Global Health Campus Management Processes

The Global Fund

Office of the Inspector General

What is the Office of the Inspector General?

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

Established in 2005, the OIG is an independent yet integral part of the Global Fund. It is accountable to the Board through its Audit and Finance Committee and serves the interests of all Global Fund stakeholders. Its work conforms to the International Standards for the Professional Practice of Internal Auditing and the Uniform Guidelines for Investigations of the Conference of International Investigators.

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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 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.

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

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

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1. Executive Summary

1.1. Opinion

The project for a Global Health Campus (GHC), a new building to host the Global Fund and other key players in the area of global health, was completed on time and with substantial savings compared to the estimated costs approved by the Board. Staff effectively moved to the new campus in March 2018, as per the revised approved plan[1]. The planned cost savings have also been surpassed. The OIG review estimated savings of US$43.5 million[2] over a ten-year period, compared to planned savings of US$28.6 million[3]. An effective governance structure, regular monitoring and timely mitigation of emerging issues and risks, and an efficient office move contributed to these results. The management of key risks related to the GHC project is rated as **effective.**

Regarding ongoing management of the campus, a governance structure has been put in place to provide oversight, but the activities and roles to be executed by all the actors in the Operations Committee should be further enhanced. The processes and authorities for decision-making and partner coordination within the committee have not been defined. This has impacted oversight and relationships with sub-tenants, and contributed to delays in the Business Continuity Plan (BCP) and IT-related activities not being tracked and followed up by the Operations committee.

For the provision of shared services for the GHC, all contracts with service providers have been put in place. Key contracts either have defined performance metrics with regular monitoring of results, or compensating arrangements to support supplier service in case of exceptions.

Global Fund asset records for non-IT assets have been developed, and a comprehensive asset management framework has recently been finalized. However, asset controls require further strengthening, particularly in reconciling significant differences between the Global Fund assets register and accounting records. Further, while some critical business risks have been adequately mitigated, a comprehensive BCP is needed, including regular testing for continuity arrangements, to ensure adequate mitigation of risks of business disruption, financial loss and reputational issues. The BCP is behind schedule; it is currently under development and tracked through the risk register. Overall, GHC management processes are rated as **partially effective**.

1.2. Key Achievements and Good Practices

The Global Health Campus move was on time and has registered significant cost savings.
With the move from the Global Fund's previous office to the GHC, running costs per year have decreased by 41%, with savings of approximately US$43.5 million[2] for the next ten years as per OIG review. This is US$14.7 million higher than the estimate approved by the Board in the GHC business case. Clear project management and governance arrangements, effective tracking and resolution of emerging risks and issues, and efficient relocation are contributing to the savings.

Strong contract and performance management of service providers.
Various contracts with service providers have been put in place to support GHC operations (cleaning, security, etc.). The contracts include detailed service-level requirements and, for certain providers, performance metrics. A dedicated focal point has been assigned to manage service providers, and an automated platform is actively used to monitor requests and incidents from Global Fund staff and sub-tenants[4].

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[1] The GHC building handover was on time (in February 2018) according to the plan reported to the AFC Meeting in October 2016 (GF/AFC02/27)

[2] Currently the total construction cost is being finalized and agreed with Implenia and Credit Suisse.

[3] As reported to the AFC meeting in October 2017 (GF/AFC05/14).

[4] Except for Global Fund staff who can directly access Service Now, for sub-tenants, the access to service is only granted to one focal point. The enhancement of Service Now access for sub-tenants will be implemented in 2020.

1.3. Key Issues and Risks

Gaps in governance framework and operational procedures, hampering structured oversight and decision making.
A governance structure has been put in place, and processes and guidelines have been developed for the specific workstreams, including defining the actors. However, decision-making thresholds and an escalation mechanism in cases of disagreements, including the roles and responsibilities of the Operations Committee and sub-tenants, are not finalized or defined. This has impacted oversight and decision-making, contributing to delayed progress on business continuity planning not being tracked and followed up by the Operations committee. These ambiguities may also adversely affect the relationship between the Global Fund and sub-tenants.

Business Continuity Plan required to ensure recovery of key business activities during emergency or disaster.
There has been no Business Continuity Plan (BCP) in place since the establishment of the Global Fund. An individual IT disaster recovery plan was developed in 2016, however it does not include a comprehensive view in case of physical workplace unavailability. For example, recovery time objectives, including the roles and responsibilities to execute the plan, have not been fully defined. A BCP for the Global Fund was due for completion by Q3 2019, but has been delayed, due to lack of responses from the various business units in assessing critical business impact.

Control weaknesses in the management of assets may result in missing assets going undetected.
Some improvements have been made on asset management. A comprehensive asset management framework consolidating all asset categories was approved in September 2019, and a fixed asset register for facility assets was developed in the first half of 2019. While facility assets have been physically verified, the verification results have not been reconciled with the fixed asset register to identify missing assets.[5]

1.4. Rating

🟩	**Objective 1:** Effectiveness of the management of key risks related to the GHC project (before and after the move), including assessment of related cost efficiencies associated with the building construction and relocation. **Rating:** Effective
🟨	**Objective 2:** Adequacy of the design and operational effectiveness of the GHC management processes (including asset management, contract and performance management of contractors and suppliers, and business continuity planning). **Rating:** Partially Effective

1.5. Summary of Agreed Management Actions

The OIG and the Secretariat have agreed a set of actions and related deliverables to address the findings. Specifically, the Global Fund Secretariat will work to:
- enhance operational guidance to clarify the roles and responsibilities among various stakeholders; key business processes will be developed in support of Governance Operational Committee functioning and decisions.
- expand the scope of the Global Fund Disaster Recovery Plan and BCP to include Global Fund administration and IT matters, conduct related disaster recovery tests, and ensure that all physical security, facility and IT risks and inter-dependencies are coordinated and covered.
- set up performance metrics to measure supplier lead time in responding to GHC administration requests and incidents.
- undertake a comprehensive physical asset verification, which will include a reconciliation with the fixed asset register as per the books of account and consolidated financial statements.

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[5] Based on the accounting record, the purchase cost of asset acquired from 2018 onwards as of June 2019 is US$2.9 million for Facility assets, and US$4.3 million for IT assets.

2. Background and Context

2.1. Global Health Campus project

In 2008, the Permanent Mission of Switzerland approached the Global Fund with a plan to establish a Health Campus building, as a centre for global health in Geneva[6]. In 2010, Implenia immobilier SA was selected as the contractor for the Global Health Campus building and five years later, Credit Suisse was selected as the investor for the development. Construction started in November 2016, with a final estimated construction cost of US$133.5 million (excluding tax).

A main objective for the project was to bring the Health Campus partnership to its full potential by leveraging collaboration opportunities, to deliver greater impact and achieve material operating efficiencies. In early 2017, the Global Fund and GAVI signed a partnership agreement, agreeing to act as equal partners in the GHC project, with equal responsibilities and equal sharing of benefits, costs, management of operations and risks[7].

The GHC project required complex coordination between multiple entities and project teams. The table below outlines the relationship between the Global Fund and its various stakeholders.
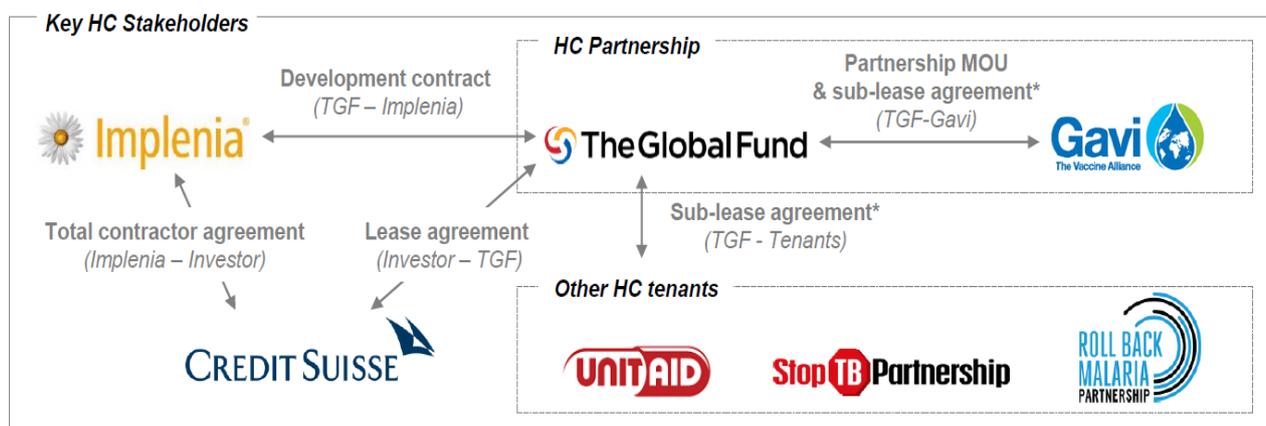
The building was handed over by Implenia in February 2018, and the Global Fund officially moved into the building in March 2018.

2.2 GHC management of day-to-day operations

The Global Fund has dual capacity in the health campus project; as a primary lessee under the lease agreement with Credit Suisse, and as a lessor in respect of its sub-lease agreements with other global health partners occupying the building (i.e. GAVI, Unitaid, Stop TB and Roll Back Malaria). The table on the next page illustrates the day-to-day operations of the Global Health Campus.

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[6] The decision on the GHC construction project was approved by the Board in 2009 (Decision Point GF/B20/DP19 in November 2009). However, subsequently, the Swiss authorities decided not to finance the project through the Fondation des immeubles pour les organisations internationals, the main instrument to support International Organizations as per practice norm in Switzerland.
[7] GHC Partnership Agreement between Global Fund and Gavi dated September 2017

GHC ORGANIGRAM
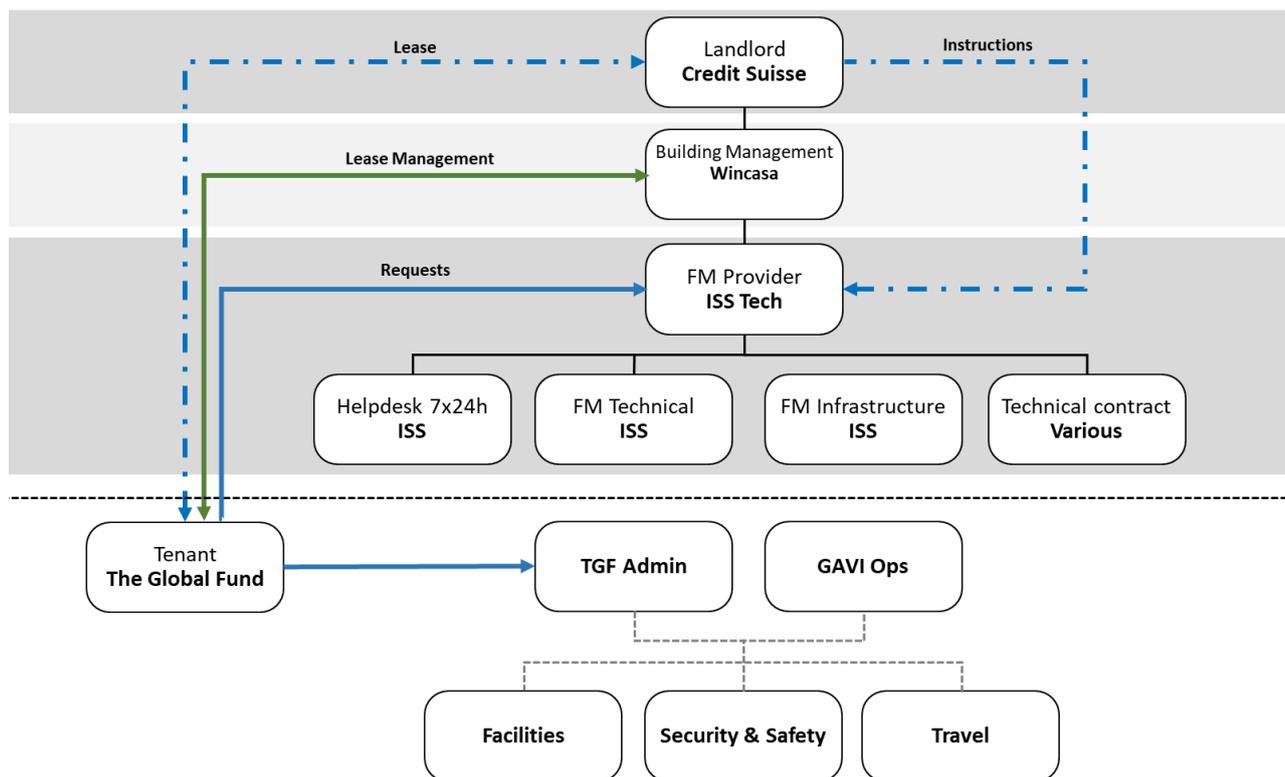
As part of the partnership agreement, both the Global Fund and GAVI are required to take joint decisions in managing the GHC building. An Operations Governance Committee was established in late 2017. Based on a Side Letter Agreement dated 16 July 2018, the terms of reference for the Operational Governance Committee were agreed to oversee the operation of the building.

While the Global Fund and GAVI manage GHC operations jointly through an operational responsibility matrix, decisions with financial implications are taken by each organization separately. For decisions with financial implications, the GHC Operations Committee has the right to discuss and recommend these decisions; these are then required to be taken by each organization through their internal decision-making process.

2.3   GHC shared services

Two types of services are provided in GHC to sub-tenants:

- **Basic shared services:** these services are provided by the lessor, Credit Suisse, and covered as part of the ancillary cost. A third party is appointed as the management representative of Credit Suisse, with responsibility to manage services, including their invoicing. These services cover the maintenance of elevators, fire safety, etc. For this mandate, the management representative has selected another provider for day-to-day operations support and oversight.

- **Additional shared services:** these are additional services provided by the Global Fund and GAVI to sub-tenants. These include reception conference services, building security, mailing and courier services, printing, internet, room bookings, internal cleaning of the building, etc.

Shared service costs are based on estimates and are required to be paid on a quarterly basis. Within seven months from the end of the calendar year, the Global Fund is required to provide sub-tenants with a statement of actual costs, and annual adjustments are to be made accordingly.

3. The Audit at a Glance

3.1. Objectives

The audit aimed to provide reasonable assurance on the adequacy and effectiveness of the Global Health Campus (GHC) project and related GHC management processes. Specifically, the OIG assessed the:

- effectiveness of the management of key risks related to the GHC project (before and after the move), including assessment of cost efficiencies in the building construction and relocation;
- adequacy of the design and operational effectiveness of the GHC management processes (including asset management, contract and performance management of suppliers and business continuity planning).

3.2. Scope and Methodology

This audit included a review of the processes, procedures and systems relevant to the Global Health Campus project, through:

- interviews with key stakeholders, including Global Fund Secretariat staff and other external stakeholders (including representatives of GAVI and sub-tenants);
- review of relevant policies, procedures and codes of conduct applicable to GHC;
- review of the governance mechanisms related to GHC management processes;
- review of the documentation of GHC project and management processes, where relevant;
- review of external reviews on GHC, and Secretariat assessments on GHC management processes;
- conducting data testing where relevant, including a sample-based physical asset verification.

The audit covers the GHC Project and current management processes from January 2017 to June 2019.

Scope exclusions:
The audit did not cover GHC-related procurements, since these will be covered under a future OIG Sourcing Audit. The audit also did not cover accounting and financial reporting for GHC costs, which are covered under the Global Fund external audit.

4. Findings

4.1. The GHC Project has achieved its cost savings and timeliness targets

Realization of higher financial savings than in the initial business case
With the move from the Global Fund's previous office premises to the GHC, running costs per year have decreased by 41%, mainly driven by rental cost savings. As per OIG review, savings are estimated at approximately US$43.5 million[8] for the next ten-year period. This net saving has been calculated after accounting for all relevant factors and costs, including deducting both one-time investments of capital expenditures and incremental operating expenditures resulting from the move.[9]

The revised estimated savings are US$14.7 million higher than the initial estimates approved by the Board in the GHC business case. The additional savings are derived from revised assumptions between the business case and the current situation, and from better management of the relocation; the Secretariat successfully avoided a two-month period where the Global Fund would bear double rent for both premises, resulting in savings of US$3.7 million, and saved US$4.4 million on dilapidation or 'exit' costs from the previous premises, compared to the cost initially budgeted in the business case. Other main components of savings include lower security and reception costs (saving US$2.7 million) and lower capital expenditures related to the procurement of furniture and IT cost (saving US$1.4 million).

Key factors contributing to the timely and effective move to the new campus included:

Project management team created to oversee the GHC project
Until the beginning of 2017, responsibility to manage the GHC project was handled by the Administration manager, with support from the Chief Financial Officer, Legal, and ad-hoc support from other departments. At the start of 2017, 15 months before the move, a project management structure was established to oversee the GHC project. This helped in monitoring the project delivery within the agreed timeline and budget, including coordination among the different workstreams and with GAVI counterparts.

Governance structure with clear task and escalation process
A Project Execution Plan was developed to outline the governance mechanism of the GHC project, including the roles and responsibilities of different committees and seven different workstreams (including Construction/Facility, IT, Human Resources, Legal, and the joint steering committee with GAVI). This included clarifying the authority levels for decision-making at different levels (e.g. Joint Steering Committee, Global Fund Steering Committee, individual workstreams).

Project Risks Management
Key risks and related controls and mitigations for GHC project risks are tracked through the Risk Register. Risks are assessed and categorized based on the likelihood of occurrence and their impact. Progress on mitigating actions is tracked for each workstream on an ongoing basis. At the time of the move, all key risks till that point had been sufficiently mitigated and the risk register for the GHC project had been subsequently closed. Current GHC-related risks are now being integrated into the Global Fund corporate risks register.

Agreed Management Action

No agreed management action required.

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[8] Currently the total construction cost is being finalized and agreed with Implenia and Credit Suisse.

[9] The Secretariat had initially estimated a total saving of US$28.8 million, which was presented to the Board when the GHC project was approved. OIG discussed and differed with the management on certain assumptions used in the calculations, resulting in OIG verified projected savings of US$43.5 million.

4.2 Authorities and responsibilities of GHC governance structures and stakeholders need to be clarified

An Operations Committee was established to provide governance and oversight on the management of the GHC, led jointly by the Global Fund and GAVI representatives. Operational guidelines have also been developed for specific workstreams, and a draft governance framework document outlines the membership and tasks of the operations committee, which requires a final signoff.

The facility workstream uses an operational responsibility matrix to divide responsibilities between the Global Fund and GAVI for facility-related areas (e.g. cleaning, electricity, security, parking management). However, it lacks the detail needed for effective operationalization. For example, "Ongoing Procurement Process" is identified as a joint responsibility, but there is no guidance on how the Global Fund and GAVI will coordinate to jointly conduct procurements for these functions. For the IT workstream, on the other hand, a GHC IT shared services governance and operating model has been developed and is in use. This document is more detailed than the facility workstream, and defines the different types of decisions and decision-making structures within IT.

Some elements are missing from both Facility and IT guidance, including guidance on roles and responsibilities of sub-tenants on areas such as building or IT enhancements (which may affect rent calculations), and structured processes to track key decisions and to follow up on action plans for GHC operations committee or tenants meetings (minutes of meetings are not available for July 2018-March 2019). However, this process was improved in late 2019, and key decisions, actions, timelines and respective accountability are now captured and tracked in operations committees or tenants meetings.

The absence of structured arrangements has impacted oversight and decision-making, with several outstanding items not followed up, or progress reported back to the committee. For example, in early 2018, the Operations Committee decided that the Business Continuity Plan (BCP) and IT Recovery Plan would be developed and completed before the end of 2018. However, this has not yet been done; the BCP is in progress and the IT recovery plan has not yet been initiated, and no progress updates have been provided since then to the Operations Committee.

A lack of clarity on the annual budgeting process has contributed to inconsistent or unstructured arrangements being taken by different workstreams. The 2019 annual budgeting process did not involve the Operations committee or sub-tenants, although these consultations did take place for 2020. The policies and processes for future building enhancement have also not been developed. Persistent ambiguities on decision processes increase the risk of poor tenant relationships or even potential disagreements on the management of the GHC.

Agreed Management Action 1:

Operational guidance will be enhanced to clarify the roles and responsibilities among various stakeholders (e.g. GAVI/Global Fund vs. sub-tenants), decision processes and thresholds. Key business processes will be developed in support of Governance Operational Committee functioning and decisions.

Owner: Chief Finance Officer
Due date: 30 September 2020

4.3 A Business Continuity Plan is required to ensure organizational ability to recover and continue key operations during an emergency or disaster

While certain business-critical risks have been mitigated, and efforts to develop a business continuity plan (BCP) are ongoing, a comprehensive BCP has not yet been completed. This exposes the Global Fund to risks of business disruption, losses and reputational issues.

BCPs generally cover people, processes and infrastructure. While BCPs tend to be organization-specific, the Operations Committee initially decided to develop a common BCP for the shared GHC building.[10]

Since the office move, several activities have been conducted to respond to certain risks that may affect the GHC's operations. A fire safety framework has been developed, and a fire drill exercise took place in March 2019. An IT disaster recovery plan has been developed, including an alternative power supply in case of power outages. ISO 27001 certification (an information security standard) is ongoing. A Global Fund-specific IT disaster recovery plan was developed in 2016 but was not comprehensive. For example, business process recovery time objectives, system priority for recovery, and the roles and responsibilities to execute the plan have not been fully defined.

The Global Fund has lacked a comprehensive BCP since its inception. The Operations Committee initiated this process, planning to complete it by September 2018, but this has not yet happened. The Administration department is planning to develop a BCP for the Global Fund only, rather than for the whole GHC, in line with the ISO 22301 standard. However, the change of scope has not been communicated and reported back to the GHC Operation Committee for approval.

As an initial step to develop a BCP, a risk assessment was conducted. However, critical functions to ensure business continuity have not yet been identified, nor acceptable downtimes defined, due to delays in receiving responses from Business Units. Crisis management plans or processes have also not been developed.

The absence of a comprehensive BCP or disaster recovery plan, including regular testing for continuity arrangements, leads to risks of inadequate prevention and recovery arrangements for key business activities, business disruption, financial loss, or reputational damage. For example, during a power outage in GHC in summer 2019[11] it was noted that the back-up system for air conditioning in the Data Centre was not working. There was no regular testing to ensure the back-up system was working properly. Subsequently, a deliberate power cut was conducted to assess the functionality of back-up arrangements and corrective measures implemented in September 2019.

The Administration Department currently leads the BCP development, while the IT Department is leading the risk assessment and planning of IT-related business continuity risks. Effective coordination is required to ensure that the plans are comprehensive and cover all risks and inter-dependencies, do not duplicate any efforts, and are effectively rolled out.

The Organization Risk Register tracks BCP as a key mitigating action for internal operations risks. Progress is delayed compared to the ORR target date of Q3 2019, with late responses from business units to business impact analysis questions contributing to the delays.

Agreed Management Action 2:
The Secretariat will expand the scope of the Global Fund Disaster Recovery Plan and BCP to include Global Fund administration and IT matters, conduct related disaster recovery tests, ensure that all physical security, facility and IT risks and inter-dependencies are coordinated and covered.

The changes of the scope in BCP should be communicated to sub-tenants (BCP to cover only the Global Fund and not the GHC).

Owner: Chief Finance Officer
Due date: 31 December 2020

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[10] 2nd GHC Operation Committee meeting in March 2018 decided to develop a BCP for GHC building by September 2018.
[11] Subsequent to the power outage in Summer 2019, a deliberate power cut was conducted in September 2019 to identify the gaps and reported to the Credit Suisse management representative for further actions.

4.4   Further improvements needed in contract and asset management

Regular performance reviews are executed for service providers related to GHC operations. However, a key GHC contract does not have performance metrics or implications for quality of services. Asset controls are being developed, but have weaknesses.

Since the move to the GHC, all key contracts with service providers (e.g. security, cleaning, IT network) have been put in place. Tasks and the level of services required are also clearly defined. Regular monitoring and reporting of issues or incidents is performed through weekly or monthly meetings, e.g. cleaning inspection reports or security incidents reports.

The "Service Now"[12] platform is utilized to monitor administration and IT requests and incidents from Global Fund staff and sub-tenants[13]. An enhancement to the complaint services has been implemented since September 2019 to measure the lead time and client satisfaction.

Certain key providers have included performance metrics in the contract. The performance metrics for other key providers (e.g. reception desk) will be established in subsequent years following the enhancement of "Service Now" to monitor vendor performance.

In late 2018, a staff satisfaction survey on GHC produced an overall satisfactory score (3.4 out of 5). Based on the survey outcome, action plans were developed to improve GHC services and the majority of administration actions have been addressed. However, performance issues exist on general facility management (e.g. elevators) handled by the management representative of the building owner. For example, the building owner and management representative demonstrated significant delays in responding to Global Fund complaints on recurrent elevator breakdowns, despite frequent Global Fund efforts to follow up.

The Global Fund's contract with the building owner does not include performance indicators to monitor services. The building owner has so far not agreed to define these, citing market norms. The Global Fund has addressed the situation by assuming greater responsibilities and control in managing the building, e.g. through direct relationships with maintenance suppliers (which, contractually, is the representative's role). However, performance issues have not been fully mitigated.

Control weaknesses in asset management lead to risks of loss/misuse of assets

While an asset register existed for IT assets, there was no fixed asset register for non-IT assets in the previous building, leading to weak controls during the transfer of assets at the time of the office move.[14] The Global Fund has taken steps to improve the management of GHC assets. For example, an Asset Associate Specialist was recruited in September 2018, and a comprehensive asset management framework was approved in September 2019. A fixed asset register for facility assets was finalized in early 2019. However, OIG tests highlighted gaps in the assets register. For example, out of the OIG sample from the shared IT assets managed by the supplier, 40% were physically available but were not listed in the register. These gaps hamper traceability and increase the risk of their potential misuse or misappropriation. Since the creation of the asset register in 2019, the Secretariat has conducted a physical asset verification exercise for the furniture and some IT equipment[15], which will also assist in reconciling the physical assets with the assets records.

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[12] An automated self-service portal for Global Fund staff or the sub-tenants to report incidents and initiate requests.
[13] Unlike Global Fund staff who can directly access Service Now, for sub-tenants access to service is only granted to one focal point. The enhancement of Service Now access for sub-tenants will be implemented in 2020.
[14] The net book value of these non-IT assets was US$257k (Based on Accounting Memorandum on the write off furniture dated 26 July 2018)
[15] A physical asset verification for IT audio visual equipment will be conducted by Q2 2020.

Agreed Management Action 3:

The Secretariat will:

1. Performance and contract management
    Set up the performance metrics to measure supplier lead time in responding to GHC administration requests and incidents.

2. Asset Management
    Undertake a comprehensive physical asset verification, which will include a reconciliation with the fixed asset register as per the books of account and consolidated financial statements.

Owner: Chief Finance Officer
Due date: 30 September 2020

5 Table of Agreed Actions

Agreed Management Action	Target date	Owner
1. Operational guidance will be enhanced to clarify the roles and responsibilities among various stakeholders (e.g. GAVI/Global Fund vs. sub-tenants), decision processes and thresholds. Key business processes will be developed in support of Governance Operational Committee functioning and decisions.	30 September 2020	Chief Finance Officer
2. The Secretariat will expand the scope of the Global Fund Disaster Recovery Plan and BCP to include TGF administration and IT matters, conduct related disaster recovery tests, ensure that all physical security, facility and IT risks and inter-dependencies are coordinated and covered. The changes of the scope in BCP should be communicated to sub-tenants (BCP to cover only the Global Fund and not the GHC).	31 December 2020	Chief Finance Officer

3. The Secretariat will:
• Performance and contract management
  Set up the performance metrics to measure supplier lead time in responding to GHC administration requests and incidents.
• Asset Management
  Undertake a comprehensive physical asset verification, which will include a reconciliation with the fixed asset register as per the books of account and consolidated financial statements.
	30 September 2020	Chief Finance Officer

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 work.

The principles and details of the OIG audit approach are described in its Charter, Audit Manual, Code of Conduct and specific terms of reference for each engagement. These documents help our auditors to provide high quality professional work, and to operate efficiently and effectively. They also help safeguard the independence of the OIG auditors and the integrity of their work. The OIG 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 activities. Other sources of evidence, such as the work of other auditors/assurance providers, are also used to support the conclusions.

OIG audits typically involve an examination of programs, operations, management systems and procedures of bodies and institutions that manage Global Fund funds, to assess whether they are achieving economy, efficiency and effectiveness in the use of those resources. They may include a review of inputs (financial, human, material, organizational or regulatory means needed for the implementation of the program), outputs (deliverables of the program), results (immediate effects of the program on beneficiaries) and impacts (long-term changes in society that are attributable to Global Fund support).

Audits cover a wide range of topics with a focus on issues related to the impact of Global Fund investments, procurement and supply chain management, change management, and key financial and fiduciary controls.