Office of the Inspector General, Progress Report

44th Board Meeting

GF/B44/04

11-12 November 2020, Virtual

Board Information Purpose of the paper: to update the Board on the activities of the Office of the Inspector General's activities in 2020 to date, and on the workplan and budget for 2021.

I. Executive Summary

Context

COVID-19 continues to cause devastation and uncertainty around the world. In common with our peer organizations, the ongoing pandemic has significantly impacted the Office of the Inspector General's planning and operational activities. With organizational resources reprioritized towards supporting and reviewing the Global Fund's pandemic response, our assurance plan, work priorities and timelines have been adjusted accordingly. Investigation efforts have continued, despite significant challenges in terms of remote evidence collection and interviewing witnesses and partners.

Questions this paper addresses

A. How has the OIG adjusted its 2020 workplan, in light of the COVID-19 pandemic?
B. How is the OIG continuing to conduct audits and investigations, despite travel and other restrictions caused by the global pandemic?
C. What is the OIG's 2021 workplan?

Conclusions

A. OIG resources were reprioritized towards supporting and reviewing pandemic response activities, meaning our assurance plan, work priorities and timelines have been adjusted accordingly. In addition to two audits that had started prior to the unfolding of the crisis, five new audits were designed in direct response to the COVID-19 risk environment. The OIG proactively redeployed its staff to help the Secretariat identify and mitigate COVID-related risks (including fraud).

B. Prior to the crisis, OIG had invested heavily in enhancing its data analytic tools and techniques, as well as its technology infrastructure; this has intensified throughout 2020 in order to support remote audit and investigation approaches. For country audits, OIG will leverage its network of consultants as well as partner organizations' consultant rosters, and will continue to collaborate with Supreme Audit Institutions where appropriate. The Investigation unit will make use of technology that allows secure evidence transfer, and will collaborate closely with peer organizations, e.g. leveraging existing relationships with donor partners to jointly investigate cases.

C. The Audit Unit's work plan for 2021 comprises nine country audits, two cross-cutting reviews, one focused review and four advisory engagements. The Investigations Unit plans to open 14 complaint-led investigations and two new proactive/thematic investigations.

Input Sought

This progress update is provided for Board oversight purposes.

Input Received

At its October 2020 meeting, the Audit & Finance Committee approved the OIG 2021 work plan, operating expenses budget and Key Performance Indicators.

II. OIG at a glance

COVID-19 continues to cause devastation and uncertainty around the world. In common with our peer organizations, the ongoing pandemic has significantly impacted the Office of the Inspector General's planning and operational activities. With organizational resources reprioritized towards supporting and reviewing pandemic response activities, including adapting grant management processes to a remote working context, the OIG's assurance plan, work priorities and timelines have been adjusted accordingly.

2020: a proactive response to COVID-19; seven audits to target high risk areas
In addition to **two** existing audits on *Grant Closure* and *Internal Financial Controls*[1], **five** new OIG audits were designed in direct response to the COVID-19 risk environment. In the second half of the year, the OIG will be reviewing: *the Management of C19RM funds*; *Program Continuity Measures* at country level; the leveraging of existing *Mechanisms to Procure Medicines and Ensure Drug and Health Products* during the crisis; and the Secretariat's *Emergency Preparedness Processes*. A further audit, *Key Organizational Controls*, will be performed in Q4 to provide assurance on whether key controls over material operational processes functioned adequately throughout the period.

In addition to its assurance work, OIG has proactively redeployed its staff to help the Global Fund Secretariat identify and mitigate COVID-related risks while safeguarding program delivery. OIG staff have assisted or are currently assisting on a wide range of activities, including business continuity planning, access to funding operations, supply operations, as well as providing analysis of fraud and fiduciary risks. Support to the Secretariat represented more than 5,000 audit staff hours, or 21% of auditors' time, between January and August 2020.

Our investigation efforts have continued, despite significant disruption in terms of evidence collection, interviewing witnesses and liaising with the Secretariat and partners.
Our progress on the 2020 workplan is detailed in Section III.

2021: remaining agile in the 'new normal'
We anticipate that COVID-19-related disruptions will continue throughout 2021; therefore, we will need to adapt our in-country audits and investigations to a 'new normal', utilizing alternative approaches for acquiring evidence to provide assurance. We also anticipate that the Board will likely require specific assurance from the OIG on new, emerging risks.

As such, OIG's work plan will need to remain dynamic throughout 2021. OIG will focus on providing broad assurance to the Board on key processes at both the country and Secretariat levels, while continuously reassessing risks and priorities and proactively adapting our ways of working to the new environment. In an uncertain, fast-changing setting, it will be critically important for OIG to retain its agility and operational flexibility.

This report presents the OIG work plan for 2021, approved by the AFC in October 2020, comprising 16 audit engagements and 93 cases for investigation, as well as the corresponding budget and KPIs.

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[1] The original scope of this review was revised to cover COVID-19 related risks.

III. Operational Update

1. Audit

Owing in large part to travel restrictions and disruption at the Global Fund Secretariat and at the country level, the OIG's original 2020 audit work plan has needed to be significantly modified. Responding quickly to the sudden impracticality of performing country audits, the Unit rapidly formulated a revised work plan (presented to the AFC in July 2020) and proactively supported and advised the Secretariat on risk and control matters during the early months of the COVID-19 crisis. The Audit Unit has prioritized its work in 2020 in three main areas:

a. Progress against 2020 workplan

- Planning and fieldwork stages have been completed for two engagements from the original 2020 plan: *Audit of Global Fund Grant Closure Processes* and *Audit of Global Fund Internal Financial Controls*. The scope of the latter audit has been revised to accommodate additional risks from COVID-19.

  [NOTE: fieldwork for three further 2020 audits had started by March 2020 but had to be cancelled/deferred. This work will be used, where possible, to inform future audits.]

- At the time of writing, work had started on three of the five new audits that were specifically designed to respond to COVID-19.[2]

b. Proactive support and guidance to the Secretariat in response to COVID-19: OIG experts in risk, governance and internal control matters provided on-the-spot advice to help safeguard the delivery of the Global Fund's core mandate and to ensure business continuity.

c. Other assurance activities: All remaining 2019 audits were published by June 2020. We have also been proactive in following-up and validating open AMAs, particularly long overdue actions.

Graph 1: Audit resource effort, January-August 2020

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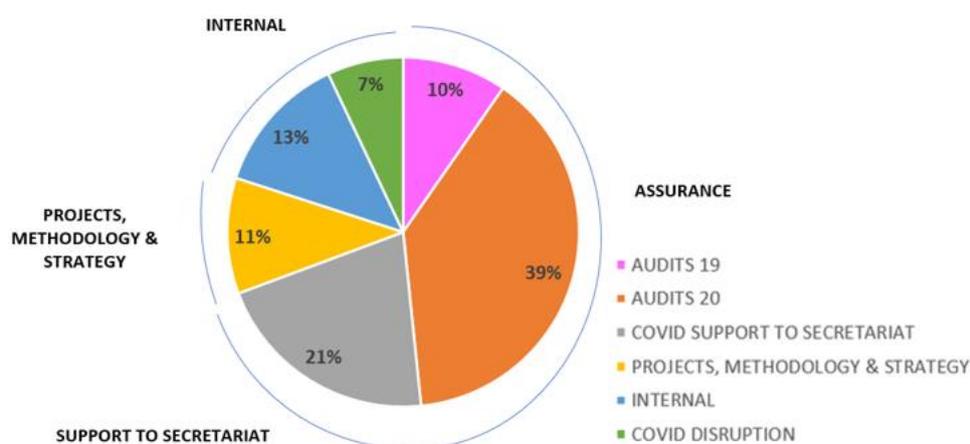
[2] As noted in Section II, the audits of the *Management of C19-RM*, *Continuity of Grant Programs*, and *Emergency Preparedness* have started. Two further audits, *Procurement in a COVID-19 environment* and *Key Organizational Controls* will begin in Q4 2020.

2. Investigations

Investigating wrongdoing in a COVID-19 environment
COVID-19 is putting Global Fund programs at increased risk of fraud and abuse, potentially having a significant programmatic impact by preventing people from accessing life-saving services and treatment. Previously well-functioning controls, oversight and assurance practices can be weakened due to remote working and inability to travel, as well as by the haste to buy and distribute much-needed health products.

a. Progress against 2020 workplan

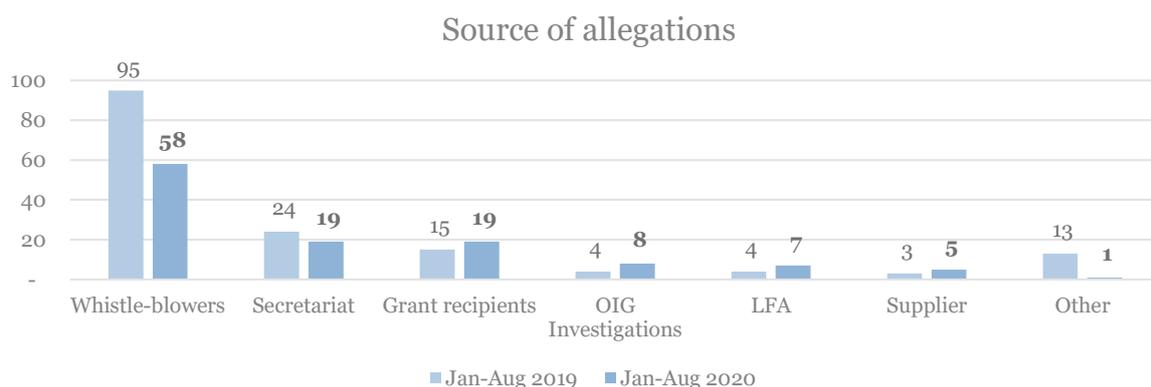*Table 1, Completion status of Investigations work plan as of 31 August 2020*

Activity	2020 Work planned Jan-Dec 2020	Progress at 31 August 2020	Actual at 31 August 2019
Allegations screened	200	117	158
Assessments conducted	80 • 63 oversight • 17 complaint-led	42 • 19 oversight • 23 complaint-led	49 • 38 oversight • 11 complaint-led
Complaint-led investigations opened	12	13	11
Assessments /investigations closed[3]	58	44	41
Proactive investigations	4	• **2** opened • **2** closed from previous years • **2** in progress from 2019	4

b. Allegations screening

When the OIG receives an allegation of potential wrongdoing, the OIG records the information, applies specific criteria to determine whether the allegation falls within mandate and whether sufficient detail is available to assess. In 2019, before the pandemic, we projected we would receive 200 reports of potential wrongdoing, however there has been a reduction in reports received – 117 as of 31 August 2020, compared to 158 in the same period in 2019.

Outcomes of allegations screening

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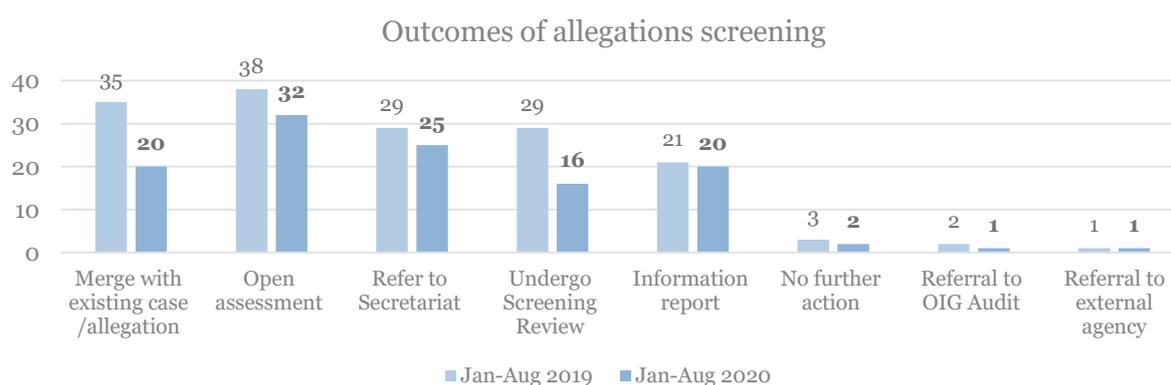
[3] Case Closure Key Performance Indicator unlikely to be met: OIG is on track to close a total of 52 cases in 2020, a 10% increase on last year. However, a number of those cases were oversight assessments and carryover cases. Combined with business disruption to evidence collection activities, KPI A1 (80% of reports as per the work plans issued in draft by year end) will be negatively impacted. We predict the closure of 11 investigations will occur in 2021 and will prioritize them accordingly.

Source of allegations

	Jan-Aug 2019	Jan-Aug 2020
Whistle-blowers	95	58
Secretariat	24	19
Grant recipients	15	19
OIG Investigations	4	8
LFA	4	7
Supplier	3	5
Other	13	1

In 2020, whistleblowers represent half of the total reports received, with 16% coming from Secretariat staff. There has been an increase in both implementer and Local Fund Agent reporting. Whistleblowers tend to use the Inspector General email account and the third-party incident reporting channel accessible via the I Speak Out Now website.

c. Assessments conducted

Once basic information concerning the allegations has been collected, an investigator assesses whether the impact of the wrongdoing necessitates a full investigation or whether it should be referred elsewhere. On average, the screening process puts forward **25%** of reports for further assessment. This is to ensure that the team focuses on the cases which are likely to have the most impact for the Global Fund. From reports received in 2020 we have opened **42** new assessments, which resulted in **19** oversight cases and **23** complaint-led cases.

d. New investigations opened

Each assessment moving to an investigation must be approved by the Case Assessment Panel, made up of senior managers within the OIG, which examines whether there is sufficient justification for proceeding with an investigation. OIG has opened **13** new investigations thus far in 2020, covering a wide range of prohibited practices including corruption, supply chain issues, product theft and procurement irregularities.

e. Closed assessments/ investigations

We currently have **61** open cases: 41 oversight cases and 20 investigations. Of the **20** cases currently open, **6** were opened in 2020, **11** remain open from 2019 and **3** from previous years (these cases will be finalised in 2020). It is anticipated that **21** open complaint-led and proactive assessments/investigations and **27** oversight cases will be carried over for completion in 2021.

To date, **44** cases have been closed this year, resulting in three published reports and 41 closure memos. A further six cases are at an advanced stage and will be completed this year. 60% of the cases we have closed this year have established proven instances of wrongdoing. This substantiation rate is in line with benchmarked industry standards[4] and reflects both a well-informed reporting base making high-quality reports, and an effective screening process.

f. Proactive investigations

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[4] Benchmarking Your In-House Fraud Investigation Team - Report by the Association of Certified Fraud Examiners

Proactive investigations[5] introduce an intelligence-led component to the identification of areas where OIG should conduct investigative work, without waiting for an allegation. These investigations are based on hypotheses derived from investigative intelligence, data and other risk factors. They are designed to detect and disrupt fraud early. If the fraud risk materializes, it is investigated and reported. If vulnerabilities are identified, but not yet realized, they are addressed and/or referred to a relevant team (e.g. OIG audit).

The 2020 work plan targeted **four** proactive or thematic investigations to prevent or disrupt fraud. To date, we have opened **two** new proactive investigations, closed **two** investigations carried over from 2019, and we are finalising a further **two** investigations for publication.

g. Prevention activities

For the Secretariat and Implementers, it is important to have a common understanding of potential risks and how best to approach and manage them. In terms of awareness raising, we hosted a COVID-19 fraud risk webinar for Nigerian implementers and stakeholders in August 2020; here, OIG joined forces with the Grant Management and Risk Divisions to discuss how COVID-19 presents new fraud and corruption risks. The event was attended by **146** people, and the video has been posted on the www.ispeakoutnow.org website. More webinars and awareness-raising activities are planned throughout 2020.

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[5] We define proactive investigations as investigations intended to identify and control an existing (but yet unidentified) occurrence of fraud or financial irregularity.

3. Professional Services Unit

The Professional Services Unit (PSU) delivers key mission-critical activities and leads cross-cutting projects and special initiatives. It provides core enabling and support services, coordination, risk management and administration, operational oversight, and quality assurance. In doing so, PSU enables the audit and investigations units to focus on delivery.

OIG Strategy and Risk management: PSU contributed to the strengthening of risk management in OIG in line with the OIG strategy. In furtherance to the OIG Risk Tracker already developed in 2019 to plan and respond to potential risks to OIG's mission, PSU coordinated the development of an OIG Business Continuity Plan in response to COVID-19, which identifies key operational risks and establishes mitigation strategies which allow OIG to continue to operate, including when access to the Global Health Campus is restricted.

Data Analytics and mining: PSU has been working on several strategic initiatives to better expand our data analytics capability. An **OIG Data Mart** has been successfully designed and implemented. The system facilitates data analytics to be applied over large volumes of Global Fund data sets and utilized in audit and investigations risk assessment. The redesign of the **OIG Typology Portal** is under way, to improve search capabilities for analysis and data mining. Aligning OIG findings with Global Fund business processes, risk types and prohibitive practices will facilitate trend analysis for both OIG reporting and operational needs.

Information technology: PSU has launched a project to deliver a fully **Automated OIG Management Information** reporting deck, with the aim of enhancing performance tracking throughout OIG. The integration of the **OIG's IT infrastructure** and **application** with the Global Fund's central IT function is now in its final stage, with the onboarding of critical OIG applications (Privilege Access Management and Security Information and Event Management) in the Global Fund's security infrastructure. This should be completed during Q4 2020 and will represent a significant advance for OIG from a security standpoint.

Knowledge Management is a strategic enabler for OIG, and PSU has developed an implementation strategy which will follow a staggered approach. Resources have been earmarked to deliver the initial phases under the already allocated 2020 budget. Operationally, PSU has contributed to the strategy behind the 2021 OIG workplan. The Unit has also led improvements in the management of Conflict of Interests for OIG consultants for both the Audit and Investigations Units. The **Case and Knowledge Management System** project has been rescinded, following a strategic decision which concluded that the system could not be rolled out due to its functionalities not meeting OIG's tight confidentiality requirements. PSU coordinated negotiations to obtain a reimbursement of all payments made to the service provider. A full repayment was obtained.

Events and Training: PSU has conducted OIG-wide training on **technology** and **data analytics skills**. The unit has coordinated the organization of major inter-agency events, such as the inter-organizational **RIAS** session focused on *Innovative Reporting*, and the first Global Health Oversight Forum between OIG and US Government Agencies OIGs (USAID, State Department, PEPFAR, and Health and Human Service Department).

IV. Progress on the OIG's 2020 KPIs

Table 2, KPIs as of 31 August 2020

Theme	2020 KPI	Progress
A. To deliver an efficient and effective service	**A.1** 80% of reports as per the work plans issued in draft by year end (stage 4 of the Stakeholder Engagement Model for audits, stage 4a or 6 of the Stakeholder Engagement Model for investigations), as a proportion of all engagements in the work plan.	As tabled at the June 2020 AFC, the OIG suspended its approved 2020 workplan due to the significant disruptions resulting from COVID-19. As a result, no related KPI data is reported for this period for audit. As of 31 August, based on the 2020 workplan, the Investigations unit was at 40%.
	A.2 Costs managed within approved budget.	Owing largely to the disruption from the COVID-19 crisis, the OIG had a budget underspend of US$3,196k (-31%) against the 2020 Operating Expenses Budget. The largest variances are on Professional Fees and Travel which are attributed to the ongoing travel ban and staff vacancies.
B. To foster confidence by being accountable and transparent	**B.1** Annual quality self-assessments completed to confirm ongoing conformance with requirements of Quality Assurance and Improvement Program (QAIP), including general conformance with the Stakeholder Engagements Models (SEM) timelines.	Annual quality self-assessments for both Audit and Investigation Units were completed in January 2020, and resulting actions are being followed up. All audits and investigations followed the Stakeholder Engagement Model in every area except for timelines: 18% of the audits published in 2020 and 0% of the investigation cases closed in 2020 met SEM timelines. This is partially explained by the disruption caused by COVID-19.
	B.2 Triennial external quality assurance review to confirm, once every 3 years, that the quality of assessment processes, work papers, reports, and interaction with key stakeholders adheres to professional standards and guidelines.	An External Quality Assurance (EQA) review took place in 2017 and OIG received the highest possible rating on both its Audit and Investigations activities. The timing of the EQA was initially scheduled for 2020 but in the context of COVID-19 disruptions and the resulting reprioritization of the assurance plan, the AFC committee agreed to postpone the EQA until Q4 2021 when the new Inspector General has been appointed. This will also allow the incoming IG to input and enhance the scope of the EQA.
	B.3 Annual assurance statement on governance, risk management and controls.	The 2019 Annual Opinion was issued in Q1 2020.
C. To ensure impact in our work	**C.1** Agreed actions tracked, reported on monthly and validated within 30 days of Secretariat reported "Completed" date. Reports of slippage on agreed actions are escalated.	As of 31 August, 95% of the Agreed Management Actions reported as implemented during the year by the Secretariat had been validated by the OIG within the 30-day limit.
	C.2 Client engagement surveys are conducted for at least 90% of audit engagements completed during the year.	At 100%. 12 surveys out of the 12 audit reports issued this year were sent.
	C.3 Conduct annual stakeholder satisfaction survey, including all Audit Committee members and all Board members (or alternates), and achieve an overall satisfaction score of 80% or better.	The OIG received a 99.6% satisfaction rate from the Board and Audit and Finance Committee in the survey carried out in December 2019. The next survey will be carried out in December 2020.
	C.4 Sixty Percent (60%) of Agreed Management Actions are remediated by the Secretariat, by their due date, over a rolling period of eight (8) quarters.	35% of Agreed Management Actions were implemented by the Secretariat by their due date between 1 July 2018 and 30 June 2020.
	C.5 Achieve following coverage targets over a three-year audit cycle: *75% of the disease burdens (for each of the three diseases), 75% of the country allocation amounts, and 35% of the countries classified as High Risk.	Due to disruptions caused by COVID-19, the Audit team was unable to travel to perform any country audits in 2020. For comparison, the coverage for to the 2018 and 2019 workplans covered : • 30% of the HIV burden, 42% of malaria burden and 30% of the tuberculosis burden • 46% of the country allocation amounts • 53% of the countries rated as high risk.
	C.6 At least four (4) advisory or consulting engagements requested by management and/or governance bodies during the annual work program cycle	No related KPI data is reported for this period due to workplan disruptions resulting from COVID-19. As detailed on page 4, the OIG provided real-time advice and guidance to the Secretariat in developing and revising processes and frameworks to respond to the COVID-19 crisis. Although no formal report has been issued, this real-time guidance has provided proactive and risk-based advice to the organization during an uncertain and pivotal period.

D. To recruit and retain the best people and foster a culture of trust and teamwork	D.1. All employees have a development plan approved by their managers by end of Q1. At least 90% of staff will complete by year end a minimum of 20 hours of formal training	89% of staff had their development plans approved in the system within the deadline. 58% of staff had completed a minimum of 20 hours of formal training as at 31 August 2020.

V. Headcount and budget

Staffing and resources (as of 31 August 2020)

Approved headcount	Actual staffing	Open vacancies
52	45	7

Approved budget YTD	Budget spent YTD	Variance
US$10,364k	US$7,168k	-31%

Table 3, Headcount and vacancies

Unit	Headcount 1 Jan 2020	Hires	Departures	Headcount 31 August 2020	Budget	Vacancies
Front Office (PSU and IG)	10	2	1	11	11	0
Audit	21	0	3	18	23	5
Investigations	18	0	2	16	18	2
Total	**49**	**2**	**6**	**45**	**52**	**7**

The current vacancies in OIG relate to the Audit and Investigations Units:

- There are five vacancies in the Audit Unit, including two advisory positions which were advertised in July and are expected to be filled on a temporary basis by end-2020. A Lead Auditor who is on a temporary assignment to cover a vacancy in PSU will remain there until the end of the year. Two auditors have been seconded to the Secretariat until mid-2021. Temporary consultants have been contracted to fill these vacancies.

- In Investigations, a Senior Investigator has been seconded to the Secretariat until December 2020 and a Manager left in August. The latter is expected to be filled by the end of the year.

Table 4, OIG Operational budget in thousands of US$ as of 31 August 2020

Budget Line	2020 Budget	YTD Budget	YTD Actuals	YTD Variance Budget vs Actuals	
Salaries	10,596	7,064	6,575	-489	-7%
Professional Fees	2,436	1,761	316	-1,445	-82%
Travel	1,713	1,265	210	-1,055	-83%
Meetings	76	44	3	-41	-93%
Communications	129	61	47	-14	-22%
Office Infrastructure	289	169	16	-152	-91%
Total	**15,239**	**10,364**	**7,168**	***-3,196***	***-31%***

At the end of August 2020, the OIG had a budget underspend of US$3,196k (-31%) against the 2020 Operating Expenses Budget.

- The largest variances are on Professional Fees and Travel (-1,445k and -1,055k) which can be attributed to the ongoing travel ban and inability to conduct country missions as per the original workplans. A new audit workplan was presented to the AFC in July 2020 and the budget was adapted accordingly

- The third largest variance, on salaries, can be attributed to vacancies. Consultants have been brought in to temporarily fill vacancies in audit and investigations.
- The OIG was reimbursed by a service provider for the cancellation of a planned Case and Knowledge Management System, which resulted in the OIG Professional Fees budget category being credited by US$343k in August for services paid in the previous year.
- Variances on other lines are attributed to timing differences.

VI. Looking ahead

1. Work Plan for 2021

Table 5, Snapshot of OIG-wide engagements to be completed or initiated in 2021

	Country audits	Internal audits	Advisory engagements	Complaint-led investigations	Proactive investigations
Totals	9	3	4	14	2

Remote Country Audit and Investigation Methodology

OIG will leverage data analytics, enhanced technology and in-country resources in support of its 2021 work plan, as follows:

Data and analytics
In recent years, OIG has invested to enhance its data analytics tools and techniques, including the development of a data analytics tool, "OIG DataMart", which will allow:
- On-going quantitative risk assessment of portfolios using a bespoke database;
- Development of country dashboards to assist with country audits planning;
- Identification of significant risks while building country audit work programs;
- Using a bespoke data mining tool to proactively identify red flags and investigate; and
- Continuous monitoring and carrying out tests of larger datasets with greater efficiency

Enhanced technology
Remote interaction: Wide range of tools are available to carry out virtual meetings including Zoom, WebEx, Teams. These can also be used to perform remote audit tasks (e.g. walkthroughs, inventory checks) and investigation interviews.

Virtual Machines and Cloud software: Cloud based TeamMate+ will be used to enable staff and consultants to work remotely and even 'offline'. Virtual desktop technology will be made available to in-country consultants to enable them to connect securely to the Global Fund network. Remote e-discovery access is also being developed for investigations.

Secure evidence transfer: tools such as OneDrive, SharePoint Online and Teams will be used for evidence and document transfer. This allows multiple people to work at the same time, realizing efficiency gains notably in the review process.

In-country resources
OIG will leverage both its own network of tested consultants, which has been opened for new applications, and partner organizations' consultant rosters. In-house procurement capabilities will be deployed to select and onboard consultants quickly. We will also engage with Supreme Audit Institutions to collaborate to the extent possible in the execution of some country audits. OIG's long-lasting MoUs and working relations with AFROSAI-E and CREFIAF will facilitate the dialogue with SAIs. The Investigations Unit will continue to foster collaboration and cross-industry partnerships. We will develop information sharing opportunities with peer organizations and leverage existing relationships with donor partners, such as USAID OIG, to jointly investigate cases, where appropriate.

2. Audit Unit

Table 6, Summary of audit engagements for 2021

	2021	2020 (Revised)	2020 (Planned)
Country audits	9	0	11
Internal audits	3	7	7
Total audits	**12**	**7**	**18**
Advisory	4*	0**	4
Total engagements	**16**	**7**	**22**

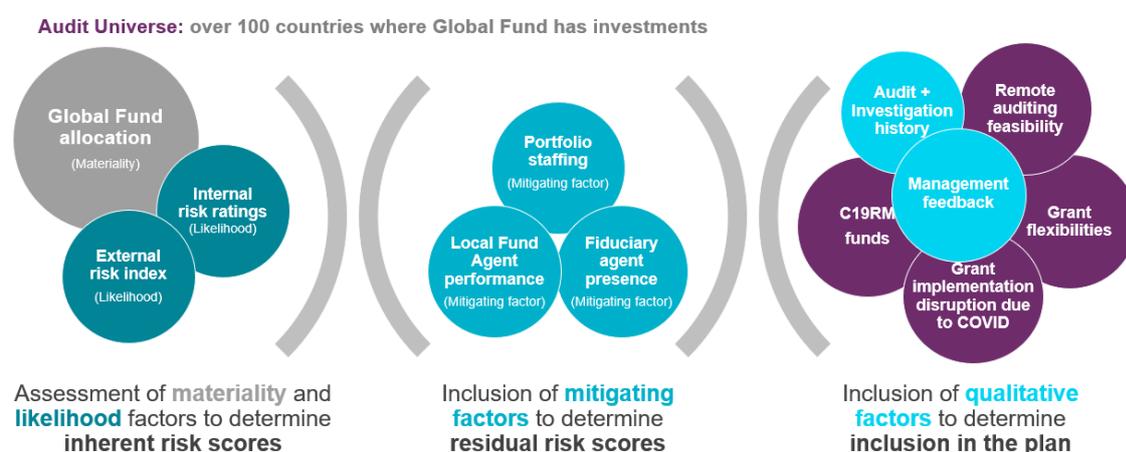** Advisories are estimated, based on requests and business needs*
** In 2020, advisory resources were allocated to support front-line activities (more than 5,000 hours)

A risk-based work plan for a remote assurance environment
The Audit plan aims to provide country-level assurance that grants are delivering impact and that COVID-19 funds are being effectively utilized, as well as general assurance that the organization can continue to effectively deliver impact in the new implementation cycle, amidst a changing environment. The work plan will need to remain dynamic throughout 2021, with risk and priorities being continuously reassessed.

(i) Country audits

There are fewer **country audits** (9) than were planned for 2020 (11), given the expected extended time required for remote audits and the accompanying learning curve. The selection of countries to audit considers materiality, likelihood of risk and mitigation factors, as well as qualitative factors which are key in the current environment. The nine selected countries[6] have high residual risk and significant grants. They collectively account for **29%** of Global Fund 2020-2022 allocations, **46%** of the Global HIV Disease Burden, **33%** of the Malaria Disease Burden and **22%** of the Tuberculosis Disease Burden. OIG's KPI on 'allocation and disease coverage' will not be meet in 2021 for three main reasons: (i) no country audits performed in 2020 and therefore not considered in 2019-2021 coverage, (ii) fewer country audits than usual will be performed in 2021 and (iii) high TB burden countries such as India are not included in the 2021 plan due to risk considerations and COVID-19 disruption.

Audit Universe: over 100 countries where Global Fund has investments

Assessment of **materiality** and **likelihood** factors to determine **inherent risk scores**

Inclusion of **mitigating factors** to determine **residual risk scores**

Inclusion of **qualitative factors** to determine **inclusion in the plan**

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[6] Nigeria, Mozambique, South Africa, Ethiopia, Kenya, Cameroon, Philippines, Ukraine and Central African Republic

(ii) Internal audits

The work plan for 2021 considers a wide range of factors:
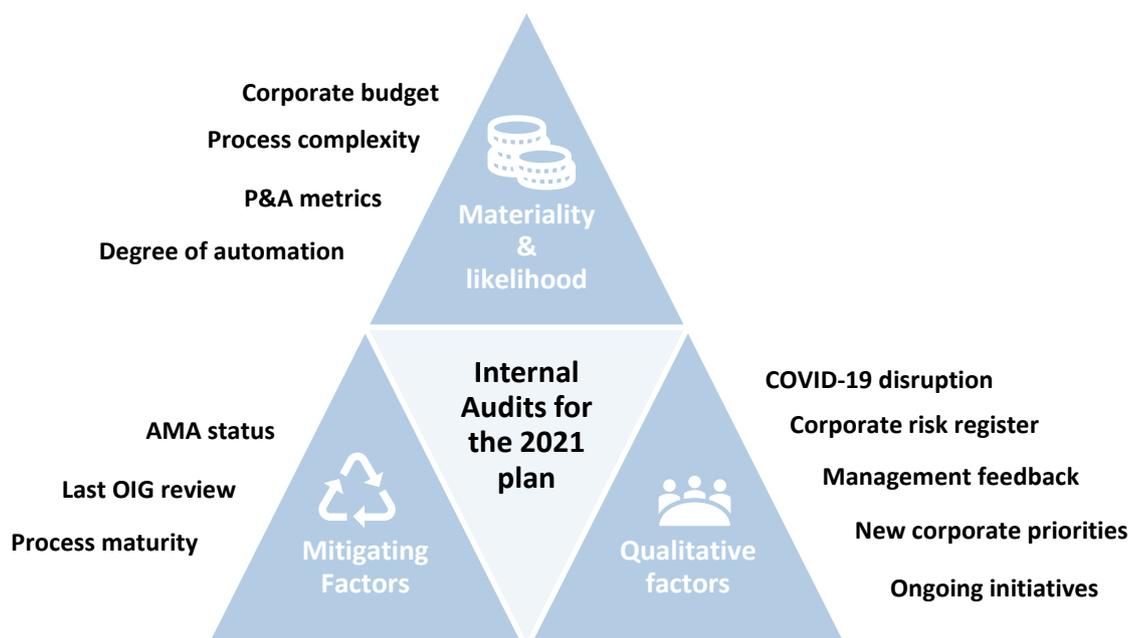
We will produce two cross-cutting reviews, one focused review and four advisory engagements.

- **Cross cutting audits:**
  - **Fraud Risk Maturity Review:** evaluating the maturity of the Global Fund's framework and procedures on fraud and corruption.
  - **Global Fund mechanisms to reprioritize grants:** assessing the adequacy and effectiveness of the framework and processes to maximize impact and use of funds.

- **Focused audit:**
  - **Wambo.org:** assessing the changes made by the Secretariat following the 2017 audit and providing the Board with assurance over its design and operational effectiveness.

Work from four ongoing **internal audits** in 2020 will likely spill over into 2021. The lower number of internal reviews is due to: (i) the riskiest areas have been covered in recent years; (ii) various initiatives are ongoing (e.g. Quality Assurance, Risk Management improvements); and (iii) some topics are particularly challenging to review in a remote environment (e.g. in-country data quality).

(iii) Advisory reviews

The number of **advisory reviews** is estimated, based on requests and business needs. In 2020, resources scheduled to advisory were allocated to support front-line activities, however given the current uncertain environment, coupled with a stabilization at the Secretariat level as we proceed in tackling the pandemic, we expect demand for advisory services to increase.

The following two advisories are already planned for 2021, at the request of the Executive Director:

- **Global Fund Mechanism to manage domestic financing:** domestic financing plays a critical role in the achievement of the Global Fund's mission and objectives, and is crucial to sustainability. However, the Global Fund has limited ability to influence the quantum, priorities and effectiveness of domestic financing for health. COVID-19 has exacerbated the challenges. The OIG will perform a diagnostic review to examine the Global Fund's mechanisms to incentivise, influence and monitor domestic financing commitments, including co-financing requirements and collaboration with partners. This review will provide input into the design and priorities of the Heath Finance Department (to be created at the beginning of 2021), including the interfaces with other relevant Secretariat functions and processes.

- **Internal Justice Mechanisms:** this advisory review will examine the internal justice mechanisms in place at the Global Fund to ensure a fair, transparent and open environment which fosters trust and facilitates the safe exchange of views and concerns. Given that OIG plays a role in these mechanisms, the OIG will explore, in consultation with the Secretariat, how to co-source or outsource all or parts of this review, so as to manage any conflicts that might arise.

(iv) Coverage of key risks and strategic objectives

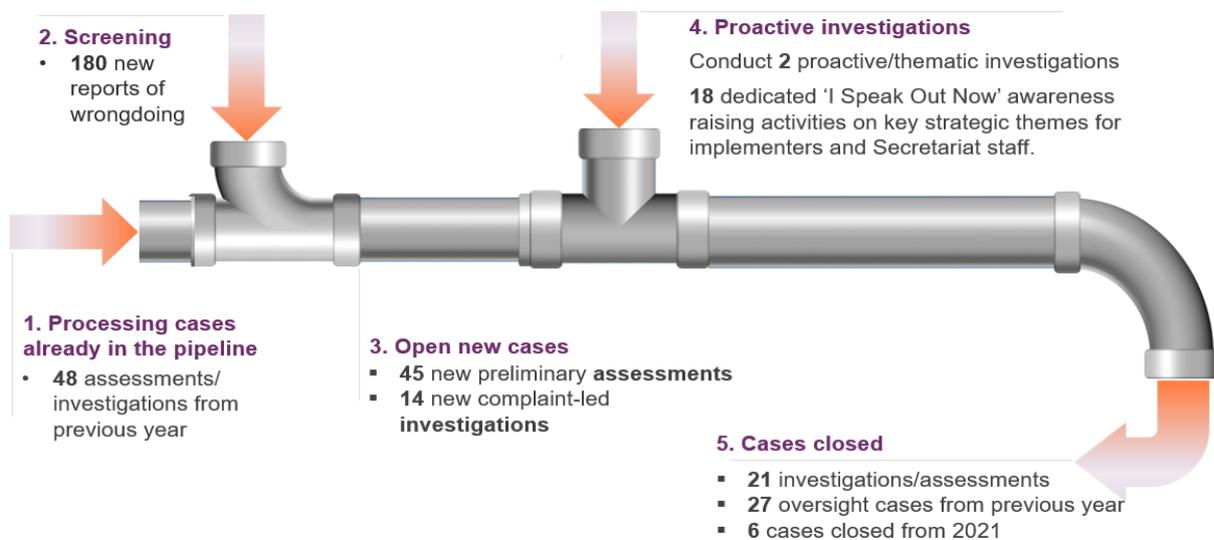OIG's audit plan aligns with the organization's Corporate Risk Register and Strategic Objectives as follows:

- **88%** (7/8) of "high" risks, and **91%** (10/11) of "moderate" risks have been covered by OIG audits from 2018 to 2020. The remaining 'high risk' (Reputation) will not be audited as a standalone subject as it is the impact of other risks not effectively managed.

- Audit work has covered, either partly or fully, **all strategic objectives** in the last three years. Strategic responses to COVID-19 and new organizational priorities are part of the revised 2020 plan and remain a focus for 2021.

3. Investigations Unit

The investigation function is largely reactive in nature, and work plan projections are based on an analysis of past and current caseloads. These projections can be affected by a variety of challenges, such as unpredictable reporting patterns, case loads and case complexity, and (specific to 2021) COVID-19 related obstacles. As such, the Investigation Unit will have to remain agile and responsive throughout 2021.

The Investigations Unit 2021 workplan comprises both work in progress (**48** open cases) and new cases (45 cases) derived from new reports of potential wrongdoing.

2021 Investigations workplan

2. Screening
- **180** new reports of wrongdoing

4. Proactive investigations
Conduct **2** proactive/thematic investigations

18 dedicated 'I Speak Out Now' awareness raising activities on key strategic themes for implementers and Secretariat staff.

1. Processing cases already in the pipeline
- **48** assessments/ investigations from previous year

3. Open new cases
- **45** new preliminary **assessments**
- **14** new complaint-led **investigations**

5. Cases closed
- **21** investigations/assessments
- **27** oversight cases from previous year
- **6** cases closed from 2021

- **Screening**: In 2021, we anticipate receiving **180** reports. There are multiple channels to report wrongdoing, and a key part of our 2021 plan involves promoting the various reporting channels so people know what to report, how and when.

- **Processing cases already in the pipeline**: Investigative activity will continue to take place on assessments and investigations opened in previous year(s). We predict **48** assessments/investigations will be carried over into 2021.

- **Open new preliminary assessments**: Based on receiving 180 reports of wrongdoing, we plan to open **45** new preliminary assessments (21 complaint-led, 22 oversight, 2 proactive assessments). Operational recoveries can be generated from an assessment and we report on these in the progress updates.

- **Open new investigations**: Based on a three-year average of new investigations opened following the assessment stage, we plan to open **14** new complaint-led investigations. Depending on how those investigations progress, the findings will be published in line with the Stakeholder Engagement Model and the Disclosure Policy.

- **Cases closed:** we plan to complete **54** complaint-led, oversight and proactive cases in 2020 (includes six cases opened in 2021.) To date, we know that there will be 11 investigations; a further ten assessments may be converted to investigations and if so, will be carried over to 2021. There are 27 oversight cases that we predict will be carried over to 2021.

- **Proactive activities:** In 2021, OIG will continue to produce 'I Speak Out Now' awareness-raising content and activities. We will conduct **18** webinars targeting implementers in four High Impact countries to raise awareness of fraud, and to encourage reporting.
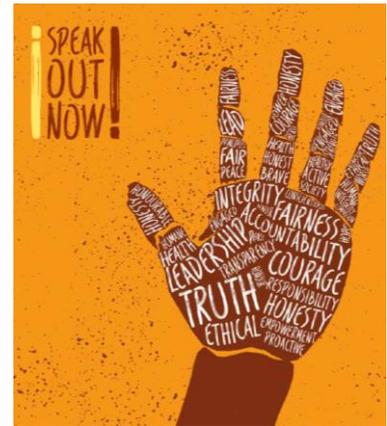
4.   Professional Services Unit

In 2021, PSU will focus on enabling the development and implementation of a new OIG strategy. **Risk management** activities will also be of high priority to ensure that risks to key OIG activities are identified on a timely basis and adequately mitigated in line with the provisions of the OIG risk register and business continuity plan. **Operations management and performance oversight** will continue to form a significant part of the PSU workplan as it is central to supporting the audit and investigations teams. This includes activities such as budgeting, procurement, administration, IT, hotline and case management, operational performance management and reporting, tracking/reporting of Agreed Management Actions.

As a key interface between the OIG and the Global Fund Secretariat, Board and committees, PSU will coordinate OIG inputs to key organizational processes and activities, regular **governance reporting, internal and external communications**. PSU will apply rigorous **quality assurance** processes to drive impact in all OIG products, will lead **core OIG business process improvements** through project and change management as well as staff training and development, and will support OIG's external quality assessment in 2021. The unit will focus on innovation in the use of data analytics, business intelligence and knowledge management to improve OIG's work.

This activity will be complemented by four projects which are considered critical for OIG to deliver its mandate in the most effective and effective manner going forward:

ENABLING REMOTE AUDITING AND INVESTIGATIONS CAPABILITIES

- Implementation of the operational and technical framework to allow remote auditing and investigations including investments in IT applications and infrastructure upgrades.
- Revision of the OIG working model with a shift to sourcing of local consultants at country level leveraging partners' approved resources.
- Establishment of co-sourcing arrangements with Supreme Audit Institutions.
- **Objective is to yield savings of up to 10% in professional fees and travel costs in 2021.**

MANAGING INTEGRATION WITH THE GLOBAL FUND SECRETARIAT

- Coordination of the OIG infrastructure transition to the IT department.
- Upgrading and aligning OIG IT infrastructure to TGF standards to address OIG security and confidentiality requirements, including users training.
- Governance and monitoring of SLA and key performance indicators between IT and OIG post-transition.
- OIG IT ISO 27001 certification as part of the TGF certification.
- Act as Critical Friend at GMD Operational Change Group
- **Expected to lead to better infrastructure alignment and cost rationalization on IT investments.**

DATA AND ANALYTICS

- Phase 3 enhancements to OIG Analytic and Datamart: increase of the scope and functionalities, expanding the underlying datasets, and development of specific analytical models.
- Development of targeted training for staff in data modelling and visualization techniques.
- **Expected to reduce planning and data collection and analysis time for audit/ investigation teams by approximately 25%,** and improve the quality of our quantitative and qualitative analysis.

KNOWLEDGE MANAGEMENT

- Operationalization of the Knowledge Management Strategy with a focus on developing tools such as semantic tagging & text analytics, taxonomy, and search, to help the OIG collect and repurpose insight from own and Secretariat reports and documents.
- Delivery of a functional OIG Typology Portal following the development phase initiated in Q4 2020
- Innovation of OIG publishing tools.
- **Expected to deliver a single entry point for OIG knowledge collection, analysis, dissemination and training.**

5. Operating budget for 2021

To support the 2021 work plan, the OIG requires the following budget at US$14.90 million, a 2.2% reduction on the 2020 budget of US$15.2 million which is mainly due to reduced travel costs, as travel is likely to be limited. The OIG 2021 plan includes an adjusted provision for travel for local consultants and higher professional fees to contract additional local resources to assist OIG staff remotely. Should travel be authorized for staff in 2021, the OIG would readjust the travel and professional fees budgets to cover for staff travel.

Table 7, 2021 budget versus 2020 budget and 2020 full-year forecast. All amounts in US$ thousands.

	2020 Budget	2020 FY Forecast	2021 Budget	2020-2021 Variance	2021 PSU and IG	2021 Audit	2021 Investigation
Professional Fees	2,436	1,531	2,779	14%	762	1,622	395
Travel	1,713	389	1,218	-29%	28	958	232
Meetings	76	21	50	-34%	10	20	20
Communications	129	88	92	-27%	92	-	-
Office Infrastructure	289	125	221	-24%	221	-	-
Sub-Total non-staff	4,643	2,154	4,360	-6%	1,113	2,600	647
Staff Costs	10,596	9,362	10,538	-1%	2,751	4,367	3,420
Total Operating expenditure	15,239	11,516	**14,898**	2.2%	3,864	6,967	4,067

6. Key Performance Indicators for 2021

The 2020 KPIs were based on the 2018-2020 OIG Strategy. Given that we are in the middle of an IG transition period, we will materially retain the same KPIs that were approved for 2020, with some minor adjustments to certain targets to reflect the COVID-19 disruption. A new 2021-2023 OIG Strategy will be agreed once the new Inspector General is appointed.

To ensure accountability on all 2021 work plan activities, we have elaborated on KPI A1 delivery targets, so that all tangible investigation activities are considered in KPI reporting.

Table 8, 2021 KPIs - Amendments to the 2020 KPI framework are highlighted in italics

	Performance objective
A. To deliver an efficient and effective service	A.1 AUDIT: 80% of reports as per the work plans issued in draft by year end (stage 4 of the Stakeholder Engagement Model). A1. INVESTIGATIONS The Investigations unit will deliver the following: • 80% of reports as per the work plans issued in draft by year end (stage 6 of the Stakeholder Engagement Model). • *Produce screening outcomes for all reports received within 30 days up to 31 December 2021.* • *By 31 December 2021, close 90% of high priority investigations carried over from previous year(s).* • *By 30 June 2021 close 90% assessments carried over from previous year(s).* • *Complete 80% of all workplan ISON training activities.*
	A.2 Costs managed *within 10%* of approved budget.
B. To foster confidence by being accountable and transparent	B.1 Annual quality self-assessments completed to confirm ongoing conformance with requirements of Quality Assurance and Improvement Program (QAIP), including general conformance with the Stakeholder Engagements Models timelines
	B.2 Triennial external quality assurance review to confirm, once every 3 years, that the quality of assessment processes, work papers, reports, and interaction with key stakeholders adheres to professional standards and guidelines.
	B.3 Provide an annual assurance statement on governance, risk management and controls at the Global Fund *by 31 March 2021*
C. To ensure impact in our work	C.1 Agreed actions tracked, reported on monthly and validated within 30 days of Secretariat reported "Completed" date. Reports of slippage on agreed actions escalated.
	C.2 Client engagement surveys are conducted for at least 90% of audit engagements completed during the year
	C.3 Conduct annual stakeholder satisfaction survey, including all Audit Committee members and all Board members (or alternates), and achieve an overall satisfaction score of 80% or better.
	C.4 Sixty Percent (60%) of Agreed-Management Actions are remediated by the Secretariat, by their due date, over a rolling period of eight (8) quarters.
	C.5 Achieve following coverage targets over a three-year audit cycle: *60%* (2020: 75%) of the disease burdens (for each of the three diseases), *60%* (2020:75%) of the country allocation amounts, and *30%* (2020: 35%of the countries classified as High Risk.
	C.6 At least four advisory or consulting engagements requested by management and/or governance bodies during the annual work program cycle.
D. To recruit and retain the best people and foster a culture of trust and teamwork	D.1. All employees have a development plan approved by their managers by end of Q1. At least 90% of staff will complete by year end a minimum of 20 hours of formal training

VII. High-level summary of OIG reports released or published in January-October 2020

NB: No new reports have been published since the previous OIG Progress Report in July 2020. Investigations closed by case closure memos are not included.

	Audit of Grants to Indonesia	GF-OIG-20-001

Indonesia is progressing towards malaria elimination, and TB case notification outcomes increased by 24% between 2017 and 2018. While testing of key affected populations for HIV is steadily increasing, Indonesia remains far from reaching the UNAIDS 90-90-90 target. HIV grants do not include a plan to increase the number of facilities conducting both testing and treatment and improvement is needed in TB/HIV collaboration activities.

	Audit of Global Health Campus Management Processes	GF-OIG-20-002

The Global Health Campus (GHC) was completed on time and the planned cost savings have been surpassed. There is strong contract and performance management of service providers. There are however gaps in the governance framework and operational procedures, hampering oversight and decision making, and there is a need for a Business Continuity Plan.

	Audit of Grants to Angola	GF-OIG-20-003

Grants are performing poorly, with a significant increase in both mortality and morbidity across all three diseases. This is due to a combination of multiple issues, including weak country ownership, government failure to fulfill domestic commitments, unreliable data and ineffective management structures in the Ministry of Health. The audit noted stronger financial controls than previously, with no ineligible expenditures identified.

	Investigation into Salary Fraud and Abuse	GF-OIG-20-004

There has been a widespread increase in allegations of salary fraud and abuse affecting Global Fund grants. In Nigeria, a salary kickback scheme resulted in the misappropriation of US$166,930 of grant funds, while in Indonesia a salary subsidy scheme resulted in the misdirection of US$35,310 of grant funds.

	Audit of Grants to Lesotho	GF-OIG-20-005

There has been a 15% decline in AIDS-related deaths and a 35% reduction in new infections since 2010, while TB deaths have decreased by 17%, and incidence by 35% during the same period. Challenges remain however around governance and oversight. The audit identified a number of issues related to the Government not fulfilling its commitments towards procuring HIV and TB medicines and funding Human Resources for Health.

	Audit of Global Fund Recoveries Management	GF-OIG-20-006

Structures are in place to support the oversight and management of the Recoveries process, and recording systems have been enhanced by a Recovery Module within the Grant Operating System. There are however sub-optimal processes and controls around the identification, notification, monitoring and reporting of non-compliant expenditures.

	Audit of Grants to Côte d'Ivoire	GF-OIG-20-007

There is good traceability of drugs received at central and peripheral level, and increasing grant focus on linkage to care and retention. Governance and procurement functions at the Ministry of Health's program management unit need to improve. There is insufficient

traceability of drugs issued at health facilities level and little progress is being made against national malaria targets.

🟨 🟨		Audit of Grants to Zimbabwe	GF-OIG-20-008

Malaria incidence almost halved in 2017, TB incidence declined by 60% between 2010 and 2017, and HIV prevalence has decreased significantly. Challenges remain, however: HIV data anomalies, weak viral load testing mechanisms, low performance of testing HIV-affected children and low warehouse capacity.

🟨 🟨 🟧		Audit of Capacity Building and Technical Assistance	GF-OIG-20-009

Investments in technical assistance and capacity building have been effective in achieving Global Fund program objectives and strengthening health systems. There is however a need for improved governance and oversight for partnership engagement, and for policies and procedures to guide the management of technical assistance.

	Global Fund IT Strategy, Advisory Review	GF-OIG-20-010

In 2019, the Secretariat's IT department set about revising its 2017- 2022 IT Strategy. The Chief Information Officer requested OIG to undertake an advisory review as a key input to the IT strategy refresh. The OIG review focused on whether the strategy covers all key areas of the business, and related implementation plans to support its operationalization.

	Investigation in Sierra Leone	GF-OIG-20-011

Between 2016 and 2018 there were over US$2 million of non-compliant and fraudulent transactions in purchases of goods and services under the Global Fund's HIV/AIDS and TB/malaria/Health System Strengthening grants. This was facilitated by oversight errors by the Global Fund's Fiscal Agent, as well as weaknesses in the terms of the Fiscal Agent's contract.

🟧 🟧 🟨		Audit of Grants to Pakistan	GF-OIG-20-012

Pakistan has made good progress in the fight against malaria, but significant challenges remain in TB and HIV. There is a high number of missing TB cases, HIV infections and deaths are increasing. Defaults on Government commitments are impacting Global Fund programs, implementation arrangements need to be adapted to the devolved structure, and there are gaps in the design and effectiveness of procurement processes.

🟥 🟥		Audit of Grants in the Democratic Republic of Congo implemented by Population Services International	GF-OIG-20-013

For the Global Fund malaria grant implemented by PSI, OIG's audit found non-compliant transactions amounting to US$25.3 million, of which US$6.2 million is considered potentially recoverable. There was ineffective use of grant funds due to weaknesses in internal controls, gaps over financial management and weak procurement practices.

🟨 🟨		Audit of the Global Fund's Grant Operating System	GF-OIG-20-014

The Global Fund's development of a customized grant operating system (GOS) has produced a more integrated and effective system to support the Grant Management lifecycle, enhancing monitoring and catalyzing improvements across grant management processes. However, inconsistencies in system development and testing have impacted the efficient and effective use of GOS, as have weaknesses in incident management.

Key: audit ratings

🟩	Effective: no issues or few minor issues noted
🟨	Partially effective: moderate issues noted
🟧	Needs significant improvement: one or some significant issues noted
🟥	Ineffective: multiple significant and/or (a) material issue(s) noted