



Audit Report

Global Fund Human Resources Management Processes

GF-OIG-19-007
15 March 2019
Geneva, Switzerland

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Audit Report

OIG audits look at systems and processes, both at the Global Fund and in country, to identify the risks that could compromise the organization's mission to end the three epidemics. The OIG generally audits three main areas: risk management, governance and oversight. Overall, the objective of the audit is to improve the effectiveness of the Global Fund to ensure that it has the greatest impact using the funds with which it is entrusted.

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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.

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1. Executive Summary

1.1. Opinion

Staff and consultants are important enablers to achieving the Global Fund's mission and vision. The Secretariat has made considerable progress in improving human resources ("HR") management processes, including the development and ongoing implementation of the People Strategy 2017–2022. This strategy sets out the organisation's approach to creating a working 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.

The HR function has substantially evolved since its establishment in 2009, from being an administrative unit to one that is now well-placed within the organisation and which acts as a support and advisor to staff and management. The structure of the HR function has been revised and its policies and procedures have been streamlined to achieve greater effectiveness and efficiency.

Despite these achievements, several challenges in HR management processes remain to be addressed.

Although substantial progress has been made in certain areas such as strengthening HR systems and processes, the design and operational effectiveness of Global Fund systems, policies and procedures to support HR management processes, especially performance management, employee relations and the employee grievance process, **need significant improvement**. This is mainly due to continued issues in managing poor performance as a result of ineffective implementation of performance management processes by staff including people managers and the HR department. In addition, gaps exist in employee relations policies and procedures. There is also overlap and duplication of effort among the various support functions involved in dealing with employee grievance cases.

Although the design of the People Strategy is adequate to support the achievement of the 2017–2022 Global Fund Strategy, there is a need for timely implementation of strategic initiatives such as Strategic Workforce Planning (SWP), which has been outstanding for more than six years. While the Management Executive Committee approved a new approach for SWP in June 2018, work needs to be done in monitoring its implementation. The design and implementation of the People Strategy to support the 2017-2022 Global Fund Strategy are therefore rated as **partially effective**.

1.2. Key Achievements and Good Practices

The HR function has improved and substantially evolved since its establishment in 2009, with strong Management Executive Committee support enabling the improvements in recent years.

Development of People Strategy: The HR function has defined clear strategic initiatives to support the 2017-2022 Global Fund Strategy. The People Strategy was developed in consultation with key stakeholders including the Audit and Finance Committee, Management Executive Committee, Staff, Ombudsman and Staff Council. A project charter has been developed with defined activities, deliverables, KPIs and timelines to implement the People Strategy.

HR Transformation project resulting in improved HR processes and systems: In September 2016, the Global Fund HR department initiated the HR transformation project as part of the People Strategy. The project has resulted in improvements in HR processes and systems. For example:

- Revision of the HR department structure to achieve greater effectiveness and efficiency through a tiered human resource service delivery model, including a focus on "self service" via three main service pillars: HR Business Partners to deliver focused and strategic counsel, and to support senior management, line managers and staff; communities of expertise to design, embed and align policies, approaches and initiatives across the core areas of HR

activity; and the use of shared services to provide administrative support for core areas of HR activities. A new HR front desk and request management tool have been established to more efficiently handle staff HR requests.

- The implementation of a single, user-friendly, HR technology platform (Workday) that supports efficient and effective delivery of HR services across the employee lifecycle. Workday has been integrated into the Global Fund IT landscape, and end-to-end HR processes have been streamlined through this platform.
- Outsourcing payroll services and decommissioning the GF internal payroll system.

The HR department has generated annual savings of US\$0.8m due to outsourcing payroll services, changing the IT Platform to Workday and decreasing the HR workforce (from 27 to 22 full-time employees). In June 2018 the department reported an improvement in the average staff satisfaction rating on services provided by HR (2.9 on a scale of 1–3, with 3 being highly satisfied, compared to 4.6 on a scale of 1-5 in 2017).¹

Other Human Resource process improvements: Learning and Development, including in-house and external training, have been centralized to ensure consistency in training approval and processes. Onboarding processes have been improved and now include consultants. There is regular reporting of HR data, which is used for management information and decision making (e.g. attrition rates, performance ratings, span of control, workforce diversity). The Secretariat uses external consultants for a number of HR process improvements, which ensures best practices can be leveraged by the organization. A unified competency framework with functional and non-functional competencies has been designed and implemented, providing a critical foundation for a number of HR initiatives and processes.

1.3. Key Issues and Risks

Ineffective implementation of procedures results in inadequate management of poor performance: Performance management processes and procedures are generally well-established at the Secretariat. However, known issues relating to ineffective management of poor performance have not been properly addressed.² The lack of consequences and incentives for managers in tackling poor performance, lack of enforcement by HR, a perception by managers that the applicable labor legal standards disincentivise the tackling of poor performance, and limited managerial capabilities all contribute to the ineffective management of poor performance. An OIG survey on performance management processes noted a disconnect between manager and employee expectations in terms of performance (particularly on the “how” metrics), and varied interpretations of the performance assessment criteria by managers.

Nearly 70% of people managers who responded to the OIG survey noted that they have, or previously had, staff with performance issues. Yet 76% of those managers reported instances where those staff were not appropriately rated as poor performers. Only 2.5% of Global Fund staff (less than 20 employees) were rated as not meeting expectations in 2017. Typically, staff with performance issues exit the organisation with a Mutually Agreed Separation package.

Employee relations policies and processes need improvement to avoid inefficiencies in dispute resolution cases and non-compliance with International Labour Organization guidelines: The HR department manages the internal dispute resolution process. The process is supported by various functions such as the Ombudsman, Staff Council, and Ethics Officer. This process, however, needs to be streamlined to avoid overlaps and duplication of effort in dealing with employee relations cases. In addition, some areas of employee relations policies and guidelines need further strengthening, e.g. those relating to data retention, disciplinary processes

¹ HR Report mid 2018 and 2017

² 2016 and 2014 Employee Engagement Surveys noted that only 26% and 21% of the Staff believe the Global Fund takes appropriate action when dealing with poor performers. Performance management was also noted as an issue in the OIG HR audit report in 2012 and the HR annual reports in 2016 and 2017.

and investigation processes. The policies on sexual harassment, abuse and exploitation also have to be adapted to the wider context of violations in Global Fund programs and not only focused on the Global Fund employees.

Delays in implementing Strategic Workforce Planning can limit the organization's ability to put in place the right resources to deliver the Global Fund strategy: Strategic Workforce Planning (SWP) helps organisations put in place the right organisational design with the right workforce skills and competences. While the organization has undergone a number of transformations including the creation of new departments and reorganization of existing teams, this was not driven by SWP. SWP's importance was identified in 2012, but SWP has not yet been implemented and had been deprioritized until the development of the People Strategy 2017 - 2022. It is now scheduled to be completed by June 2020. Several steps, such as putting in place a Unified Competency Framework, have been taken to set the foundation for SWP implementation.

In June 2018, a new staggered approach to SWP was defined and approved by the Management Executive Committee. The monitoring of SWP implementation could however be strengthened. During the audit, SWP did not fall under the remit of any cross-functional steering committee and no success metrics had been defined. Subsequently, SWP has been included in the remit of the Performance and Accountability Framework Steering Committee.

1.4. Rating

Objective 1. Design and implementation of the People Strategy to support the 2017-2022 Global Fund Strategy.

OIG rating: **Partially effective.** The design of the People Strategy is adequate to support the achievement of the 2017–2022 Global Fund Strategy. While the People Strategy has been implemented for only 18 months, an initiative such as Strategic Workforce Planning has been outstanding for more than six years. Improvement is needed to ensure timely implementation of such key strategic initiatives.

Objective 2. Design and operational effectiveness of Global Fund systems, policies and procedures to support HR management processes, specifically on recruitment, performance management, employee relations (including sexual harassment and sexual exploitation and abuse) and separation.

OIG rating: **Needs significant improvement.** Despite progress made in strengthening HR systems, policies and procedures, significant improvement is required in the management of poor performance, employee relations and employee grievance processes, and in adapting the policies on sexual harassment, bullying and abuse of power to the wider operating context.

1.5. Summary of Agreed Management Actions

The OIG and the Global Fund Secretariat have agreed on four management actions as a result of the audit findings.

To address the issues identified around performance management, the Secretariat will review the results of the performance and talent management review and update its policies/processes and systems accordingly. This includes further embedding current practices, including mandatory training and monitoring effective implementation of line manager evaluations.

To improve employee relations policies and processes, the Secretariat will clarify the roles and responsibilities of the various parties involved in the employee case intake and employee conduct, and complete their review of investigation and disciplinary processes.

The Secretariat will develop a framework to address harassment, including sexual harassment, bullying and abuse of power related risks in the context of Global Fund programs.

The Secretariat will also implement Strategic Workforce Planning through two staggered phases (Operational Workforce Planning and Strategic WFP) by December 2019 and June 2020.

2. Background and Context

The Global Fund strives to attract a diverse and talented work force in order to remain an innovative organization that makes a sustained impact on the three diseases. The organization is also committed to creating a working environment based on mutual trust and respect, where employees work collaboratively and develop innovative solutions to achieve the organization's mission. The relationship between the Global Fund and its employees is governed by the terms of employment contracts, Human Resource Policies and the Employee Handbook.³

2.1. Workforce trends

The Global Fund has no offices in countries, and all staff (consisting of 101 nationalities) are based in Geneva, Switzerland. The number of full time equivalents (FTE)⁴ increased by 9% from 686 at the end of 2015 to 751 at end of 2017. The organisation's staff costs were US\$149 million and US\$139 million in 2017 and 2016, respectively, constituting approximately 52% and 50% of total operational expenses in those years.

The attrition rate⁵ at the organisation is low. In 2017, the attrition rate was 5.3%, with 70% of vacancies filled through internal recruitment.

2.2. People Strategy

The Secretariat developed the People Strategy as an enabler to support the achievement of the 2017-2022 Global Fund Strategy. It is designed to drive the culture change necessary for all Global Fund staff to play their part in the implementation of the strategy. The People Strategy is expected to help create a culture, workplace and working environment which embody and promote Global Fund values, and where leaders and staff act as role models of collaboration, adaptability, accountability and integrity.

The People Strategy, which was defined in 2016 through a consultative process with key stakeholders, initially covered seven strategic initiatives, with two additional areas subsequently added:

- Competency Management
- Strategic Workforce Planning
- Integrated Talent Management
- Learning & Leadership Development
- Organizational & Workplace Culture
- Organizational Change Management
- HR Transformation
- Total Reward*
- Performance Management*

(* added in mid-2018)

³ The Global Fund Employee Handbook, September 2018

⁴ The availability/time spent of a full time equivalent employee working for the Global Fund for up to 40 hrs per week.

⁵ The number of employees who left the Global Fund during a given time period, divided by the total number of employees in the Global Fund at a defined point in time. This includes voluntary and involuntary attrition.

In the initial People Strategy, performance management was included as part of Integrated Talent Management and focused more on the integration of performance management and talent management processes into one system. However, over the past year, the HR department perceived that performance management has gained in prominence and, as a result, it was carved out as a separate strategic initiative in mid-2018.

2.3. Self-identification of issues through the Management Assessment Tool

For this audit, the HR department volunteered to objectively self-identify various gaps in its management processes, and highlighted plans to address some of the issues identified. This demonstrates good control awareness on the part of management. Issues self-identified by the Secretariat include: delays in the implementation of the People Strategy initiatives and disjointed monitoring of People Strategy KPIs; inadequate performance management and management of poor performance; the need to implement Strategic Workforce Planning; improvements required in the recruitment approach and processes; weaknesses in staff wellbeing and sick leave management processes; gaps in the HR data security and system during the first 6 months of the roll out of Workday.

3. The Audit at a Glance

3.1. Objectives

The audit assessed the design and effectiveness of Human Resource processes in achieving the organization's objectives. Specifically, the OIG assessed the:

- design and implementation of the People Strategy:
 - i. the adequacy of the design of the People Strategy, the degree to which it covers key HR components, and the adequacy of mechanisms in place to implement the related strategic initiatives;
 - ii. the effectiveness of the implementation of relevant strategic initiatives, specifically for Competency Management and HR transformation, which have been completed or are near completion.
- design and operational effectiveness of Global Fund systems, policies and procedures to support HR management processes, specifically on recruitment, performance management, employee relations (including Sexual Exploitation and Abuse) and separation. In assessing this, the audit evaluated the status of progress made on implementing workforce planning, a gap already identified in past OIG audits.

3.2. Scope

The audit covered the period July 2016 to June 2018 and focused on the processes identified in section 3.1 above.

Scope exclusions:

- HR management processes relating to Global Fund consultants and interns; this is because the management of consultants was recently audited by the OIG⁶ and the number of interns is considered immaterial.
- The Total Rewards review, led by the Human Resource department, which has not yet been concluded.
- The recruitment process of the new Executive Director, as this process was managed by the Board.

As part of fieldwork, a survey was conducted to seek feedback from Global Fund staff and people managers on performance management processes. The response rate was 54% and 62% for staff and people managers, respectively⁷.

⁶ GF-OIG-17-016 Planning and Management of Consultant, 2017

⁷ The survey was conducted on an anonymous basis, and therefore there is a risk that individuals can complete the survey multiple times.

3.3. Progress on Previously Identified Human Resources Issues

A 2012 OIG audit of the Global Fund HR Function⁸ noted weaknesses in HR-related systems, controls, rules and procedures, including gaps in the HR strategy. The recommendation to implement the Strategic Work Plan and a strategy to deal with under performance has not yet been completed.

In 2017, the OIG audit of the Planning and Management of Consultants⁹ noted similar issues in workforce planning, analysis of resourcing options, roles and accountabilities, standardization of processes and enhancement of data systems.

The agreed management action to address the issue related to the implementation of SWP is outstanding (see Section 4.3: Delay in the implementation of SWP).

The OIG audit of the payroll process in 2013 noted that internal control processes over payroll are generally effective. The audit of the process over payment of employee benefits in 2013 identified specific control weaknesses including the absence of quality checks on data entry reviews, manual tracking of absence management and inaccuracies in expatriate premium payments. This is outside the scope of this audit as it falls under the Total Rewards Framework.

GF-OIG-17-016 Planning and Management of Consultants

GF-OIG-11-014 Review of the Global Fund's HR Function

GF-OIG-13-025 Status Report on the Implementation of Recommendations deriving from the Internal Audit of the HR Function

GF-OIG-13-026 Internal Audit of the Payroll Process

GF-OIG-13-027 Internal Audit of the Processes Underpinning the Payment of Employee Benefits

⁸ GF-OIG-11-014 Review of the Global Fund's HR Function, 2012

⁹ GF-OIG-17-016 Planning and Management of Consultants, 2017

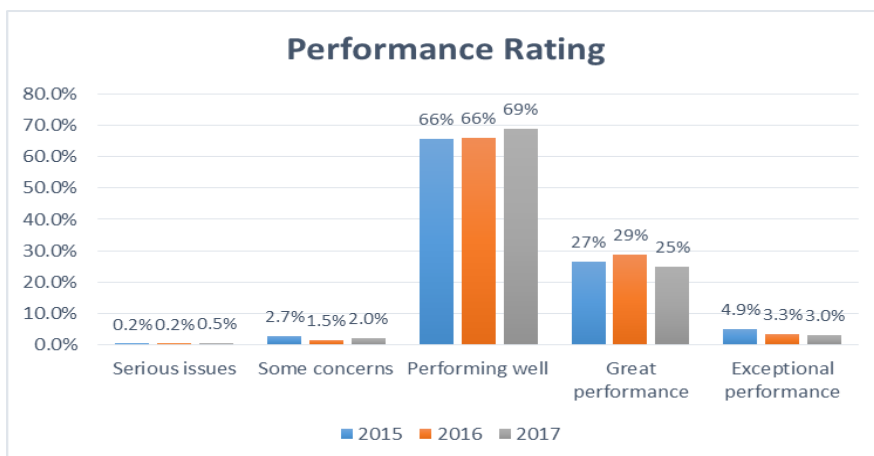
4. Findings

4.1. Ineffective implementation of procedures results in poor management of performance

The annual performance management process is an established mechanism for managers and employees to discuss, clarify and agree what is expected of the employee, how their progress is evaluated, and areas for development and growth. This is performed formally through three phases: objective setting, mid-year review and year-end evaluation. A formal mechanism is in place to provide upward and downward feedback, and the OIG survey highlighted that staff appreciate having at least two mandatory discussions per year to discuss objectives with, and obtain feedback from, their manager. Calibration meetings facilitated by HR are carried out by line managers and senior management to ensure consistency of the process. However, despite the improvement in the performance management process, issues remain in the management of underperformance.

Underperformance is not managed effectively: Issues of poor performance have been highlighted in previous OIG audits¹⁰ and past staff engagement surveys.¹¹ However, the issues have not been tackled and addressed effectively. 68% of 116 people managers who responded to the OIG survey noted that they have/had staff with performance issues, and 76% of these managers indicated instances where poor performers were not rated as such. As shown in the bar chart on page 11, only 2.5% of staff were rated as poor performers (less than 20 staff across the Global Fund) in 2017 (with 1.7% and 2.9% in 2016 and 2015, respectively). Over the past three years, the performance profile for employees has remained unchanged, leaning towards the right side of the curve: 97% of staff were rated three or above on a five-point rating scale, where five represents top performance.

According to the OIG survey, only 2% of respondents think the Global Fund takes appropriate action when dealing with poor performance. The majority (54%) of people manager respondents do not use the performance support plans (PSP) process to address poor performance.¹² On average, only 47% of staff with poor performance



ratings were put on PSP in the last three years. Starting 2018, all employees who have a rating of 'some issues' or 'serious concerns' from their 2017 performance cycle must complete a PSP.

As a consequence, although the Employee Handbook allows for staff to be terminated based on sustained levels of unsatisfactory performance, staff with performance issues typically exit the organisation via a mutually agreed separation package, which provides them with additional termination indemnities. Furthermore, 40% of employee grievance and dispute cases relate to performance management. In 2017, out of the 19 cases relating to performance, three cases resulted in a change of performance rating and four cases resulted in a change in the narratives of the performance assessment.

¹⁰ GF-OIG-11-014 Review of the Global Fund's HR Function, 2012

¹¹ 2016 and 2014 Global Fund Employee Engagement Surveys noted that only 26% and 21% of the Staff believe the Global Fund takes appropriate action when dealing with poor performers.

¹² PSP is a set of structured actions with clear benchmarks and expected outcomes aimed at enabling an employee to improve her/his performance within a specified period (normally over a period of between 3 and 6 months).

Performance management, including the management of poor performance, is the responsibility of people managers. Our review noted the following underlying causes that contribute to weak management of poor performers:

- **A perception by some managers that the applicable legal framework constrains their ability to manage poor performance:** The applicable legal framework at the Administrative Tribunal of the International Labour Organization (ILOAT) is often quoted by management as contributing to the Global Fund’s low appetite for legal and reputational risks, hindering measures to effectively deal with poor performers. According to HR, this legal framework also constrains the implementation of certain best practices in managing performance. Our review of jurisprudence decisions from July 2016 to June 2018 noted that four out of six cases related to performance issues at the Administrative Tribunal of the International Labour Organisation were lost, and the total cost to the organization did not exceed CHF0.3 million. These losses were due to organizational non-compliance with performance management policies.¹³ Despite the financial cost being relatively immaterial, this perception of a legal framework constraint (particularly from senior leaders) prevents proper tackling of poor performance.
- **Lack of appropriate training and preparation of People Managers in tackling poor performance:** There is no mandatory refresher training, and the training provided is not tailored by seniority. In 2017, only 22 staff participated in the “Fundamentals of Leadership and Managing Performance” training organized by the Human Resource department. This training had the lowest satisfaction rating among all training courses organized by HR. In April 2018, training on performance support plans was conducted with 15 participants. Recently, a new tiered leadership initiative was launched to cover fundamental, intermediate and advance phases for “Leadership and managing performance”.
- **Known issues on performance management have not been addressed:** The 2014 and 2016 staff engagement surveys found that management of poor performance¹⁴ remains a major issue. This issue was also highlighted in OIG audit reports in 2012 and 2013.¹⁵ However, performance management has not been prioritized by senior management, resulting in no substantive improvements being implemented. In fact, the initial People Strategy approved by the Management Executive Committee in September 2016 did not include performance management; it was however included in the revised Strategy in June 2018.
- Although there is no clear plan to address the known weaknesses, the Secretariat now recognizes the issue and is undertaking a review of the performance management process, including the management of underperformance.¹⁶ The review aims to achieve a market benchmarked, fit-for-purpose performance and talent management process, which will drive manager accountability and performance differentiation across the organization, as well as improve the talent management process.
- **Employee survey data suggests a significant gap in performance expectations and a lack of clear consequences and incentives to tackle poor performance:**
 - a. Apparent disconnect between manager and staff expectations: Guidelines exist for setting performance targets. However SMART target setting is challenging for staff, especially for quality metrics. 55% of respondents to the OIG survey believe their managers clearly express their expectations regarding the objectives on “WHAT” they should achieve in their role but are less clear on “HOW” staff could meet the objectives or the required behaviours. Only 39% of respondents believe that managers clearly express their expectations on the “HOW”

¹³ Due to the nature of the ILOAT cases, most of the data relates to the 2012 Global Fund restructuring, which may not be reflective of more recent process improvements.

¹⁴ Only 26% and 21% of the survey respondent in 2016 and 2014 noted that the Global Fund takes appropriate action when dealing with poor performers.

¹⁵ GF-OIG-11-014 Review of the Global Fund’s HR Function (2012) and GF-OIG-13-025 Status Report on the Implementation of Recommendations deriving from the Internal Audit of the HR Function (2013)

¹⁶ Request for Proposal (RFP) dated 13 August 2018 on Performance and Talent Management Review, TGF-18-071

criteria. Nearly one third of Global Fund managers admit to having difficulty in setting job targets for their direct reports. The lack of an ongoing feedback culture is also a contributing factor to the disconnect between manager and staff expectations. Only 24% of respondents believe their manager provides them with practical feedback on how to improve their performance on a continuous basis. With the implementation of the Unified Competency Framework in 2018, the “HOW” in the performance management process has been predefined according to an employee’s job family and grade level, and is prepopulated for all staff and managers.

- b. Administrative processes are too cumbersome: Although ILOAT guidance must be followed, 60% of managers who responded to the OIG survey perceive the administrative processes for tackling poor performance as too cumbersome.
- c. Lack of support from HR department: 45% of people manager respondents believe they do not receive sufficient support from HR to manage poor performance issues, with HR being perceived as performing an administrative role rather than a supporting role.
- d. Ineffective calibration at the Management Executive Committee (MEC) level: Despite the ratings being reported and discussed at length at the MEC, no substantive rebalancing has occurred over time. For the 2017 performance cycle, almost half of the team in three departments were rated as great and exceptional performers, whilst in the other departments the great and exceptional ratings ranged between 24%-34%. Only five of the 11 departments/divisions across the organization recognized any low performance in their staff ratings.

Agreed Management Action 1

The Secretariat will review the results of the performance and talent management review by Deloitte and update performance and talent management policies/processes and systems.

The Secretariat will further embed current practices including mandatory training (e.g. Performance Support Plan training, competencies training and leadership training) and monitor the evaluation of line managers (e.g. ongoing inclusion of mandatory people objective in performance objectives of line managers).

Owner: Head, Human Resources Department
Due date: 31 December 2019

4.2. Employee relations policies and processes need improvement to avoid inefficiencies in dispute resolution cases and non-compliance with ILOAT guidelines

An employee grievance and dispute resolution system managed by the HR department exists to resolve workplace conflict through either an informal or formal approach. A mediation system was introduced in quarter three of 2018 to help staff resolve disputes quicker. The mediation system focuses on finding mutually agreeable solutions to disputes. Experienced mediators have been appointed to support the organization, and mediation training has been made mandatory for people managers to strengthen management accountability. Measures are being put in place to guard against retaliation towards complainants. Other support services including the Ombudsman, Staff Council, Staff Counsellor and Ethics Officer are available to discuss staff concerns and to provide advice. This gives staff the flexibility to discuss their concerns with any of the service providers they feel comfortable with.

Despite a 25% decrease in the number of grievances and dispute cases reported to the Human Resource department in 2017,¹⁷ there was conversely 68% increase in cases reported to the Ombudsman over the same period. The increase is mainly due to restructuring in three departments at the Secretariat including the Human Resources Department.¹⁸

Despite improvements in employee relations processes at the Secretariat, there is an opportunity to further strengthen some processes.

Overlap and duplication of effort in dealing with employee relations cases across support functions

As self-identified by the HR department, a risk of overlap exists between the roles of the HR department and the Ethics Office, both of whom have a mandate to deal with employee misconduct. Different staff support services including the Staff Counsellor, Ethics Officer and Staff Council currently provide referrals to the Human Resource department. However each function has different arrangements for case intake, categorization and referral, and for confidentiality reasons key information on cases is sometimes not shared. Overlaps and duplications of effort could result in inefficiencies, leading to frustration or mistrust with the case resolution and referral process.

The underlying causes of these issues include a lack of clear delineation between the roles and responsibilities of the HR department, Ethics Officer and Staff Counsellor in relation to case intake. Staff are unclear who they should consult with on employee relations issues. The availability of multiple channels to support and assist staff with complaints represents a strength for the organization, and given the nature of employee grievances, no rigid rules can prevent potential overlaps. However, in the absence of effective communication of grievance mechanisms and information sharing between various support functions, there is a heightened risk of both staff confusion and inefficiency in the employee grievance processes.

Lack of comprehensive employee relations policies and guidelines may result in inconsistent approaches and non-compliance with ILOAT guidelines

Employee relations-related policies are outlined in the Employee Handbook (e.g. grievance and dispute resolution, disciplinary procedures, bullying and harassment). The following gaps were however noted in the policies and guidelines:

- a. Inconsistencies in procedures on conducting staff investigations: In certain cases, the “assessment” and “investigation” stages are not clearly defined or differentiated in the disciplinary process. Assessments should be made based on the Uniform Guidelines for

¹⁷ 64 cases in 2016 and 48 cases in 2017

¹⁸ The Report of the Ombudsman 2017: 127 people (representing 14% of total workforce comprise of staff, consultants and interns) with a total of 330 cases reported for Year 2017.

Investigations, as endorsed by the Conference of International Investigators.¹⁹ However, the actual assessments made by HR are not in line with these guidelines. There are no appropriate records assessing an allegation's credibility, materiality and verifiability, including documentation of the Head of HR's decision for conducting an investigation, its rationale and the outcomes of consultations with relevant departments. In one allegation case, assessment was made by interviewing the subject, staff members, and notifying the subject's manager. The subject was only informed of the allegations after interviews had started. This approach could result in legal and reputational risks to the organisation should the subject challenge the process at the International Labour Organization's Administrative Tribunal (ILOAT), as according to ILOAT standards, subjects should be notified of allegations prior to any interviews with the subject or other stakeholders.

The audit noted that the notice letter to the subject of an investigation, as stipulated in the Employee handbook, does not cover certain elements required by ILOAT procedures, e.g. the names of the complainant and of the investigators or sufficient information regarding the allegation to enable the employee to respond appropriately to the allegation.

b. Deficiencies in the management of employee relations data: The following issues were noted in the management of case data:

- *Access to case management data:* During the period under review, Human Resource Business Partners (HRBPs) and the Employee Relation team recorded and tracked employee relation cases manually, using excel spreadsheets. This resulted in challenges in maintaining comprehensive case file documentation to capture and track all issues from the initial complaint, mediation and resolution until case closure. This system resulted in institutional memory being lost when an HRBP or Employee Relation team member resigned.

In August 2018, new case management software was deployed to improve the gaps in the data management process, including case intake, assessment and subsequent case management administration. The OIG however noted challenges with the new system: in particular, HRBPs can access all employee relation case files regardless of their jurisdiction, leading to confidentiality risks.

- *Record Keeping:* record keeping for all cases under disciplinary procedures, except for gross misconduct, is 12 months or less.²⁰ This exposes the organization to the risk of insufficient evidence, especially if a staff member challenges the outcome of a disciplinary procedure.

c. Lack of clarity regarding roles and responsibilities for Sexual Harassment, and Sexual Exploitation and Abuse (SEA) issues:²¹ In recent years, sexual harassment and SEA have become major areas of both legal and reputational risk for many organizations, including in the international sector. No specific issues have been identified regarding the Global Fund's operations. The Secretariat has also taken important steps to proactively address the issue, including revising harassment policies and procedures in the Employee Handbook, making more explicit in the code of conduct the organizational stance towards misconduct, and increasing employee awareness through training and communication. However, these policies are currently focused on Global Fund employees, and need to be adapted to the context of violations in Global Fund programs, which may involve implementers, suppliers and other stakeholders who are not

¹⁹ Guidelines for conducting investigations issued by Conference of International Investigators. http://www.conf-int-investigators.org/?page_id=415

²⁰ Where a sanction is imposed, the notes from the meetings and supporting documentation are held on the employee's HR file for 12 months, or 6 months when no sanction is imposed.

²¹ **Sexual Harassment** is a form of harassment which includes unwelcome sexual advances or unwanted verbal or physical conduct of a sexual nature. Sexual harassment may include coercive sexual behavior used to control, influence or affect the job, career or status of an employee (Source: GF Employee Handbook, Sept 2018).

Sexual Exploitation and Abuse: the United Nations defines it as any actual or attempted abuse of position of vulnerability, differential power or trust, for sexual purposes, including, but not limited to, profiting monetarily, socially or politically from the sexual exploitation of another. "Sexual exploitation" is a broad term, which includes transactional sex", "solicitation of transactional sex" and "exploitative relationship"(Source: UN United Nations Glossary on Sexual Exploitation and Abuse, April 2017)

employees. Clear roles and responsibilities across different functions are yet to be formally defined, as well as robust escalation mechanisms such as in cases of allegations involving senior management.

The lack of internal policies, guidelines or standard operating procedures governing the conduct of employee relations contribute to the issues above. For example:

- As self-identified by the HR department, mapping of the end-to-end investigation process for employee-related issues is yet to be completed.
- No detailed guidelines on the stages of the investigation process in the Employee Handbook to explain complaint intake and assessment, investigation plans, evidence collection, and criteria on the use of external investigators.
- No internal standard operating procedures governing the conduct of HR Business Partners or Employee Relation specialists to ensure consistency in the implementation of employee relations matters.

Challenges in the employee relations processes could result in lost cases at the ILOAT. The Global Fund lost eight cases at the ILOAT between January 2016 and June 2018. These resulted in CHF1.9 million fines against the organisation in addition to US\$0.3 million in administrative costs.²² Management time in managing these processes, while difficult to quantify, is believed to be significant, representing poor value for money (particularly for senior staff). In addition, there were 68% and 59% increases in the numbers of issues and visitors respectively to the Ombudsman in 2017, compared to 2016.²³ The concerns reported to the Ombudsman mainly related to Evaluative Relationship (supervisory effectiveness) and career progression.

Agreed Management Action 2

The Secretariat will clarify roles and responsibilities of the HR department, Ombudsperson, Ethics Officer and Staff Counsellor for employee case intake and employee conduct. The Secretariat will also complete the review of investigation and disciplinary processes including case intake and assessment, mapping key processes, data retention, and developing SOPs for case investigation.

Owner: Head, Human Resources Department

Due date: 31 December 2019

Agreed Management Action 3

The Secretariat will develop a framework related to harassment, including sexual harassment, bullying and abuse of power in the context of Global Fund programs; this framework will cover the wider stakeholder environment of the Global Fund (including CCMs, implementers, suppliers and others) and define and clarify the roles and responsibilities across different functions within the Global Fund including GMD department, Ethics Officer and OIG.

Owner: Chief of Staff

Due date: 31 December 2019

²² Due to the nature of the ILOAT cases, the lost cases represent judgements rendered between January 2016 and June 2018. Most of the cases relate to the 2012 Global Fund restructuring, which may not be reflective of the more recent process improvements

²³ The Ombudsman report 2017

4.3. Delays in implementing Strategic Workforce Planning can limit the organization's ability to put in place the right resources to deliver the Global Fund strategy

The People Strategy sets out the Secretariat's approach to creating a work environment in which the Global Fund can deliver on its mission. This will be achieved by empowering management and staff with organizational tools to perform at their best through the implementation of initiatives such as strategic workforce planning (SWP). The purpose of SWP is to have the right organizational design with the right workforce skills and competences to deliver the Global Fund strategy. Under SWP, the Global Fund will assess, develop and sustain the employee skills required to successfully accomplish its business goals and priorities, while balancing the needs and expectations of staff. Through this process, the Global Fund hopes to make data-driven (evidence-based) decisions which help to bridge the gap between workforce supply and demand, optimize staff costs, and assess the impact of strategic initiatives and workplans on the workforce.

Although having the right resources in place is critical to the delivery of the Global Fund Strategy, significant progress has not yet been made in developing SWP, despite this being highlighted in previous reviews.

The need for SWP has been identified since 2012 but its action plan is yet to be finalized: Although the OIG highlighted the weaknesses in workforce planning and the need for SWP in various audits in 2012 and 2017, this issue has yet not been addressed as planned.^{24,25} SWP was scheduled to be implemented by April 2018 in the initial project charter of the People Strategy. However, the development of an SWP framework was de-prioritized by the Management Executive Committee in 2017 due to more pressing organizational priorities. SWP is now due for completion in June 2020. Several steps have been taken to set the foundation for the implementation of SWP. For example, a Strategic Resourcing Review was conducted in 2017 which focused on the adequacy of the Global Fund's organisational design, the development and implementation of the Unified Competency Framework, and the HR transformation project with the latter strengthening the HR Department to enable them to implement the strategic initiatives.

SWP could contribute to effective financial planning and optimizing resources to reduce the risk of over-reliance on contingent workforce for long-term strategic business needs, or duplicative use of contingent workers in areas where existing staff capacity may currently be under-utilized.

SWP is also identified in the corporate risk register as a mitigation action to address staff health risks. In 2017, staff burn out and sick leave increased by 11%, resulting in a CHF4 million productivity loss.²⁶ Implementation of SWP could have helped address organizational design challenges at an earlier stage. For example, there is a low span of control²⁷ (average 1:4) with 72% of managers managing only two employees, whilst the HR department's own research suggests that the ideal span of control ratio is between 1:5 and 1:8.²⁸ At the time of the audit, the span of control at the organisation was to be reviewed as part of the tactical phase of the SWP initiative. However, this will now be conducted as part of the operational phase of the SWP initiative.

New SWP approach could be strengthened to achieve maximum impact: In June 2018, a new staggered approach to SWP was defined and approved by the Management Executive Committee. A detailed plan and a working group comprising HR, Finance, and Strategy and Policy were established to implement SWP. A current pilot of SWP in one department is expected to be completed by December 2019. The lessons learned from the pilot will be considered in the roll out of SWP across the organization. The OIG noted that some of the pilot processes could be strengthened:

²⁴ GF-OIG-11-014 Review of the Global Fund's HR Function, 2012

²⁵ GF-OIG-17-016- Planning and Management of Consultants, 2017

²⁶ HR 2017 Report to the Management Executive Committee

²⁷ Span of control is the number of staff members that report to a manager.

²⁸ HR Mid Year Report 2018 to the Management Executive Committee

- Key performance indicators (KPIs) such as workforce quality and productivity have been defined, however no targets have been set for measuring these indicators. Thus, it may not be possible to determine whether the implementation of SWP will produce the results it is supposed to deliver. Five out of eight KPIs do not have a direct correlation with SWP implementation (e.g. KPI on employees with satisfactory performance reviews).
 - Limited experience of workforce planning within the Human Resource department, coupled with competing demands of other projects on HR staff, may affect the delivery of the SWP project as planned. Since the audit, a consultancy firm has been selected to provide the right process set-up for the SWP project.
 - There was no dedicated cross functional steering committee to oversee SWP implementation at the time of the audit. Subsequently, SWP has been put under the Performance and Accountability Framework steering committee, which has cross-divisional representation.
-

The Secretariat will implement SWP through a staggered approach as detailed below:

Agreed Management Action 4

Phase I - The Secretariat will implement **Operational** Workforce Planning (WFP) to inform the 2020 Budget. This includes:

- Define the overall deployment approach, project plan and tool for Operational WFP.
- Lead the pilot for the selected Division and integrate lessons learnt.
- Build the multi-stakeholder governance and process to embed operational workforce planning into standard HR/Finance planning cycles.
- Build the change management plan and related communication/training material to equip employees.
- Deploy the operational workforce planning tool and facilitate the workforce consolidation, analysis and action plans.

Owner: Head, Human Resources Department

Due date: 31 December 2019

Agreed Management Action 5

Phase II - The Secretariat will implement **Strategic** WFP to enable strategic scenario planning, statistics and budgeting:

- Confirm the case for SWP and selection of the SWP methodology (tool and process) and pilot.
- Update the governance and process maps.
- Update the change management material (communication / training material) and project plan.
- Deploy Strategic Workforce Planning.

Owner: Head, Human Resources Department

Due date: 30 June 2020

5. Table of Agreed Actions

Agreed Management Action	Target date	Owner
<p>1. The Secretariat will review the results of the performance and talent management review by Deloitte and update performance and talent management policies/processes and systems.</p> <p>The Secretariat will further embed current practices including mandatory training (e.g. Performance Support Plan training, competencies training and leadership training) and monitor the evaluation of line managers (e.g. Ongoing inclusion of mandatory people objective in performance objectives of line managers).</p>	31 December 2019	Head, Human Resources Department
<p>2. The Secretariat will clarify roles and responsibilities of the HR department, Ombudsperson, Ethics Officer and Staff Counsellor for employee case intake and employee conduct. The Secretariat will also complete the review of investigation and disciplinary processes including case intake and assessment, mapping key processes, data retention, and developing SOPs for case investigation.</p>	31 December 2019	Head, Human Resources Department
<p>3. The Secretariat will develop a framework related to harassment, including sexual harassment, bullying and abuse of power in the context of Global Fund programs; this framework will cover the wider stakeholder environment of the Global Fund (including CCMs, implementers, suppliers and others) and define and clarify the roles and responsibilities across different functions within the Global Fund including GMD department, Ethics Officer and OIG.</p>	31 December 2019	Chief of Staff
<p>4. The Secretariat will implement Operational Workforce Planning (WFP) to inform the 2020 Budget. This includes:</p> <ul style="list-style-type: none"> • Define the overall deployment approach, project plan and tool for Operational WFP. • Lead the pilot for the selected Division and integrate lessons learnt. • Build the multi-stakeholder governance and process to embed operational workforce planning into standard HR/Finance planning cycles. • Build the change management plan and related communication/training material to equip employees. 	December 2019	Head, Human Resources Department

<ul style="list-style-type: none"> • Deploy the operational workforce planning tool and facilitate the workforce consolidation, analysis and action plans. 		
<p>5. The Secretariat will implement Strategic WFP to enable strategic scenario planning, statistics and budgeting:</p> <ul style="list-style-type: none"> • Confirm the case for SWP and selection of the SWP methodology (tool and process) and pilot. • Update the governance and process maps. • Update the change management material (communication / training material) and project plan. • Deploy Strategic Workforce Planning. 	<p>June 2020</p>	<p>Head, Human Resources Department</p>

Annex A: General Audit Rating Classification

Effective	No issues or few minor issues noted. 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.
Partially Effective	Moderate issues noted. 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.
Needs significant improvement	One or few significant issues noted. 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.
Ineffective	Multiple significant and/or (a) material issue(s) noted. 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.

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 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 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.