements are expected to lead to better planning, fewer 'exceptions to competition', and an in-depth cost-benefit analysis of strategic and operational options related to consultants.

The Secretariat put in place consultant procurement planning, employed zero-based budgeting and tighter budgetary controls in 2016, all of which contributed towards a reduction of total consultants costs from 35% of the total staff cost of the Global Fund in 2015 to 19% in 2016. The number of individual consultants decreased by 49% over the same period, from 285 consultants in 2015 to 145 in 2016.<sup>8</sup> As a result, the number of individual-consultants-to-staff-ratio went from 42% in 2015 to 20% in 2016. As part of these ongoing improvements, the first annual consultants plan was completed in 2017. The plan covers key information requirements for robust planning, including the number of consultants needed, which departments need consultants, the periods of engagement, estimated cost ranges, and the purpose of the consultants.

During the planning phase of this audit, the Secretariat prepared a detailed self-identification exercise and provided the OIG with a summary of key weaknesses that currently exist in the Global Fund's consultant management process. The audit procedures generally validated the results of the self-identification by the Secretariat, thus confirming the effective level of management's control self-awareness in this area. The main issues are summarized below:

**1.) *Holistic workforce planning:*** Similar to many organizations of its size and nature, the Global Fund uses consultants as a material complement to its workforce. However, the organization has not yet developed robust strategic workforce planning processes to periodically evaluate its workforce needs based on business requirements, the adequacy of current internal resources and the necessary complement from external consultants. In the absence of such workforce analysis, risks may develop over time such as duplicative use of consultants in areas where spare or under-utilized staff capacity may exist in other departments, or over-reliance on a contingent workforce for long-term strategic business needs. Four service providers constituted 34% of the total consultant costs at the Global Fund from January 2015 to April 2017.<sup>9</sup> In some cases, the scope of services provided has evolved organically to material amounts without a comprehensive analysis of related costs and benefits or an assessment of the risks related to an outsourced model. For example, the engagement of IT cloud computing consultants has evolved without a comprehensive strategy and analysis of alternative options available.

**2.) *Cost/benefit analysis for long-term individual consultants versus full-time staff:*** Similarly, the pros and cons of engaging full-time staff equivalents as opposed to long-term consultants are generally not analyzed. Overall, 59% of the individual consultants working with the Global Fund in 2016 had been engaged for over one year. Of the 35 individual consultants with active contract as of April 2017, 11 have been working for over two years.<sup>10</sup> Two of the five business units interviewed during the audit justified using long-term consultants for ongoing business tasks as a result of staff positions denied on the basis of an upper limit on staff costs.

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<sup>8</sup> This data is based on GFS extract for Purchase Orders data from the Sourcing Department. It has limitations of accuracy, explained in more detail in Finding 4.1.6.

<sup>9</sup> This amounted to US\$29.4 million for the top four vendors providing consultant services.

<sup>10</sup> The number of consultants is based on the individual consultants list compiled by the Sourcing team, based on manual recording of Purchase Orders raised when a consultant is hired. There are risks of human errors, elaborated in Finding 4.1.6. There is no available information on the number of consultant working under the salary host arrangement or through the temporary agency.

To the extent that cost management is considered a primary driver of decisions related to use of consultants, there is a need for the organization to fully evaluate whether the underlying cost assumptions are supported. For example, two strategic long-term consultants of the sourcing team were sampled in this audit, and comparable staff positions were identified, based on qualifications, experience and terms of reference of consultants and staff. A comparative cost analysis for the staffing versus the consultant resourcing options indicated that, while these two consultants had an aggregate annual cost to the Global Fund of US\$0.9 million in 2015, similar full time staff equivalent would have cost approximately US\$0.5 million on a fully loaded basis (including all imputed staff costs and benefits). In contrast, similar analyses for two operational consultants indicated that engaging full time staff equivalent might be 62% more costly (with annual costs increasing by US\$0.1 million).

These results illustrate a broader general trend that internal staffing might be a cheaper option for long-term strategic workforce needs, while consulting might often be a more cost-effective option for more basic operational support needs. However, determining comparable staff positions, and estimating full staff salary and benefits, involve material assumptions, which can vary significantly on case to case basis. Therefore, before drawing any broad conclusions from these limited analyses, workforce options need to be explored in more detail by management, for individual cases or types of consultants, with a view to enhancing value for money.

In addition, options on duration of consultants also need to be considered when planning for consultants. An efficient use of consultants for targeted activities can reduce costs, and can also make them cheaper alternative compared to full-year salaried staffing.

**3.) *Assessment and monitoring of risks:*** Other risks related to the use of long-term consultants should also be evaluated. OIG interviews with the Global Fund's Legal Department did not identify major material legal risks resulting from the engagement of consultants on a long-term basis, given the legal framework applicable to the engagement of consultants is well understood: the Global Fund is not subject to Swiss labor law and disputes linked to contractual relationships with consultants are not subject to the jurisdiction of the International Labour Organization Administrative Tribunal, provided that the distinction between staff and consultants remains clear, and that specific rules are applicable to consultants. Thus, relationship is entirely governed by the terms of the contract between the Global Fund and the consultant.

The OIG has also interviewed the representative of the ad-hoc consultants working group<sup>11</sup> (including representation of the Staff Council), and reviewed a consultant survey conducted in February 2015. The interviews highlighted that legal, reputational and motivational risks may exist, with a need for clarity and setting appropriate expectations.

Long-term consulting can result in dependence on consultants for core operations and higher risk of losing them, as well as risks of lower ownership and accountability. There is also an inherent potential conflict of interest for consultants in completing assignments and their reluctance to ending the business relationship.

These risks need to be evaluated against potential advantages inherent in the use of consultants such as increased operational flexibility, the benefits of immediate access to trained expert resources, and a generally lower administrative burden.

**4.) *Clarity of roles and responsibilities:*** The consultant planning and management cycle involves various roles and controls that span across different business units: business/ operational, recruitment/ sourcing, financial budgeting and control, human resource management and legal. Lack of clear accountability limits the effectiveness of certain controls. For example, whilst the extensive use of exception-to-competition<sup>12</sup> has been a significant challenge, the ownership and

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<sup>11</sup> Established in 2015, this group is a forum that seeks to promote and support interests of individual consultants working at the Global Fund Secretariat. The working group is comprised of representatives from Staff Council, individual consultants, and staff.

<sup>12</sup> As highlighted Section 3.2 and 3.3 of this audit report, the review of the use of exception-to-competition will be covered under the follow-up audit of sourcing

accountability for these exceptions, and the responsibility for challenging them, are not yet clearly defined between the requester and sourcing teams.

**5.) Consultant onboarding, off-boarding, and performance management:** The consultant on-boarding, performance management, and off-boarding processes, and controls over consultant management in general, still vary considerably across different teams and business units. There is need for increased institutional guidance and standardized controls across the organization in the following areas:

- *Compliance with contract and administrative requirements:* 11 out of 20 consultants tested were either mobilized prior to the contract signing or the consultants or the Global Fund personnel had not signed the contracts. A third of individual consultants reviewed had not completed the required administrative documentation. This can affect contractual remedies in case of a material contract violation by the consultants.
- *Reference checks from previous employers:* OIG interviews and tests identified that the practices varied, sometimes even with the same department. Reference checks are performed or previous working experience information requested in the Request for Proposal only in limited cases.
- *Performance tracking:* Only one out of five departments interviewed maintains a centralized performance repository and conducts a formal performance assessment at the end of the consultant contract. The other departments relied on informal performance monitoring only. The lack of reliable performance tracking for consultants increases the risk of re-engaging consultants with poor performance history by different business units within the organization.

**6.) Systems and data limitations:** All consultant expenditures are currently entered into the Global Fund System (GFS), an Oracle-based solution. This system has strong controls on financial aspects of consultant management, including contract amounts, payments, recording and adjustment of advances, and avoidance of double-payment. However, GFS is not designed to address additional management information and controls specific to consultants. For example, cost categories and account codes used in GFS are not aligned with different types of consultants categories defined by the Global Fund. Therefore, expenses related to different types of consultants (for example, company consultants versus individual consultants) must be manually identified, which is laborious and involves a higher risk of errors.

On the HR side, a system is not yet in place to track consultant information, duration of engagement, performance and contract specifications, and to provide easy and reliable access to such information for strategic planning and operational decision-making purposes.

Overall, the Secretariat has recognized the existence of significant gaps in the current organizational processes to manage consultants. Both the Procurement Improvement Plan and the HR Strategic Workforce Planning Initiative (which is part of a People Strategy),<sup>13</sup> if successfully implemented, should strengthen controls in several of the areas highlighted above. A centralized process of consultant management is being designed within GFS. The Secretariat is also implementing new HR software (WorkDay), which is designed to cover both staff and consultants data requirements. The software is intended to be synchronized with GFS, facilitating easy comparison and analysis of financial and HR data related to consultants, thus addressing many of the consultant data issues. Thus, whilst improvements are needed in the consultant business processes, controls, oversight, systems, and data, the Secretariat has shown awareness of these areas of improvement and is working to address them. Additional remediation measures identified in the audit will be incorporated within these ongoing initiatives, as part of the Agreed Management Action below.

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### **Agreed Management Action 1**

As part of the ongoing Procurement Improvement Plan and Strategic Workforce Planning Initiative, the Secretariat will implement:

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<sup>13</sup> The Global Fund's internal approach to creating an environment in which the Global Fund can deliver on its mission, by empowering management and staff with the organizational tools and culture to perform at their best.

- detailed guidance and training to business departments on use of consultants, including a process for determining departmental consulting requirements, and analyzing all related options;
- process for consolidation of consulting needs, management review and decision-making reporting and oversight;
- consultant management process defining roles and responsibilities for key aspects, including resource planning, options analysis, bidding and selection, contract management, compliance monitoring, and performance management.
- enhanced controls on contracts-related administrative and contractual requirements;
- standard processes for consultant background checks (for individual consultants) and performance checks, and recording their assignment performance in a central repository;

The Secretariat will also perform an analysis of costs, benefits and risks for existing long-term consultants, and compare them with those for staffing options, to determine the way forward.

The new HR software (WorkDay) will record and report all administrative, and contractual information on consultants and the Secretariat will explore options to enhance GFS to enable, in sync with WorkDay, automated extraction and analysis of critical consultant data for strategic decision-making.

Owner: Head, Finance, IT, Sourcing and Administration, in conjunction with Head, Human Resources Department

Due date: 31 March 2018

## 5. Table of Agreed Actions

No.	Category	Agreed Action	Target date and owner
1.	Design and effectiveness of controls over the planning and management of consultants at the Global Fund	<p>As part of the ongoing Procurement Improvement Plan and Strategic Workforce Planning Initiative, the Secretariat will implement:</p> <ul style="list-style-type: none"> <li>• detailed guidance and training to business departments on use of consultants, including a process for determining departmental consulting requirements, and analyzing all related options;</li> <li>• process for consolidation of consulting needs, management review and decision-making reporting and oversight;</li> <li>• consultant management process defining roles and responsibilities for key aspects, including resource planning, options analysis, bidding and selection, contract management, compliance monitoring, and performance management.</li> <li>• enhanced controls on contracts-related administrative and contractual requirements;</li> <li>• standard processes for consultant background checks (for individual consultants) and performance checks, and recording their assignment performance in a central repository;</li> </ul> <p>The Secretariat will also perform an analysis of costs, benefits and risks for existing long-term consultants, and compare them with those for staffing options, to determine the way forward.</p> <p>The new HR software (WorkDay) will record and report all administrative, and contractual information on consultants and the Secretariat will explore options to enhance GFS to enable, in sync with WorkDay, automated extraction and analysis of critical consultant data for strategic decision-making.</p>	<p>Head of Finance, IT, Sourcing and Administration and Head of Human Resources Department</p> <p>31 March 2018</p>

## Annex A: General Audit Rating Classification

<p><b>Effective</b></p>	<p><b>No issues or few minor issues noted.</b> Internal controls, governance and risk management processes are adequately designed, consistently well implemented, and effective to provide reasonable assurance that the objectives will be met.</p>
<p><b>Partially Effective</b></p>	<p><b>Moderate issues noted.</b> Internal controls, governance and risk management practices are adequately designed, generally well implemented, but one or a limited number of issues were identified that may present a moderate risk to the achievement of the objectives.</p>
<p><b>Needs significant improvement</b></p>	<p><b>One or few significant issues noted.</b> Internal controls, governance and risk management practices have some weaknesses in design or operating effectiveness such that, until they are addressed, there is not yet reasonable assurance that the objectives are likely to be met.</p>
<p><b>Ineffective</b></p>	<p><b>Multiple significant and/or (a) material issue(s) noted.</b> Internal controls, governance and risk management processes are not adequately designed and/or are not generally effective. The nature of these issues is such that the achievement of objectives is seriously compromised.</p>

## Annex B: Methodology

The OIG 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 documents 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 at the Global Fund as well as in country, 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.