

**Audit and Finance Committee Report**

# The Office of the Inspector General 2019 Annual Report

Including an Annual Opinion on Governance,  
Risk Management and Internal Controls

GF/B43/02  
14-15 May 2020  
Geneva, Switzerland

## 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 our audits, investigations and advisory work, we promote good practice, reduce risk and report fully and transparently on abuse.

An independent yet integral part of the Global Fund, the OIG is accountable to the Board through its Audit and Finance Committee. We serve the interests of all Global Fund stakeholders, aspiring to be a leading role model for the international aid community.

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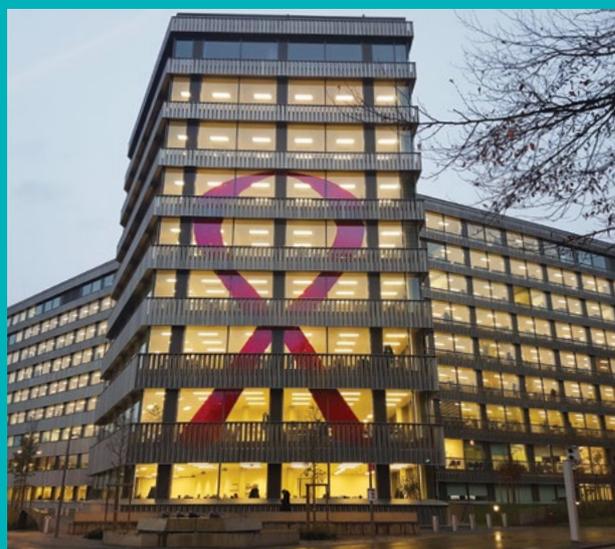
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## I. Message from the Inspector General

OIG's work in 2019 established that Global Fund programs are continuing to deliver significant impact in accelerating the end of AIDS, tuberculosis and malaria as epidemics. The Global Fund's Governance, Risk Management and Internal Controls continue to mature, leading OIG to conclude that **the organization has reached an embedded stage of maturity** (see section V).

While different organizations may use different maturity scales, and the term "embedded" may be unique to the Global Fund, the semantics are less important than the substance of the maturation process they describe. The Global Fund's path to maturity is not dissimilar to that of many other organizations. Initial years in an organization's life are often all about operational delivery, with little - if any - emphasis on formal governance, risk management and controls. This was true of the first decade of the Global Fund, especially in the context of the then-prevailing AIDS emergency. Following that infancy, increasing attention is paid to building up processes and controls to guide not just *what* the organization does, but also *how* it does it. This build-up has steadily been taking place in the Global Fund. Much progress has now been made towards streamlining key business processes, embedding controls within those processes, and building risk considerations into routine decision-making and management of the business. The overall control environment and risk management processes have significantly improved compared to where the organization was just a few years ago. The "embedded" flag is simply a marker of this new frontier of maturity.

Yet, this frontier is **not a destination, but only a milestone in a journey** that needs to continue. For the Global Fund, the only real destination worth focusing on now, and hopefully celebrating in the future, will be ending the three diseases. Achieving that mandate will require not just smart strategies, bold objectives-setting, and significant resources, all of which the organization has demonstrated it can muster. It will also require the right enabling environment. And because the organization's environment is dynamic rather than static, its **governance, risk management and internal controls need to continuously evolve and adapt, to meet changing needs and a shifting risk profile.**

Governance, risk management and internal controls must continuously evolve and adapt.

The embedded stage of maturity should not overshadow **significant areas of improvement** that need to be addressed. Whilst a marked progress over the past, many of the risk management and control processes are relatively new. There is still a great deal of inconsistency in their execution and there is much room to strengthen operational discipline in that regard. Full maturity requires a further move of the risk culture from mere acceptance to full embrace of these processes, translated into a much more proactive stance to managing risks. Far too often, management of risks in the grant portfolio is still rather reactive, often resulting in decisive mitigating or corrective actions being taken only after significant risks have already materialized. Accountability also needs to be strengthened. Whilst the Global Fund has often been decisive in holding implementers accountable when things go wrong with grants, the track record of internal accountability for process failures or for poor program performance is much more nuanced, even after considering external factors beyond our control.

Following a **successful replenishment** in which donors pledged US\$14 billion, the challenge is to make the best use of this unprecedented level of resources to deliver the expected impact. This will require overcoming many of the thematic issues highlighted in this annual report. Significant challenges remain in key programmatic areas such as **HIV prevention and quality of data** to enable effective programming and monitoring. Approved grants need to be implementation-ready to mitigate the risk of significant initial delays that have previously contributed to low absorption of funds. There is also a need, in many cases, to **adapt implementation arrangements** and ensure they are fit for purpose in the specific country contexts. Whilst resources pledged by donors are substantial, the investment case recognizes that a necessary complement will be a **substantial increase in domestic commitments**. As highlighted in this report, increased accountability on the part of countries and more effective monitoring on the part of the Secretariat will be necessary if that ambition is to be fulfilled.

The organization has made significant achievement in terms of both programmatic impact and internal processes, but a long journey still remains. Reaching the destination and eradicating the three diseases will require **maintaining momentum** and building further on the solid foundations that now exist.

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**Mouhamadou Diagne**  
Inspector General

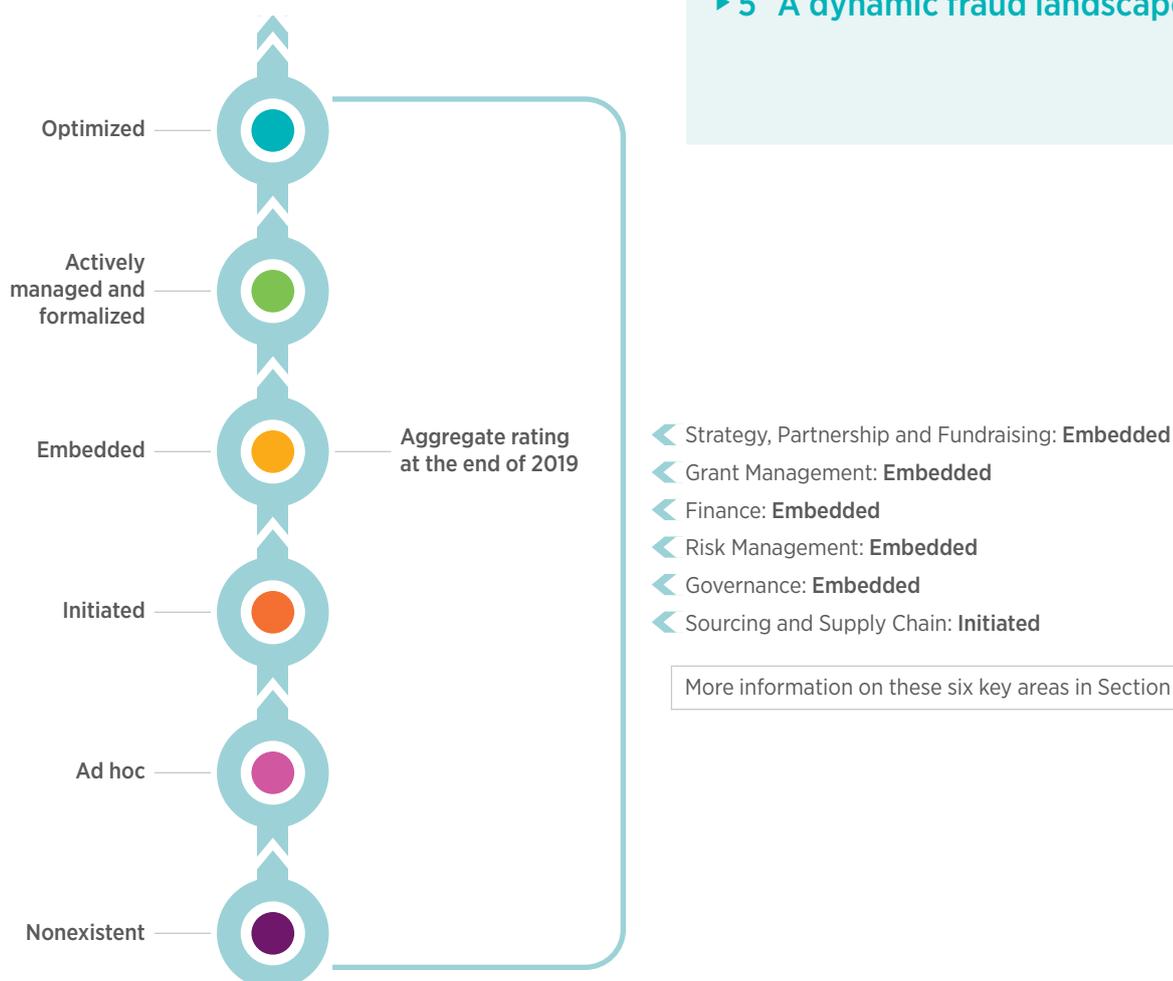
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## II. The year at a glance: the Global Fund

2019 was notable for the Global Fund's successful Sixth Replenishment Conference, where donors pledged US\$14 billion for the next three years, the largest amount ever raised for a multilateral health organization.

Across all three diseases, Global Fund grants are achieving significant programmatic impact, with decreasing mortality and infection rates. The organization's overall control environment and risk management processes improved further on 2018, reaching an 'embedded' stage of maturity, a significant milestone on the road to ending the HIV, tuberculosis and malaria epidemics (detailed information can be found in Section V, Maturity of Key Business Processes).

**FIGURE 1** GLOBAL FUND ORGANIZATIONAL MATURITY RATING



### Significant Strategic Themes

- ▶ 1 **Need for improved HIV prevention activities**
- ▶ 2 **Data availability/quality challenges**
- ▶ 3 **Defaults on domestic commitments for health**
- ▶ 4 **Grant implementation arrangements must adapt**
- ▶ 5 **A dynamic fraud landscape**

### III. The year at a glance: the OIG

In 2019, OIG bolstered its capacity to safeguard Global Fund assets through developing a number of key business enablers. The first phase of OIG's People Strategy was implemented, a set of principles, policies, processes and tools to create an optimal working environment. OIG also completed the production phase of its Case and Knowledge Management System, which will enable better management and use of the information and insight gathered through OIG's work. Data analytics moved from a conceptual phase to mainstreaming, and is being applied to audit and investigation work as well as to operational and financial performance monitoring. This year, OIG achieved its joint-highest ever rating in its annual stakeholder satisfaction survey with Board and AFC committee members (3.51 on a scale of 1-4).

OIG facts and figures	2019	2018
▶ Reports issued	25	23
▶ Audit reports published	19	12
▶ Advisories completed	3	1
▶ Total allegations received	240	208
▶ Investigation cases closed	49	36
▶ Agreed Management Actions created	85	50
▶ Agreed Management Actions validated and closed	48	69
▶ Headcount at end of year	49	44

NB: Figures reflect calendar years, Jan 1 – 31 Dec.

The OIG reports directly to the Board through the Audit and Finance Committee. During the reporting period, there has been no interference in determining our scope of activities, or the work performed by the OIG, or the communication of the results from our work. The Inspector General confirms that the resources allocated to the OIG are adequate to allow it to discharge effectively its mandate.

#### OIG Operational highlights

- ▶ 1 Satisfactory delivery on the audit workplan target
- ▶ 2 Successful development of key business enablers
- ▶ 3 Highest-ever stakeholder satisfaction rating

## IV. Significant themes

### 01 Improving the design, implementation and monitoring of HIV prevention activities

Global Fund HIV grants are achieving impact, with decreasing rates of death and incidence. However, infection rates are not reducing at the same rate as mortality rates. According to UNAIDS, between 2010 and 2018 the mortality rate caused by HIV/AIDS decreased by 36%, while the rate of new infections fell by only 19%, indicating that despite good treatment coverage, prevention activities need improvements. This will require designing, executing and monitoring activities that significantly reduce infection rates, particularly amongst key populations and adolescent girls and young women (AGYW). Under the current funding cycle, the Global Fund is supposed to invest approximately US\$1.3 billion in HIV prevention activities including key populations, however only US\$200 million has been used as of mid 2019.

**Timely design and roll out of prevention activities is needed:** One of the prevention activities supported by the Global Fund targets AGYW in 10 countries. But challenges exist in designing and commencing activities on time, due to various factors including limited guidance at country level. Malawi's AGYW program encountered significant difficulties in designing the criteria for the recruitment of beneficiaries and defining the package of services. Also, the defined AGYW activities are not being effectively implemented, due to weak management and supervision of activities. The Principal Recipient does not have adequate supervision plans and related tools to oversee activities at sub-recipient level. Similarly, the sub-recipients are not supervising activities implemented by the many sub-sub-recipients and clubs involved in the program. Uganda's AGYW activities were delayed due to design challenges, including the late selection of the sub-recipient charged with this activity; the country has subsequently developed an acceleration plan to fast track AGYW activities.

**Inefficiencies in implementation:** Because of resource constraints, HIV prevention activities generally focus on populations with high infection rates. Such interventions are expected to be performed by implementers with the requisite capacity, which does not consistently happen. Where activities have been defined, overlaps in service delivery models and weak implementer capacity often prevent optimal execution. In Lesotho, for example, the two Principal Recipients use multiple sub-recipients to perform the same outreach and mobilization activities for HIV prevention services, in the same districts, for the same target population. This lack of effective targeting and prioritization increases inefficiencies and reduces the ability to reach people who need services in other parts of the country.

**Addressing the challenges of linkage between diagnosis and treatment activities:** Malawi has a defined mechanism to ensure beneficiaries under the AGYW program are referred and linked to services at health facility level. However, during outreach campaigns, identified HIV-positive girls and young women are not referred for initiation into anti-retroviral treatment at health facilities. Similarly, some beneficiaries

who do not know their HIV status are not referred for HIV testing. In Lesotho, the sub-recipient responsible for prevention does not effectively coordinate with those responsible for demand creation services, resulting in many clients not receiving services. Grant prevention activities to reach key affected populations in Indonesia are yet to start, due to the unavailability of pre-exposure prophylaxis and a delay in finalizing the Integrated Bio-behavioral Survey planned for 2018, which makes it difficult to evaluate the success of the current approach.

**Monitoring the performance and impact of prevention activities:** Prevention activities are inherently more challenging to evaluate than traditional treatment activities, and currently there are limited indicators to routinely gauge performance of these activities and to course correct where necessary. There are difficulties in measuring the performance of the AGYW program in Malawi due to challenges with the indicators. Lesotho has updated its national guidelines to support the roll-out of PrEP for HIV prevention among high-risk population groups; however, performance for key HIV prevention interventions is either not tracked or cannot be measured. National targets for PrEP for key affected populations have not been finalized, meaning performance of the three PrEP indicators cannot be assessed.

Significant gaps in measuring performance of HIV prevention activities.

There were no performance framework targets and indicators for Liberia's HIV prevention activities under the previous funding cycle. As such, programmatic activities were monitored through work plan tracking measures, which are not used to monitor coverage and outcomes of interventions, limiting the Global Fund's ability to assess grant performance during that period. In 2018, performance targets were designed based on proxy baselines from neighboring countries which are not representative of Liberia's epidemiology. This was due to significant delays in the completion of programmatic studies and surveys to inform the targets.

The Global Fund has recently developed a Monitoring and Evaluation Framework for AGYW interventions, which is expected to improve indicators and disaggregation of results for related activities in the next funding cycle. The Secretariat has also planned outcome studies of its AGYW investments.

## 02 Challenges persist around data availability and quality

As of December 2018, the District Health Information Management System (DHIS2) was in use in 46 countries and piloted in another 21, covering most high-impact and core countries. While this has generally improved the availability of data at country level, there are still significant challenges around the quality and completeness of the reported results. This is largely due to limited human resources at the service delivery level to record and process the data, limited Global Fund assurance over in-country data, and ineffective supervision by implementers.

### Data discrepancies between DHIS2 and underlying records:

DHIS2 was successfully rolled out in Togo in March 2018, thanks to support from the Global Fund and partners. Most health facilities are equipped with digital tablets, enabling them to report data directly in DHIS2, greatly improving the timeliness of data report submissions, from 14% in early 2018 to 56% in December 2018. However, there are material inaccuracies between the data reported in the system and underlying records. 42% of pregnant women reported in DHIS2 as being enrolled for PMTCT could not be reconciled to the underlying patient files and registers.

The number of people on anti-retroviral treatment in the Democratic Republic of Congo is overstated due to ineffective supervision over the maintenance and reporting of patient records in the electronic information management system. Significant programmatic data quality issues were identified in Angola across all three diseases for key testing and treatment indicators. Routine programmatic reporting from health facilities for the three diseases shows errors of up to 39% on key programmatic indicators, and there is a lack of non-routine surveys and studies to compensate for pervasive gaps in routine data on loss to follow-up, retention rate and HIV-related deaths. Malawi's HIV and TB data are generally accurate, but there are discrepancies of more than 10% in sampled malaria indicators at health facilities due to challenges in record keeping and supervision.

**Challenges with data completeness:** Although a health information management system was established in Nepal, the data reported remain significantly incomplete. No municipalities had submitted their TB program data one year after implementation of the new Global Fund grants, and only 32% of reports from health facilities had been captured in the system as of 31 December 2018. Antiretroviral therapy and Prevention of Mother to Child Transmission sites reporting through the system decreased from 79% to 57% and from 85% to 61%, respectively, between April and December 2018. The reporting delays result partly from unclear roles and accountability, following the setting up of data aggregation and reporting units. Following the country's decentralization, there is also a lack of clarity at service delivery points on where HMIS reports should be submitted.

**Weak controls over data integrity:** Data changes in DHIS2 are not consistently documented, making it difficult to determine whether modifications of reported results are authorized or not. The system has built-in data quality assurance functionalities, but these are not being effectively used by implementers to identify data inconsistencies and outliers for follow-up. In the absence of good data, decision-making suffers both at country level (e.g. quantification and forecasting) and at Secretariat level (e.g. performance ratings and disbursements).

Addressing data challenges will require coordinated effort.

To a large extent, the data quality issues above reflect the low maturity of health systems in the countries where the Global Fund operates: limited human resource capacity, multiple registers which further stretch the limited staff, weaknesses in supervision and unclear roles within health systems. As such, investments in DHIS 2 alone cannot address all material data quality issues at the country level. Addressing them will require coordinated effort from the Global Fund, governments and partners to provide investments in systems that are balanced with support for the underlying tools, human resources, supervision mechanisms and assurance over nationally reported results.

Given the challenges in reporting results, the OIG, as part of its 2020 plan, will review Global Fund-supported in-country data systems. The audit will evaluate the adequacy and effectiveness of the Global Fund's framework for strengthening data systems and quality, including related assurance mechanisms.

### 03 Defaults on domestic commitments are weakening grant programs

The Global Fund's investment case recognizes that, to achieve the ambitious objectives for the next cycle, US\$14bn will not be sufficient. Significant additional resources will also be necessary, including US\$46bn from domestic funding. Global Fund grants are primarily designed to complement investments from countries, which have primary responsibility for health care delivery systems. Grant success is thus heavily dependent on governments meeting their domestic funding commitments, whether those relate to financial contributions, procurement of commodities, purchases of health supplies, investments in Human Resources or other key enabling factors to support effective implementation of the grants.

The Secretariat policy on co-financing includes guidance on specific domestic commitments for health. While many countries meet the minimum thresholds in the policy, significant defaults on broader commitments remain, affecting effectiveness of Global Fund investments in those countries.

#### **Unfulfilled co-financed activities affect grant impact.**

Despite economic constraints, the Government of Zimbabwe fulfilled its financing commitments, enabling grant programs to achieve strong results. Other countries, however, are failing to meet their commitments, affecting implementation of the programs. Angola, a middle-income country, is expected to finance 55% of interventions for the three diseases, with the Global Fund providing 12%, and 33% coming from other donors. However, significant government commitments on TB first-line, antimalarial and antiretroviral commodities have not been met, due to various factors including shrinking fiscal space between 2016 and 2019, but also lack of government ownership and prioritization, and weak monitoring by the Global Fund. The government's failure to meet its commitment has had significant adverse impact on the programs. Both incidence and mortality have significantly increased across all three diseases.

In Nepal, the Government fulfilled only 50% of its HIV commodity procurement commitment in 2018. This resulted in an increased number of emergency procurements, financed with grant funds, to cover Government procurement gaps, and the risk of stock-outs of antiretroviral medicines.

In Pakistan, the Global Fund and the government agreed on specific commitments for the three diseases. On average, only 15% and 25% of the country's committed resources were disbursed for HIV and TB activities, respectively, in the last three years. This reduced the ability to scale up HIV interventions and contributed to stock-outs and emergency procurement of TB medicines by the Global Fund to cover commodity shortages.

Similarly, in Lesotho the government has failed to meet several commitments relating to the procurement of HIV and TB medicines and investments in Human Resources for Health, which are critical for ongoing activities and the sustainability of the National HIV and TB programs. In 2018, the government failed to meet 84% of its procurement commitments, contributing to widespread stock-outs and negatively impacting the implementation of preventive therapy for HIV patients.

The Global Fund should explore options to hold countries accountable for their grant-related commitments.

In Liberia, the government defaulted on its commitment to procure 70% of medicines for sexually transmitted infections, resulting in stock-outs and limited availability of key health products including condoms, which had a negative impact on the services provided to key populations.

Delays and non-fulfilment of commitments by Papua New Guinea have also impacted program effectiveness and results. Stock-outs of HIV test kits, which are funded by the government, led to a considerable reduction in the testing of suspected patients from key populations. Health facilities partially mitigated the stock-outs' impact by procuring kits from the open market where possible.

At the Secretariat level, there are limited defined processes and guidelines to accurately measure specific commitments, to ensure consistent reporting on commitments from countries, and to identify defaults. In most countries, the Global Fund steps in when governments fail to honor their commitments. In a context of limited funding, the Global Fund will have to explore options for holding countries accountable in honoring their domestic commitments, a prerequisite to meeting the ambitious goals of the next funding cycle as outlined in the investment case.

## 04 Need to adapt grant implementation arrangements

Grant governance and program delivery processes from the central level are major contributing factors to overall grant performance. As the Global Fund starts a new funding cycle, the timely selection of the right implementers will be crucial.

The Global Fund encourages a dual-track financing (a combination of government and civil society) approach in implementing its grants. This has led to a diversified number of implementers across countries. Currently, 61% of Global Fund grants are managed by governments, 24% by Community organizations, 14% by multilateral organizations and 1% by the private sector/others.

**Timely selection of sub-recipients is important:** Generally, country coordinating mechanisms nominate Principal Recipients as part of their funding requests. However, sub-recipients, who largely execute the activities, are only selected after grants have been signed. This has often contributed to delayed implementation. In Pakistan, the sub-recipient and community-based organizations responsible for interventions targeting female sex workers were selected 10 months into the grant cycle, affecting the ability to start activities on time. In Liberia, no sub-recipients were contracted to provide TB services in 2016, the first year of the implementation period. Rather than contracting the selected sub-recipients for the full grant period, the Ministry of Health opted to award short-term contracts of eight months each in 2017 and 2018, negatively impacting programmatic activities and financial absorption. Delays in selecting sub-recipients negatively affect the timely implementation of critical grant activities with a downstream impact on absorption.

**Implementation arrangements should align to the country context.** OIG audits highlighted various issues related to: implementation structures that are not adapted to devolved country settings, need for more active engagement of the private sector, and the use of national bodies for their core mandates.

**Decentralized structures:** Implementation arrangements of Global Fund grants in a few countries have not yet been adapted to devolved and federal structures. In Nepal, following decentralization, responsibilities between the central and provincial governments and ministries regarding the oversight and implementation of programs have not been defined, which had significant adverse impact on flow of commodities, funds flow, and reporting of programmatic and logistics data. Likewise, Pakistan's implementation arrangements are not in line with the country's devolved setting, affecting coordination, supervision and reporting of results. Neither the central nor the provincial level currently supervises the quality of the TB services provided in the private sector, because their roles have not been defined.

**Private sector engagement:** Active engagement of the private sector in grant implementation will be critical in ending the epidemics, as private sector health facilities account for a significant component of outpatient cases

in many countries. Currently, this sector is not consistently involved in implementing Global Fund grants, often due to the absence of a national private sector engagement strategy. Despite private, for-profit facilities accounting for 34% of total health facilities in Liberia, the Ministry of Health has not effectively engaged private sector facilities to improve access to malaria services. In Pakistan, the private sector is the first point of care for 85% of the population, but TB case notifications from the private sector remain low, representing only 32% of cases, because most private sector health facilities are yet to be fully engaged, and their reporting and supervision arrangements defined. In Nepal, the limited engagement of the private sector is due to the absence of a nationally endorsed public-private strategy, hindering the creation of a national task force. The lack of a comprehensive strategy on the engagement of the private sector, and of a defined approach to the monitoring and supervision of private sector facilities, limits the effectiveness of Global Fund grants in the country.

A comprehensive strategy on private sector engagement is needed.

**Aligning the role of national structures to their core mandates:** OIG's advisory review of grants in West and Central Africa found grant implementation at central level being managed by Principal Recipients with limited mandates in delivering health services, and no hierarchical, functional or financial relationships with service delivery entities. Global Fund implementers, often the National Programs and National Aids Councils, generally do not have a mandate to implement healthcare delivery services. They oversee policy making, adoption of global treatment guidelines, monitoring and evaluation, program supervision, training, and overall coordination of the disease response. These vertical implementation arrangements and a lack of integration among the three diseases are not conducive to efficiency at central level. They also increase the burden on service delivery functions at lower levels, due to uncoordinated requests for financial reporting and data, as well as overlapping oversight activities, such as program supervision.

While the Global Fund does not have any control over countries' institutional arrangements or their administrative structures, these do have profound implications in terms of adequate design and effective implementation of grants. The Secretariat needs, at a minimum, to consider the impact of those arrangements on grant implementation, anticipate the related risks associated with country institutional changes, and make the necessary adjustments to the grant implementation arrangements in order to mitigate those risks.

## 05 Responding to a dynamic fraud landscape

OIG Investigation Unit's work during 2019 revealed how the threats to Global Fund grants from wrongdoing continue to evolve. The risks posed by **cybercrime** have translated into a real case at Global Fund implementer level; in 2019, OIG investigated its first case of 'phishing,' after fraudsters hacked the email account of a procurement specialist within Senegal's Ministry of Health and Social Action. Posing as Global Fund suppliers, they instructed the procurement specialist to change supplier bank details, resulting in the loss of US\$482,000 of grant funds. Insufficient controls related to changes in beneficiary bank account details, a lack of security training, and delayed notification of the incident facilitated the fraud. There was no evidence of collusion between the procurement specialist and the fraudsters. During the year, OIG learnt of similar cases affecting the Global Fund's peer organizations, indicating that the sector as a whole is at risk.

In 2019, OIG experienced a rise in allegations relating to **salary-related fraud** and abuse, confirming the trend noted in the 2018 Annual Report; OIG saw a four-fold increase in allegations of this type between 2016/17 and 2018/19, covering issues such as staff being forced to pay regular kickbacks, unauthorized salary contribution schemes, staff not receiving full salaries, fraudulent salary claims, and unauthorized salary payments from grant funds. In response, in 2019 OIG undertook a proactive review of this form of wrongdoing, to identify systemic root causes and preventive control measures to mitigate risk. As a result of this work, the Global Fund will enhance its guidelines to explicitly prohibit implementers and Country Coordinating Mechanisms from soliciting payments from staff, or requiring them to contribute to funds that support operational expenditure.

## V. Maturity of Key Business Processes

The overall control environment of the Global Fund has improved, with enhanced processes and controls. Some key business processes (Finance; Strategy, Partnerships and Fundraising) had already reached an “embedded” stage of maturity prior to 2019. Three of the four remaining key processes (Risk Management, Governance, and Grant Management) reached an embedded stage of maturity in 2019. While Sourcing and Supply Chain processes and controls continued to improve in 2019, they are not yet at embedded maturity level. Several ongoing initiatives lay a good foundation for potentially significant improvements in the future; however they are either at a stage that is too premature to gauge implementation progress (in the case of transformation plans) or current practices and controls still have some significant weaknesses either in design or in actual execution (in the case of monitoring controls). Notwithstanding these limitations, a solid foundation for progress is being laid. In addition, unlike other business processes over which the Global Fund has far more control, supply chain is inherently country-driven and partner-dependent. Accordingly, achievement of substantive progress in this area is more contingent on the maturity of country systems as well as the effectiveness of the broader partnership engagement. Thus, it is inherently more challenging and likely to take longer to materialize. OIG has factored both this interdependency element and the longer time horizon required into our assessment of overall organizational maturity.

The progress made in the four key business processes which were not previously embedded is summarized below.

### 01 Risk Management – an embedded second line function

The Global Fund risk management framework is at an embedded stage of maturity. The main building blocks of a comprehensive risk management framework established over the years were further enhanced in 2019.

**Risk governance:** the formalization of risk appetite in 2018 provides a structured framework for both the management of risks at the Secretariat and also for the Board’s ongoing risk monitoring and oversight on the trajectory of organizational risk levels against defined targets. At the committee level, there is also a more targeted review of key risks under each committee’s mandate.

**Risk culture:** organizational attitudes towards risk management have significantly evolved. Risk considerations are being integrated into day-to-day business management decision-making processes, and there is increased synergy between front-line business functions and second-line risk oversight functions in addressing identified risk.

**Risk infrastructure:** the new Integrated Risk Management tool, deployed in 2018, has now been rolled out across all portfolios, and there is strong compliance on completion.

#### What is embedded maturity?

Internal controls, governance and risk management processes have been defined and embedded in everyday practices. However, there is insufficient close supervision or active management of these processes and/or they are not consistently measurable. It is likely but uncertain that they will allow the organization’s operational and strategic objectives to be fully met.

.....  
OIG maturity scale

The quality of inputs and management level discussions of the risk levels have improved. The Secretariat is also integrating existing risk management tools to make them more user-friendly. Risk levels are being reviewed in detail and measured across critical portfolios, with additional regular reporting between the detailed reviews.

**Risk metrics and indicators:** outcome indicators have been established and rolled out for most key aspects of Program Quality. Progress has been made on Supply Chain outcome indicators and tracers. Enhanced risk measurements are also being explored for program data risks and human rights aspects. While most metrics are in place, the quality of portfolio performance monitoring remains hampered by continuous weaknesses around program data quality.

**Risk mitigation:** a defined process exists for identifying and calibrating risks and monitoring related key mitigation actions (KMAs). There is regular reporting on the status of KMAs, with summaries submitted to executive management. However, there is a need to improve the prioritization of the KMAs, recognizing the potential trade-offs between a limited number of meaningful actions versus

a large number of sometimes generic and non-actionable measures, with limited accountability for completion.

**Internal controls framework:** the Internal controls framework has significantly strengthened, including documentation of key processes and controls, related risks, mitigation measures and monitoring arrangements. The Risk department has performed business process reviews for prioritized areas, and tracks implementation of actions from such reviews. Operational process performance dashboards and control

monitoring reports have been rolled out for key business processes, with plans to complete monitoring dashboards for other processes. Adequate second-line monitoring exists over key business processes, including on key grant processes of annual funding decisions, grant making and revisions, and grant monitoring and closure.

**Overall, risk management at the Global Fund has significantly matured and the underlying processes are fit for purpose.**

## 02 Governance – progressed to embedded stage in 2019, considering ongoing limitations inherent in the Global Fund governance model

Significant progress has been made on the journey to strengthening the Global Fund's governance, both at Board and Committee levels. Several governance issues remain to be fully addressed, however many of these, including Board composition and conflicts of interest, reflect fundamental tensions that are inherent in the Global Fund governance model and are the result of difficult political arbitrage amongst a broad range of constituencies with different views. **As such, these tensions may never be fully "resolved", so long as there is a sufficient degree of consensus that allows the governance bodies to eventually discharge their core mandates without paralysis or significant ineffectiveness.**

Despite the inherent gaps in the multi-stakeholder governance model, OIG's most recent review of governance reported either overall effectiveness or significant improvements made across all core mandates of the Board, with remaining gaps in the areas highlighted below. Since our last review in 2017, the organization has made significant progress in evaluating those issues, instituting several measures to respond to some, and developing clear actionable proposals to address others. Critical components of the Governance Action Plan approved by the Board in May 2018 have either been implemented or are on track. The Action Plan covers six main thematic areas.

**Ethical decision-making and managing Board-related conflict of interest.** Ethics is embedded in onboarding programs, in committee agendas, and through targeted training. In 2019, the Ethics Office conducted training for governance officials to improve ethical awareness. The review of ethics policies was moved to 2020 to enable the Board to consider recommendations from the OIG audit of Ethics and Integrity Framework in the policy revisions.

**Succession planning, selection processes and skills.** The new selection process for Board leadership proved effective with the selection of the Board Chair and Vice-Chair in May 2019. The revised Committees selection process was finalized by the Ethics and Governance Committee (EGC) and approved by the Board in 2019,

despite initial challenges reaching consensus. Progress is also being made on board leadership succession planning and onboarding of governance officials. Other aspects, such as due diligence for committee membership or leadership, are still work in process. There are plans for the Ethics Office to carry out due diligence for all Board and committee leadership nominees and to provide guidance to constituencies to conduct due diligence of all nominees.

**Elevating Board discussions.** Significant progress has been made to improve Board agendas, with increased emphasis on strategic matters and decision-making topics, and aligning priorities between the Board, Committees and the Coordinating Group. The EGC is working to further improve this workstream during its 'deep dive' on governance culture and effectiveness.

**Leveraging the role of committees.** Progress has been made to ensure that committees are effectively fulfilling their mandates, and improvements are continuing in the structured coordination of overlapping mandates across the committees. A review of committee mandates is scheduled to take place after May 2020, following the completion of the first two terms of the existing committees.

**Cultural change to enhance effectiveness.** Assessment of the Board Culture to identify the gaps and inform future workstreams to enhance Board culture was completed and discussed by both the EGC and Board. A task force has been appointed to, among other things, develop recommendations, including concrete activities to address the six priority themes identified in the Board Culture assessment. These recommendations will form the basis of possible recommendations by the EGC to the Board to improve governance effectiveness and Board culture.

**Board size, structure and composition.** A final consensus remains to be reached on the Board's appropriate size and composition, given the Global Fund's evolving landscape. The EGC plans to prioritize the discussion on Board composition in 2020.

### 03 Grant Management – embedded, but some significant gaps remain that need to be addressed

The completion of a new integrated Grant Operating System, supporting end-to-end grant management, has led to significant improvements in the underlying grant management processes. The Secretariat has documented key risks, mitigation measures and related monitoring mechanisms. Automated controls have been included in the system workflow across relevant key grant management processes.

The Secretariat has recently enhanced the system functionality to create visibility of key grant management data and to strengthen portfolio management through dashboard monitoring. Dashboards are now available across the Global Fund grant portfolio for most key grant management performance metrics, and the remaining ones are expected to be completed in 2020. This monitoring of business process controls is new, and its impact is yet to be seen in the performance of grant management processes.

The Secretariat continuously updates its operational policies and procedures to align with the grant cycle and changes in business environment. Other improvements in the Grant Management processes include the integration of Country Portfolio Reviews and Portfolio Performance Reviews as part of routine business processes. **Overall, the grant management controls and processes have significantly improved and are deemed embedded.**

However, while risk identification is adequate, material gaps remain in two key, inter-related areas: a) inconsistent incorporation of Technical Review Panel (TRP) feedback in the design of the grants; and b) ineffective implementation of key mitigating actions.

**Inconsistent follow-up of TRP feedback in the design and implementation of the grants.** In the Global Fund business cycle, the TRP is the primary forum that reviews and validates the strategic focus, technical soundness and potential impact of the funding requests. This is a key input to ensure more effective use of available grant resources and achievement of impact.

The TRP makes recommendations to the grant applicant to be cleared by the Secretariat either during the grant-making stage or as part of grant implementation. Processes are in place that enable country teams to report to the Grants Approval Committee (GAC) how the TRP's recommendations have been incorporated in the grant, prior to approval, or how they will be addressed as part of grant implementation. However, deviations from the TRP comments during grant making that have been cleared by GAC are not consistently reported back to the TRP.

In addition, other TRP recommendations that are expected to be addressed during grant implementation are not effectively monitored. Controls are not yet in place to ensure follow-up on these recommendations as part of key decision-making processes during the grant lifecycle, such

as the Annual Funding Decisions and/or Disbursement requests. Instead, the follow-up practices are ad hoc and inconsistent across different country teams. As a result, a risk remains that key programmatic recommendations from TRP may remain unresolved during the grant implementation cycle. Recognizing this weakness, the Secretariat is refining its systems and tools to ensure that TRP recommendations are automatically included in Grant Approval forms without manual input by country teams and, where comments are outstanding, they are automatically included in ongoing grant monitoring tools. This is expected to be delivered in 2020. Until this weakness is remediated, a significant risk remains that some grants may not incorporate key TRP recommendations and therefore potentially reach limited impact.

**Implementation of key mitigating actions.** Key Mitigating Actions are the corrective measures that need to be implemented to address risks that the Secretariat's own analysis has identified as significant in the grant portfolio. Thus, by definition, they are considered priority actions in order for material risks to the effective implementation of grants to be sufficiently mitigated. There have been improvements in the identification and tracking of these mitigation actions. However, while the recently introduced dashboards have improved monitoring, there is still limited follow-up and weak accountability in the implementation of key mitigating actions by front-line grant management units. Due to lack of consistent follow-up discipline, actual implementation of the actions remains very inconsistent across the grant management portfolios. Thus, while the key grant risks may be correctly identified and relevant mitigating actions designed, those risks may still remain unmitigated, with an increased likelihood that they materialize.

The limited rate of implementation on mitigating actions is confirmed by the Secretariat's own analysis, which shows that it is still significantly below target. Beyond the overall low rate of implementation of key mitigating actions, the core issue that requires management attention is the weak discipline around the follow-up on those actions, and the need for increased accountability on the part of either Secretariat Country Teams or grant implementers when key mitigating actions are not being addressed. Recognizing this, the Secretariat is revising the grant rating and disbursement processes to ensure the KMAs are factored into decision-making.

## 04 Sourcing and Supply Chain – progress being made, but not yet embedded

Progress continued to be made in the Global Fund's Sourcing and Supply Chain processes in 2019. Under the new leadership in place since 2018, a more structured supply chain roadmap has been developed, and internal structures have been re-aligned to fit the department's strategy. The Secretariat has documented key sourcing and supply chain risks, mitigation measures and related monitoring mechanisms. The Pooled Procurement Mechanism, representing the largest Global Fund expenditure at the central level – approximately US\$1 billion annually – continues to function well, enabling a reliable supply of medicines to countries with otherwise limited capacity.

**Supply chain transformation:** recognizing supply chain's role in meeting the Global Fund's strategic goals, the Secretariat launched a major supply chain transformation initiative in 2016. It included plans for in-depth diagnostics in 20 high-risk countries, which represented most of the grant allocations and approximately 75% of Global Fund investments in health products. The diagnostics or similar assessments have been completed for all the identified countries. The results have informed the development of country-specific supply chain transformation plans in most of the countries. These plans are overseen by a Supply Chain Steering Committee chaired by the Chief Risk Officer and the Head of Supply Operations. Given supply chain's nature, impactful strengthening activities necessarily take a long time to fully mature. However, the completion of the diagnostics, the development of substantive transformation plans, and the structured monitoring and oversight through a senior-level steering committee are major steps towards advancing the organization's maturity in this area. This does not mean that material supply chain issues have been addressed or significant risks will not continue to materialize in the short to medium term, but the organization now has a sound roadmap, with appropriate oversight, to respond to issues and to mitigate risks in the longer term.

Major steps towards advancing the organization's maturity in supply chain.

To reach an "embedded" stage, other key supply chain processes still require significant improvements in some material aspects that affect the ultimate business objective of achieving a good availability of quality-assured health commodities at service delivery levels.

**Quality assurance:** the Global Fund invests more than 50% of its annual grant budget in medicines and health products. From the standpoint of both the financial materiality of the investments and the programmatic impact that arise from compromised quality, ensuring these products meet high quality standards is critical to achieving the mission. While all drugs procured through the Pooled Procurement Mechanism are quality assured pre-shipment, the Global Fund requires countries to perform post-marketing surveillance quality assurance of drugs. However, there is currently no mechanism or process at the Secretariat to monitor how countries comply with these requirements. OIG audits continue to identify that post-shipment quality assurance is generally not performed in countries. Post-shipment quality assurance is particularly important given that significant weaknesses in warehousing and distribution at country level can expose commodities to significant risk of alteration in quality between the time of their arrival in country and their actual distribution to end-user patients. These weaknesses have often been identified in both OIG audits and the Secretariat's own diagnostic reviews.

It is important to acknowledge that these issues are to a large extent a reflection of broader weaknesses in country systems, including lack of adequate infrastructure or lab capacity. Quality assurance is also a shared responsibility between the Global Fund, the countries themselves, and other technical partners. However, given the material investment of Global Fund resources in health products, and the significant programmatic ramifications of poor-quality health products, there is a critical need for the Secretariat to evaluate the overall framework for the quality assurance of health products from an end-to-end perspective. This evaluation should take into account potential limitations and the interdependencies related to mandate, limited resources, and the respective accountabilities of different stakeholders and partners. In the absence of a comprehensive quality framework and given the lack of effective monitoring, whilst reasonable assurance exists on the quality of health products prior to shipment, there is only limited assurance that the quality of purchased products is maintained throughout the supply chain, up to the service delivery point where they are dispensed to patients.

**Inventory monitoring:** good availability of health commodities at service-delivery points is ultimately the test to gauge the effectiveness of the supply chain. As such, inventory monitoring and visibility into the availability of health commodities at service-delivery level are critical. Adequate controls and monitoring in this area help both mitigate the programmatic risks related to treatment disruptions, and the financial risks related to inefficiencies in the management of commodities, which often represent the largest proportion of grant investments in countries.

One of the most significant weaknesses identified in supply chain management over the years has been the lack of effective monitoring of drug inventories. In response, the Secretariat introduced On Shelf Availability (OSA) of medicines in 2019. It is important to recognize what OSA does but also, equally important, what it does not do. OSA is a useful metric to assess trends in stock availability at the health facility level over a long period of time. It measures existence of a tracer medicine on the shelf at the time of visit. Thus, over time, improvements in OSA are likely to be reflective of a positive trend towards better availability in general. However, OSA focuses on a single tracer or a very limited sample of tracer medicines. For the given tracer(s), it does not provide any visibility as to actual quantities available, how amounts available compare to amounts needed, or how close to expiry the existing quantities may be. Thus, OSA does not (and its purpose is not to) provide an indication as to the adequacy of drug stock levels in any facility. As such, whilst it provides very valuable strategic insights on long term availability trends, this indicator is not designed to provide early warning signs to anticipate the risks of significant pending disruptions in the supply chain, such as major drug stock-outs or expiries. Effective management of the large volume of commodities that the Global Fund invests in the countries requires both strategic monitoring of long-term trends (which OSA does) and operational indicators that help anticipate and proactively mitigate risks of significant supply-chain disruptions in the short to medium term (which OSA does not do).

Country teams currently track stock availability at the central level through information provided in the annual or semi-annual reporting tool referred to as Progress Update and Disbursement Request (PUDR). Local Fund Agents are expected to indicate whether there is risk of stock-outs or expiries at the central level. Material weaknesses remain in this process. First, material disruptions can - and often do - occur at various layers of the supply chain, including very often below the central level. As the PUDRs exclusively focus on availability at the central level, they are not effective in addressing potential risks that may exist downstream. In three of the five countries sampled for review, OIG audits in 2019 found material stock-outs at the peripheral level that were not anticipated based on the results of the immediately preceding PUDRs. Thus, as it currently stands, there are no effective controls or mechanisms in place to provide the Global Fund with timely information or early warning on significant risks of supply-chain disruptions.

Recognizing the limitations of the current system, the Sourcing and Supply Chain team recently developed indicators to enable corporate-level visibility of inventory turnover in countries. The indicator is expected to be fully and consistently used in 2020.

Based on the material weaknesses that still exist, OIG's conclusion is that the supply-chain business process is not yet embedded. However, significant progress has been made in the past two years; there is a clear trend of continuous improvements, and there is both strategic prioritization and strong management focus on addressing the remaining gaps. Notwithstanding this strong level of prioritization, several important limitations are also worthwhile calling out. Whilst procurement can be centralized and harmonized to a certain extent, supply chain is fundamentally a local process. The countries, rather than the Global Fund, own their supply chain. Due to different country contexts, the nature of the issues and challenges faced can differ significantly from one country to another. Many of these issues are reflective of much broader weaknesses in the country systems, including lack of adequate infrastructure, poor quality of data, or insufficient or unskilled human resources. Thus, tackling these issues is a long-term proposition that will require time as well as engagement, support and resources from countries and from the broader partnership. OIG has carefully considered these limitations and the impact of these issues in forming our assessment of overall organizational maturity.

Supply chain is fundamentally a local process - challenges differ significantly between countries.

## OVERALL ASSESSMENT

As indicated by the above assessment, the Global Fund has made material progress across its key business processes, although some significant areas of improvement still remain. To form a more holistic view of overall organizational maturity, OIG has complemented a detailed ground-level review of individual business processes with a higher-level consideration of the evolution in the organization's overall culture on risk and governance as well as its internal control environment.

**Risk culture** - the overall risk culture drives how the organization manages risks. There has been a material improvement in the Global Fund's risk culture over the past few years. Risk considerations are now generally built into most key decision processes. There is qualitative engagement and synergy between front-line business functions and second-line risk oversight. Following the definition of risk appetite in 2018, Management and the Board routinely monitor and oversee the status and trajectory of organizational risk levels against defined targets. Likewise, the Board has tackled governance issues and is working diligently to address them, although there is widespread recognition that, as the more tactical and procedural matters have been addressed, the remaining challenges such as culture, representation, or balancing effectiveness and inclusiveness, are far more complex and will require both time and compromise.

**Internal controls** - the Secretariat has made significant improvements in controls and processes across key business units. Additional actions are planned that address some of the weaknesses identified in our assessment. However, there is still inconsistency in the level of adherence to, and thus the actual effectiveness of, the various control processes.

**Accountability** - there is increased recognition of the need to build a stronger culture of accountability in the organization. A Performance & Accountability Framework has been rolled out, and is being monitored at the Management Executive Committee level. A key purpose of the framework is to drive a coherent link between objectives, processes and metrics whilst defining clear roles and responsibilities for the related performance metrics. This framework is relatively new and in the early stages of its implementation, thus its actual effectiveness in enforcing accountability and driving results is yet to be demonstrated.

Overall, based on our aggregate assessment of both key individual business processes and the general trajectory of the organization's control environment, OIG concludes that the **Global Fund's governance, risk management and internal controls have now reached an "embedded" stage of maturity**. However, as highlighted in the above assessment of the various processes, many limitations and also significant challenges remain that require continued focus. The very definition of "embedded" maturity recognizes important limitations even at that stage, including the limited supervision and management of the processes or the lack of consistency. Due to these gaps, even well-designed controls and processes may still fail to be effective in preventing or addressing significant issues in the future. Thus, a strong focus needs to remain on enhancing execution, monitoring effectiveness, and making adjustments as needed.

## VI. Progress on OIG 2019 work plan and KPIs

### 01 Audit Plan

**FIGURE 2 COMPLETION STATUS OF AUDIT WORKPLAN AS OF 28 FEBRUARY 2020**

AUDIT ENGAGEMENTS	IN-COUNTRY AUDITS	INTERNAL AUDITS	ADVISORY REVIEWS	TOTAL
AFC approved plan	13	6	4	23
Additions	1	1	0	2
Cancellations	0	2	0	2
Revised plan	14	5	4	23
<i>Current status:</i>				
Published	10	2	2	14
Reporting stage	4	3	2	9
<b>TOTAL</b>	<b>14</b>	<b>5</b>	<b>4</b>	<b>23</b>

All 23 audits from 2019 work plan were completed – issued in draft as per stage 4 of the OIG Stakeholder Engagement Model (SEM) - representing 100% achievement, exceeding the KPI target of 80%. All 2019 audits are expected to be published by mid-March, in line with the SEM timelines.

### 02 Investigation Plan

**FIGURE 3 STATUS OF 2019 AFC-APPROVED INVESTIGATIONS WORK PLAN AS OF 31 DECEMBER**

2019 WORK PLAN	2019 RESULTS
180 allegations screened	240 allegations screened
22 oversight cases opened, 32 complaint-led assessments opened	36 oversight cases opened, 13 complaint-led assessments opened
19 new complaint-led investigations opened	11 new complaint-led investigations opened
12 reports published	3 reports published
4 proactive/thematic investigations opened	2 proactive/thematic investigations opened
I Speak out Now: continue fraud awareness training for implementers and the Secretariat.	Year-long fraud awareness training. “I Speak Out Now” videos on Pilfered Products, Problematic Per Diems and Speaking Out Against Human Rights Violations were published. “I speak out now” newsletters sent to over 3,000 recipients.

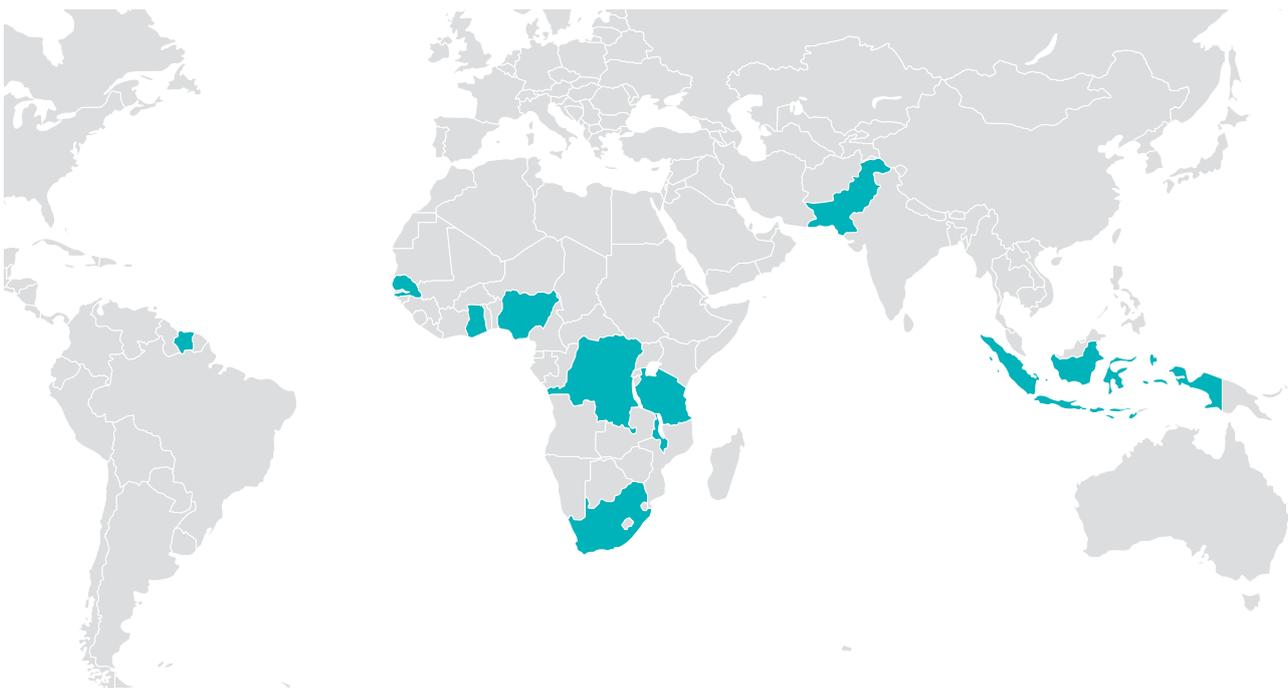
Oversight assessments are typically opened when an implementer has initiated an investigation into a low-level issue or the Secretariat commissions an LFA to gather information concerning a potential fraud. Opening an oversight case while the assessment is conducted by the implementer or the LFA allows the OIG to have assurance that the scope and terms of reference are adequate and that we are kept informed of any issues that would warrant further OIG involvement, including potential opening of a full-blown OIG investigation if the issue that was initially deemed low level-issue proves to be more critical. This is a proportionate response to operational fraud, which reinforces mutual accountability, allows OIG to work with and leverage information from our partners, such as donors and implementers, and it can also provide OIG with intelligence of emerging fraud risks that can be used to raise fraud awareness among staff of Secretariat and implementers. Of the 37 oversight assessments closed in 2019, 70% resulted in substantiated wrongdoing. US\$1.9m of losses due to wrongdoing were returned to Global Fund grant programs thanks to this implementer-led activity.

2019 saw increases in reports received from whistle-blowers and implementers, suggesting people increasingly know how to report and the type of issues they should report. There has been a reduction in reports received from the Secretariat, in response to which OIG is developing a mandatory e-learning module for Secretariat staff on reporting wrongdoing.

**FIGURE 4 COMPARISON OF REPORTER TYPES**

REPORTER TYPE	2018#	2019#
Whistle-blower/other	107	133
Secretariat/LFA	35	25
PR/SR/SSR	31	56
Inter-agency	11	4
OIG	12	9
Supplier	7	8
CCM	5	5
<b>TOTAL</b>	<b>208</b>	<b>240</b>

**FIGURE 5 COMPLAINT-LED INVESTIGATIONS OPENED IN 2019**



## 03 Key Performance Indicators

FIGURE 6 OIG 2019 KPIS

THEME	PERFORMANCE OBJECTIVE	PROGRESS TO DATE
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 6 of the Stakeholder Engagement Model for investigations).	As of 31 December, 100% of the audits and 76% of the investigations in the 2019 work program had reached draft or final report stage.
	A.2 Costs managed within approved budget.	At the end of December 2019, the OIG had a budget underspend of US\$1,276k (-8.1%) against the 2019 Operating Expenses Budget, out of which US\$1,213k is attributed to vacancies. Three positions remained to be filled at the end of December.
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.	Annual quality assessments for both Audit and Investigation Units were completed in January 2020. All audits and investigations followed the Stakeholder Engagement Model in every area with the exception of timelines: 11% of the audits published in 2019 and 24% of the investigation cases closed in 2019 met SEM 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.	An external quality assurance review took place in 2017 and OIG received the highest possible rating on both its Audit and Investigations activities. The next one will take place in 2020.
	B.3 Annual assurance statement on governance, risk management and controls at the Global Fund.	Contained in this paper. See section II for overall organizational maturity rating and sections IV and V for qualitative discussion.
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.	As of 31 December, 94% of the Agreed Management Actions reported as implemented by the Secretariat in 2019 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%. 22 surveys out of the 22 audit and advisory 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 rating from the Board and Audit and Finance Committee in the survey carried out in December 2019.
	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.	37% of Agreed Management Actions were implemented by the Secretariat by their due date between 1 January 2018 and 31 December 2019.
	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.	As of 31 December 2019, the 2017, 2018 and 2019 workplans have covered: <ul style="list-style-type: none"> <li>▶ 76% of the HIV burden, 77% of malaria burden and 49% of the tuberculosis burden</li> <li>▶ 75% of the country allocation amounts</li> <li>▶ 53% of the countries rated as high risk</li> </ul>
	C.6 At least four advisory or consulting engagements requested by management and/or governance bodies during the annual work program cycle.	The Catalytic Investments and Human Rights Advisories were issued second half of the year. The IT Advisory started in Q3 and the Gen-ex Machines Advisory commenced in Q4 2019
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.	100% of staff have had their development plans approved in the system within the deadline. 98% of staff had completed a minimum of 20 hours of formal training as of 31 December 2019.

## VII. OIG Operational Update

### 01 Developing key business enablers

In 2019, OIG implemented the first phases of a **People Strategy**, a set of principles, policies, processes and tools devised to aid in recruiting, retaining and developing staff.

A key priority in OIG's 2018-2020 strategy is to develop an in-house knowledge management culture and capabilities, to allow us to draw lessons learned and deliver continuous improvements in risk mitigation and internal controls. The development of a **Case and Knowledge Management System** (CKMS) is a key component within this, and substantial progress was achieved in 2019 with the completion of the production phase. The system will be commissioned in the first quarter of 2020, and specialist capacity has been recruited and onboarded to lead this strategic workstream.

Building capacity in **data analytics** has now moved from a conceptual phase to effective development and mainstreaming, and is being applied to audit and investigation work as well as to operational and financial performance monitoring, in line with the expectations set forth in the OIG strategy. Dedicated capacity was established in this regard in the fourth quarter of 2019.

### 02 External engagement

OIG actively explores and leverages synergies with its key stakeholders, both within the Global Fund ecosystem and with peer organizations. In November, OIG and USAID's Office of the Inspector General discussed oversight efforts around AIDS, TB and Malaria, renewing the Memorandum of Understanding committing the two organizations to supporting each other's efforts.

During 2019, the Inspector General spoke at the ECIIA annual conference and to UNOPS' Internal Audit & Investigation Group on the alignment of risk acceptance/tolerance and how to balance the mitigation of fiduciary risks with programmatic needs.

In July, OIG attended INTOSAI-Donors Steering Committee meetings, exploring how donors can enhance their collaboration with Supreme Audit Institutions in aid-recipient countries. In September, OIG and the African Organization of English-speaking Supreme Audit Institutions met to discuss oversight over Global Fund grants, agreeing to renew their MoU in February 2020. In September, OIG spoke on the role of Supreme Audit Institutions in auditing donor funds at the INCOSAI congress in Moscow.

OIG and CREFIAF, the African Organization of French-speaking Supreme Audit Institutions, jointly developed an action plan to operationalize the MoU signed between the two organizations in July 2019. OIG contributed to a panel discussion with Cameroon, Burkina Faso SAIs, AfDB and AIDSPAN on donor assurance requirements and fostering accountability over the utilization of Global Fund aid.

During 2019, OIG's investigations unit briefed Save the Children on the OIG's 'speak out policy', and held meetings with GAVI, UNITAID, European Investment Bank, DOVSUU and the Association of Corporate Investigators, among others.

The unit was active in organizing the annual Conference of International Investigators, held in Geneva. OIG ran a workshop on developing an effective fraud awareness program, and played a leading role in developing new standards for conducting financial forensics in investigations, which were overwhelmingly endorsed at the conference.

In October, the unit facilitated an investigation workshop for participants from a cross-section of Geneva-based international organizations, NGOs and companies in collaboration with the Association of Corporate Investigators.

### 03 Budget and headcount in 2019

**FIGURE 7 HEADCOUNT AND VACANCIES AS OF 31 DECEMBER 2019**

UNIT	HEADCOUNT 1 JAN 2019	HIRES	DEPARTURES	HEADCOUNT 31 DECEMBER	BUDGETED HEADCOUNT	VACANCIES
Audit	19	2	0	21	23	2
Investigation	14	4	0	18	18	0
Front office	11	1	2	10	11	1
<b>TOTAL</b>	<b>44</b>	<b>7</b>	<b>2</b>	<b>49</b>	<b>52</b>	<b>3</b>

At the end of December 2019, the OIG had 49 employees out of a budgeted headcount of 52.

The Knowledge Management Officer vacancy was filled in January 2020. For the Audit unit, due to a change in the

approach to developing internal capacity for advisories, the two vacancies for advisory positions were deferred for recruitment in 2020.

**FIGURE 8 OIG OPERATIONAL BUDGET IN THOUSANDS OF US\$**

	2019 BUDGET	YTD ACTUALS	YTD VARIANCE	
			BUDGET VS ACTUALS	
Salaries	10,957	9,744	-1,213	-11.07%
Professional fees	2,406	2,394	-12	-0.49%
Travel	1,758	1,890	132	7.50%
Meetings	77	8	-69	-89.61%
Communications	129	63	-66	-51.16%
Office Infrastructure	266	227	-39	-14.66%
<b>TOTAL</b>	<b>15,593</b>	<b>14,326</b>	<b>-1,267</b>	<b>-8.12%</b>

As shown above, at the end of December 2019 OIG had a budget underspend of US\$1,267k (-8.12%), against the 2019 Operating Expenses Budget. The variance is mainly due to the cumulative impact on salaries, consequential

to the vacancies experienced during the year; otherwise, vacancies excluded, OIG total expenditure for the year was generally aligned with the budget.

### 04 Quality assurance and stakeholder feedback

In line with international professional standards, OIG carries out an annual self-assessment and a triennial external assessment. The next one will take place at the end of 2020. Development opportunities and an action plan, stemming from the 2017 external assessment, have now been completed.

OIG's annual self-assessment for 2019, performed in line with the Institute of Internal Auditors' Quality Assessment Framework, found that the Audit Unit continues to generally conform with applicable International Standards for the Professional Practice of Internal Auditing. Besides ongoing quality monitoring, improvements made in 2019

included process enhancements to improve the unit's workplan delivery and risk management. One outstanding issue from the 2018 review relates to the development of a "People Strategy" to improve staff development, which is an ongoing initiative (See Section VII-01).

The Investigations Unit's self-assessment for 2019 found that the function remains fully compliant with the Uniform Guidelines for Investigation established by the Conference of International Investigators the (CII). External assessors' recommendations have been implemented and built upon, and further areas for progress identified. To drive impact and efficiency, allegations are now screened at the intake phase according to 13 criteria, helping to evaluate their materiality. Assessments and investigations are then differentiated as level 2 'oversight' (relatively simple)

or level 3 (more complex). The introduction of a Case Assessment Panel comprised of OIG senior management has added additional rigor to decisions to investigate, prioritize and publish cases that pass the screening stage.

### Stakeholder feedback

The OIG actively solicits feedback from internal and external stakeholders in order to monitor its performance and identify opportunities for improvement. Each year, Board and Audit and Finance Committee members are asked to evaluate the quality, scope and impact of the OIG's work. In 2019, their responses generated an average satisfaction rating of 3.51 out of 4, the joint-highest score the OIG has achieved to date (3.51 in 2018, 3.45 in 2017, 3.32 in 2016).

**FIGURE 9 OIG STAKEHOLDER SATISFACTION SURVEY 2019**

FEEDBACK TOPICS (Strongly Agree = 4 points, Agree = 3 points, Disagree = 2 point, Strongly Disagree = 1 point)	AVERAGE SCORE
OIG audits and investigations focus on the key risks of the Global Fund and the priorities of the Board/AFC.	3.64
OIG work is of high quality and provides appropriate assurance on the design and effectiveness of key internal controls, risk management and governance processes.	3.57
As a whole, the work of the OIG adds value and helps to improve and strengthen the Global Fund.	3.71
The outcome of the OIG's work demonstrates a sound understanding of the Global Fund's business.	3.46
The OIG effectively communicates its findings in person at Board/AFC meetings.	3.43
The OIG is responsive to the expectations and priorities of the Board/AFC.	3.5
The scope and quality of the OIG's engagement with the Board/AFC foster a strong relationship of mutual trust and confidence.	3.57
OIG communications with the Board/AFC provide the appropriate level of information and insights.	3.43
OIG maintains an effective level of cooperation with the Secretariat of the Global Fund while preserving its independence and objectivity.	3.29
Overall, the OIG is providing effective support to the Board/AFC in the discharge of their organizational oversight mandate.	3.54

Following each audit, the OIG surveys auditees to assess its performance. An average of all 2019 surveys gave the audit function an overall score of 3.5 on a scale of 1 (poor) to 4 (good), up from 3.45 in 2018.

**FIGURE 10 OIG AUDITEE SURVEY 2019**

CATEGORY	SCORE
Effectiveness of the audit/review in covering key areas	3.59
Audit/Review organization and scheduling	3.67
Audit/Review Field Work	3.39
Final Audit /Review Report	3.45
Overall, the audit added value to the organization	3.45

## VIII. Looking ahead

### 01 2020 OIG work plan and KPIs

The AFC, at its 11th meeting in October 2019, approved the following 2020 OIG work plan.

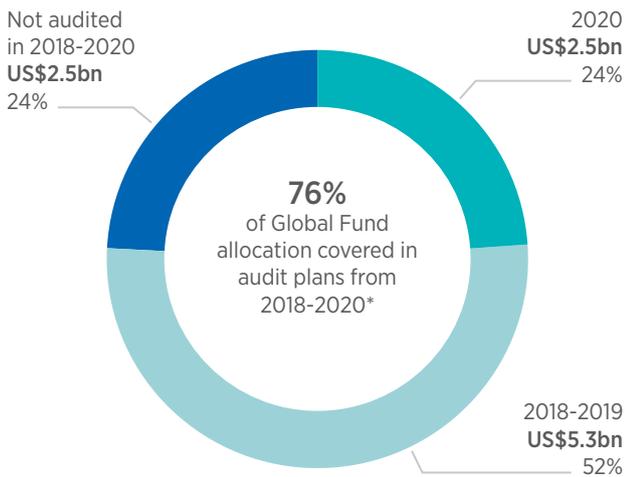
**FIGURE 11** ENGAGEMENTS TO BE COMPLETED OR INITIATED IN 2020

	Country audits	Internal audits	Advisory engagements	Complaint-led investigations	Proactive investigations
<b>TOTALS</b>	11	7	4	12	4

Full details of the OIG’s 2020 work plan, its corresponding budget, and KPIs are available in Section VII of OIG paper [GF/B42/06](#).

At the last AFC meeting in October 2019, the committee also approved the OIG’s 2020 KPIs, which are unchanged from 2019.

**FIGURE 12** AUDIT ALLOCATION COVERAGE DURING 2018-2020



**90%** of Global Fund allocation covered by OIG since 2015.

\* Remaining countries either present access challenges that would imply significant scope limitations (e.g. Afghanistan, DPRK, Somalia), relatively small allocation (under US\$30M) or are low-risk. Such countries are covered by cross cutting reviews such as: Grant management in High Risk Environments (2016), Grant Oversight in Focused Countries (2017) or Western Central Africa advisory (2019).

**FIGURE 13 INVESTIGATIONS WORKPLAN 2020**


The investigation unit's 2020 work plan is based on prior years' trends, and combines cases started in 2019 and new cases opened. For 2020, we predict 200 new allegations will be reported to OIG. At a conversion rate of 40%, 200 allegations will result in 80 new assessments. We estimate that 79% of these (63) will result in oversight assessments and 21% (17) complaint-led assessments; we will also conduct a further 4 proactive assessments. In 2020, we predict we will open 12 new investigations that drive impact for the Global Fund and its implementers.

The investigation unit plans to process and complete 58 complaint-led, oversight and proactive assessments in 2020, which includes assessments and cases opened in the prior year. We predict we will produce at least 10 complaint-led reports and publish the findings of two proactive investigations.

The team will continue to encourage prompt reporting of possible instances of fraud and abuse, through the "I Speak Out Now" website. We designed this to be a 'flagship' knowledge base for understanding and reporting prohibited practices. We will continue to update the site with new content and in parallel encourage visitors to the site through a quarterly awareness bulletin.

Opening investigations that drive impact for the Global Fund and its implementers.

## 02 Alignment with organizational risk areas, 2018-2020

The OIG uses independent risk assessments to determine which countries and which areas to cover in its yearly work plans. These assessments also take into account the

Global Fund Corporate Risk Register to align with the organization's strategic objectives, as shown below.

RISK	OIG 2020 PLAN	OIG 2019 AND 2018 PLAN
<b>Program Quality</b>	11 Country Audits planned for 2020 covering 24% of the allocation, and 46%, 29% and 20% of the HIV, Malaria and TB disease burden coverage.	Program quality was considered in the 25 country audits that covered 51% of the Global Fund's 2017-19 allocation.
<b>Monitoring and Evaluation Systems, Data Availability, Quality and Use</b>	Data quality will be assessed as part of the 11 country audits planned for 2020, unless specifically scoped out. The "In-country data systems and data quality" cross-cutting review will evaluate the adequacy of the Global Fund's framework for strengthening data systems and quality.	Data quality was assessed as part of the 25 country audits that were carried out in 2018-19.
<b>Procurement</b>	The "Value for money study on procurement and use of health and non-health equipment" will cover the efficiency, economy and effectiveness of spending on health and non-health equipment.	In-country procurements were considered as part of the 25 country audits completed in 2018-19. A follow-up audit on procurement processes was performed in 2018, hence no specific audit was planned for 2019 and the risk was monitored through the AMA process.
<b>In-Country Supply Chain</b>	In-country supply chain will be reviewed as part of the 11 country audits planned for 2020, unless it is specifically scoped out. OIG will continue to monitor the implementation of the AMAs related to supply chain.	Supply chain is a major focus area of our in-country audits, unless specifically scoped out. The 2018 RSSH audit was also focused on in-country supply chains, as one of the RSSH strategic sub-objectives.
<b>Grant related Fraud &amp; Fiduciary</b>	Fraud risk at the operational grant level will be covered in the 11 country audits planned for 2020. Fraud risk will also be appropriately addressed through both reactive and proactive investigations.	Operational grant level risks were covered in the 25 country audits performed in 2018-19. Cross cutting review of Grant Oversight in Focused portfolios (2018) added to the coverage.
<b>Accounting and Financial Reporting by Countries</b>	Accounting and Financial Reporting risk is assessed as part of the in country audits.	Accounting and Financial Reporting risk is assessed as part of the in country audits.
<b>National Program Governance and Grant Oversight</b>	In-country governance is assessed as part of the 11 country audits planned for 2020.	In-country governance and oversight risks were covered in the 25 audits for 2018-19, which covered 51% of the total 2017-19 Global Fund allocation.
<b>Quality of Health Products</b>	The risk is assessed as part of the country audits where applicable.	No specific audit for this risk, however, it is considered in country audits and the risk is highlighted where OIG observes issues around drug quality e.g. Kenya and Niger.
<b>Human Rights and Gender Inequality</b>	An advisory review on Human Rights was performed in 2019	Covered through an Advisory engagement on Human Rights in 2019.
<b>Transition</b>	This risk is considered and assessed during country level audits where relevant.	Covered as part of the 25 country audits performed across 2018-19. This was also assessed as part of the Transition audit in 2018.
<b>Drug and Insecticide Resistance</b>	No specific audit for this risk, however, it is considered as part of the broader programmatic risks in country audits where applicable.	No specific audit for this risk.

Residual Risk Level:

■ High
 ■ Moderate
 ■ Moderate/Low

RISK	OIG 2020 PLAN	OIG 2019 AND 2018 PLAN
Foreign Exchange Risk	Not to be specifically audited in 2020.	Not specifically audited as the related risks were addressed through the AMAs on the 2016 audit of Treasury.
Future Funding/ Replenishment	Not to be specifically audited in 2020.	The 2017 Advisory on the Global Fund's Fund Raising activities was performed to inform future replenishment cycles.
Internal Operations	A number of audits will review and assess Internal Operations such as 'In-country data systems and data quality', 'Grant Closure processes'.	Internal operations are assessed as part of various secretariat audits performed in 2019: Recovery process, Global Health Campus and Grant Operation System.
Integrated Grant Policies, Processes, Systems and data	The risk is assessed as part of the country audits where applicable.	Grant Operation System audit was conducted in 2019.
Risk Management and Internal Controls	At the corporate level, these risks will be covered as part of the Risk Management, and Financial controls audit in 2020. Grant-level risks are considered and assessed in all country audits and will be included in the scope of the country audits planned for 2020.	Grant-level risks were included in the scope of the 25 country audits performed over 2018-19. OIG attended the Enterprise Risk Committee and monitored this area on an on-going basis.
Legal	Legal risk has not been audited separately but is considered in scoping relevant country and internal audits	Legal risk has not been audited separately but is considered in scoping relevant country and internal audits.
Governance and Oversight	Governance and Oversight risk is assessed as part of the 11 country audits in 2020.	The risk was specifically covered in the audit of the Ethics process in 2019.  Where applicable, governance and oversight are also considered in specific thematic audits such as Transition processes.
Organizational Culture	The risk of organizational culture has not been specifically audited, but audits of Human Rights and Ethics Framework covered aspects of the risk. AMAs from these audits to be followed up in 2020.	Aspects of the Risk were assessed in the audits of the Human Resource Management and Ethics Framework.
In-country Conduct & Ethics	In-country conduct is assessed through OIG investigations of alleged wrongdoings.	The 2019 audit of Ethics Framework assessed the adequacy and effectiveness of the Secretariat's framework for managing ethical issues at the central and implementer level.
Workforce Capacity, Efficiency and Wellbeing	AMAs from the audit of Human Resources Strategy 2019 will be followed up in 2020.	Considered as part of the 2018 audit of the Human Resources Strategy implementation and monitoring.
Reputation	OIG does not audit reputational risk on a standalone basis because it views this as the impact of other risks materializing, which are covered throughout the OIG workplan.	

**86% (7/8) of “high” risks covered:** Reputational risk has not been audited as a standalone subject as this is the impact of other risks not being effectively managed.

**83% (9/12) of “moderate” risks covered:** Future funding and Governance & Oversight were subject to Advisory engagements in 2016. Culture has not been audited as a separate engagement but was considered in audits such as Human Resources and Ethics in 2018 and 2019 respectively.

Residual Risk Level:

■ High
 ■ Moderate
 ■ Moderate/Low

## IX. 2019 published reports

### 01 High-level summary of 2019 reports

The colored boxes show the number of objectives covered and how they were rated (cf. ratings chart at the bottom of this table). Thematic reviews, investigations, and most advisory engagements do not have ratings. Investigations closed by case closure memos are not included. Reports are available in full at this link <https://www.theglobalfund.org/en/oig/reports/>

AUDIT OF GRANTS IN SIERRA LEONE	GF-OIG-19-001
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The country is still recovering from the adverse effects of the 2014 Ebola outbreak. The Global Fund has implemented various layers of financial controls, assurance activities and governance improvements, however these processes are not operating effectively to mitigate key financial and procurement risks.

AUDIT OF GRANTS IN MADAGASCAR	GF-OIG-19-002
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Program results have improved over the last two years. Malaria mortality has dropped by 33% and patients benefiting from MDR-TB and HIV treatment have increased. However, access to malaria services is low, HIV detection and treatment are significantly lower than prevalence estimates, and poor data availability and quality affects decision-making. All three diseases experience issues with procurement planning. The audit did not identify material financial irregularities or ineligible expenditures.

AUDIT OF GLOBAL FUND MULTICOUNTRY GRANTS	GF-OIG-19-003
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While multicountry grants have facilitated regional coordination and an integrated approach, most of them are performing below expectation. Grant implementation arrangements could be optimized - processes, systems and resource allocation have not yet been adequately tailored to cater for their specificities and complexities.

#### Key: OIG 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

FOLLOW-UP AUDIT OF GRANTS IN RWANDA	GF-OIG-19-004
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Rwanda has demonstrated strong accountability mechanisms and a track record of effective program implementation. However, failure to strengthen controls over data and the scope of assurance could undermine, over time, the reliability of the results based on which the Global Fund is supporting Rwanda's health programs.

AUDIT OF GRANTS IN BENIN	GF-OIG-19-005
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Benin has made significant progress in the fight against the three diseases. There has been increased funding to improve supply chain and data quality. The audit however noted non-compliance with procurement planning, staff capacity deficiencies, uneven quality of services, and community data not being reported through the national system.

INVESTIGATION IN DEMOCRATIC REPUBLIC OF CONGO	GF-OIG-19-006
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Senior managers appointed by Population Services International, the Principal Recipient for the Global Fund's malaria grant, manipulated local tenders relating to bed net mass distribution campaigns. These manipulations also extended to transportation contracts managed by local fiduciary agents. This resulted in systemic and significant overpricing of transportation, warehousing, and customs clearance contracts and an estimated financial loss of US\$7,386,066 to the Global Fund, which has been fully recovered.

AUDIT OF GLOBAL FUND HR MANAGEMENT PROCESSES	GF-OIG-19-007
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The Human Resources function is now well-placed within the Global Fund. Its structure has been revised and its policies and procedures streamlined to achieve greater effectiveness and efficiency. While performance management processes and procedures are well established, management of poor performance remains ineffective. Employee relations policies and processes need improvement, and there is a need for timely implementation of Strategic Workforce Planning.

FOLLOW-UP AUDIT OF GLOBAL FUND KPI INDICATOR FRAMEWORK	GF-OIG-19-008
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KPI reporting has improved, with the majority of the KPIs being reported in 2018, enabling oversight of KPI results by the Board and its Committees. The Secretariat has enhanced its processes for collecting data, calculating KPIs and reporting results. Limitations in the design of some indicators has led to varying degrees of maturity in how KPIs are used in the organisation to assess performance, course correct on a timely basis, and drive accountability to the individual level.

<b>AUDIT OF GRANTS IN GHANA</b>	<b>GF-OIG-19-009</b>
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Significant progress has been registered on malaria, with reductions in prevalence, incidence and mortality. Ghana has expanded geographical access to health care at the community level, and there have been improvements in drug storage conditions, logistics management information systems and last mile delivery. Challenges remain around data quality and supply chain management. There is low HIV testing, treatment and viral load suppression, and significant progress is required in TB case detection

<b>AUDIT OF GRANTS IN SUDAN</b>	<b>GF-OIG-19-010</b>
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Despite progress against the three diseases in the past two years, poor data quality, including forecasting and quantifications, is adversely affecting the grants. There are shortcomings related to the quality of services, including the use of clinical symptoms to diagnose malaria and sub-optimal viral load testing for HIV/AIDS patients. Weak quantification and forecasting processes are causing stock-outs of drugs, and there are serious deficiencies in relation to asset management by both Principal Recipients.

<b>AUDIT OF INVESTMENTS IN RESILIENT AND SUSTAINABLE SYSTEMS FOR HEALTH (RSSH)</b>	<b>GF-OIG-19-011</b>
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The Secretariat's monitoring framework to assess grant performance is unsuited to RSSH activities, and sustainability measures are not consistently considered in RSSH activities. The financial management capabilities of implementers have been strengthened and the Secretariat has instituted measures to mitigate the unique risks usually faced by RSSH activities at country level, although these are not being consistently implemented.

<b>INVESTIGATION IN HAITI</b>	<b>GF-OIG-19-012</b>
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Collusion and fraud in the procurement of a bed net storage warehouse resulted in US\$216,870 of non-compliant expenditures. The fraud was facilitated by ineffective checks and controls during the Principal Recipient's bid evaluation process which are being addressed through Agreed Management Actions.

<b>ADVISORY REVIEW ON GRANT IMPLEMENTATION IN WESTERN AND CENTRAL AFRICA</b>	<b>GF-OIG-19-013</b>
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Multiple implementation arrangements in place across the WCA region are dragging down performance, and barriers to accessing health services are hindering progress on HIV and TB. Balancing risk mitigation measures with simple, flexible processes, tailored to specific country contexts, will be a critical enabler to successful program implementation.

<b>FOLLOW-UP AUDIT OF GRANTS IN DEMOCRATIC REPUBLIC OF CONGO</b>	<b>GF-OIG-19-014</b>
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Significant progress has been made in reducing the burden of the three diseases, with improved program implementation and oversight, supply chain management and financial controls. Pervasive stock-outs of HIV test kits remain, however, and there is insufficient stock of malaria commodities at health facilities. Reported numbers people living with HIV under ARV treatment are inaccurate, and financial management remains inadequate.

<b>AUDIT OF GRANTS IN NEPAL</b>	<b>GF-OIG-19-015</b>
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Nepal has made good progress in addressing the HIV, TB and malaria epidemics, with good collaboration between Government and other stakeholders on interventions for key populations. Devolution, however, has led to a lack of clarity around oversight, coordination and implementation which has negatively affected supply chains, fund flow, and data reporting. Strategic leadership remains unclear, reporting arrangements are not defined, and national disease program capacity remains severely limited.

<b>AUDIT OF MANAGEMENT OF ETHICS AND INTEGRITY AT THE GLOBAL FUND</b>	<b>GF-OIG-19-016</b>
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The Global Fund has continuously worked to develop a strong ethics and integrity culture. Implementation of its Policy to Combat Fraud and Corruption has however been relatively unstructured, and while there has been improvement in managing conflicts of interest, improvement is still required in addressing ethical issues relating to suppliers and implementers.

#### Key: OIG 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

<b>AUDIT OF GRANTS IN UGANDA</b>	<b>GF-OIG-19-017</b>	<b>AUDIT OF GRANTS IN SOUTH SUDAN</b>	<b>GF-OIG-19-021</b>
<p>Uganda has achieved significant progress in fighting malaria and HIV, with new HIV cases falling by 44% between 2012 and 2017, but improvement is required in TB case detection and treatment. The audit found significant stock-outs of HIV rapid tests and TB first-line drugs; the Ministry of Health's internal controls and ability to track commodities require strengthening. Oversight by the Principal Recipient and internal controls at the Ministry of Health need further strengthening.</p>		<p>Despite a challenging environment, grants are materially meeting their performance targets. Issues exist however in the timeliness and accuracy of available data for the three diseases. The audit noted inadequate planning and monitoring of malaria interventions, weak coordination among donor partners and the Government, and the need to strengthen internal controls and accountability over finance and procurement activities.</p>	
<b>AUDIT OF GRANTS IN PAPUA NEW GUINEA</b>	<b>GF-OIG-19-018</b>	<b>AUDIT OF GRANTS IN TOGO</b>	<b>GF-OIG-19-022</b>
<p>There is improved access to HIV/AIDS services for key populations, and improved testing and measurement. Increasing malaria prevalence and uncertainty on the actual TB burden are however hampering programmatic impact, and the audit found financial irregularities, non-compliance and inefficiencies at both Principal Recipients.</p>		<p>Grants are performing close to their established targets. Global Fund interventions are well coordinated with those of other donors to avoid duplication and overlaps, and Togo has strengthened its health information management system. Data quality, however, still requires significant improvement, with material inaccuracies found in the results reported to the Global Fund. There is poor traceability of drugs at district and service delivery level.</p>	
<b>AUDIT OF GRANTS IN LIBERIA</b>	<b>GF-OIG-19-019</b>	<b>ADVISORY REVIEW, REMOVING HUMAN RIGHTS BARRIERS</b>	<b>GF-OIG-19-023</b>
<p>HIV and TB services have been scaled up, and there has been notable improvement in malaria testing and treatment. The audit however noted gaps in inventory management at the central level, and an inadequate laboratory supply chain. Issues were also noted in relation to the contracting and oversight of sub-recipients, and in the design and implementation of interventions for key affected populations.</p>		<p>The Global Fund has elevated its commitment to removing human rights-related barriers to accessing services to the highest level as a strategic objective. The organization now needs to align human rights investments and understanding with corporate priorities, clarify roles and responsibilities, and improve monitoring of human rights-related investments and outputs.</p>	
<b>INVESTIGATION IN SENEGAL</b>	<b>GF-OIG-19-020</b>	<b>AUDIT OF GRANTS IN MALAWI</b>	<b>GF-OIG-19-024</b>
<p>An Internet phishing fraud resulted in the loss of US\$481,541 of grant funds when the email account of a Procurement Specialist at Senegal's Ministry of Health and Social Action was hacked by fraudsters posing as Global Fund suppliers. Insufficient vigilance, controls and reporting at MHSA, most notably controls related to changing beneficiaries' bank account details, allowed the fraud to succeed.</p>		<p>Malawi has made good progress in tackling HIV, TB, and malaria. The supply chain is better integrated, HIV and TB data are of good quality, and the Project Implementation Unit at the Ministry of Health has improved. The audit noted gaps in program interventions, drug traceability challenges and significant weaknesses in controls at the Ministry of Health, Action Aid, and within the Secretariat's risk mitigation measures.</p>	

**Key: OIG 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

## Annex 1: Organizational Maturity Scale

RATING	DEFINITION
<b>Optimized</b>	Internal controls, governance and risk management processes are optimized to ensure that the organization's operational and strategic objectives are met.
<b>Actively managed and formalized</b>	Internal controls, governance and risk management processes are actively managed and overseen with clear lines of accountability. Decision making is based on reliable data sets with sufficient due diligence, leading to assurance mechanisms that are robust and fit for purpose to enable the organization's operational and strategic objectives to be met.
<b>Embedded</b>	Internal controls, governance and risk management processes have been defined and are embedded in everyday management practice. However, there is insufficient close supervision or active management of these processes and/or they are not consistently measurable. It is likely but uncertain that they will allow the organization's operational and strategic objectives to be fully met.
<b>Initiated</b>	Internal controls, governance and risk management processes have been defined through institutional policies approved by executive management and/or the Board. However, they are not applied consistently and are not fully embedded in everyday management practice. They are unlikely to ensure that the organization's operational and strategic objectives will be fully met.
<b>Ad hoc</b>	Internal controls, governance and risk management processes are inchoate or ad hoc. They have not been fully defined and/or not approved by executive management or the Board. Processes are insufficient to ensure that the organization's operational or strategic objectives will be met.
<b>Nonexistent</b>	Internal controls, governance and risk management processes are absent.