



The Institute of
Internal Auditors

The Global Fund (TGF) Audit Unit (AU)

IIA Quality Assessment

REPORT



The IIA Independent Assessment Team would like to thank staff of the OIG for their strong commitment that has enabled a smooth IIA Quality Assessment process.

The beautiful is the blooming of the true (the splendor said Plato). There is absolute identity between what you call form and what you call substance, one being external to the other, the form being the substance made visible.

Victor Hugo, Le Goût

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1. INTRODUCTION

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2. EXECUTIVE SUMMARY

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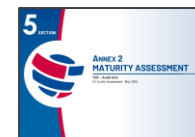
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SECTION



INTRODUCTION

TGF – Audit Unit

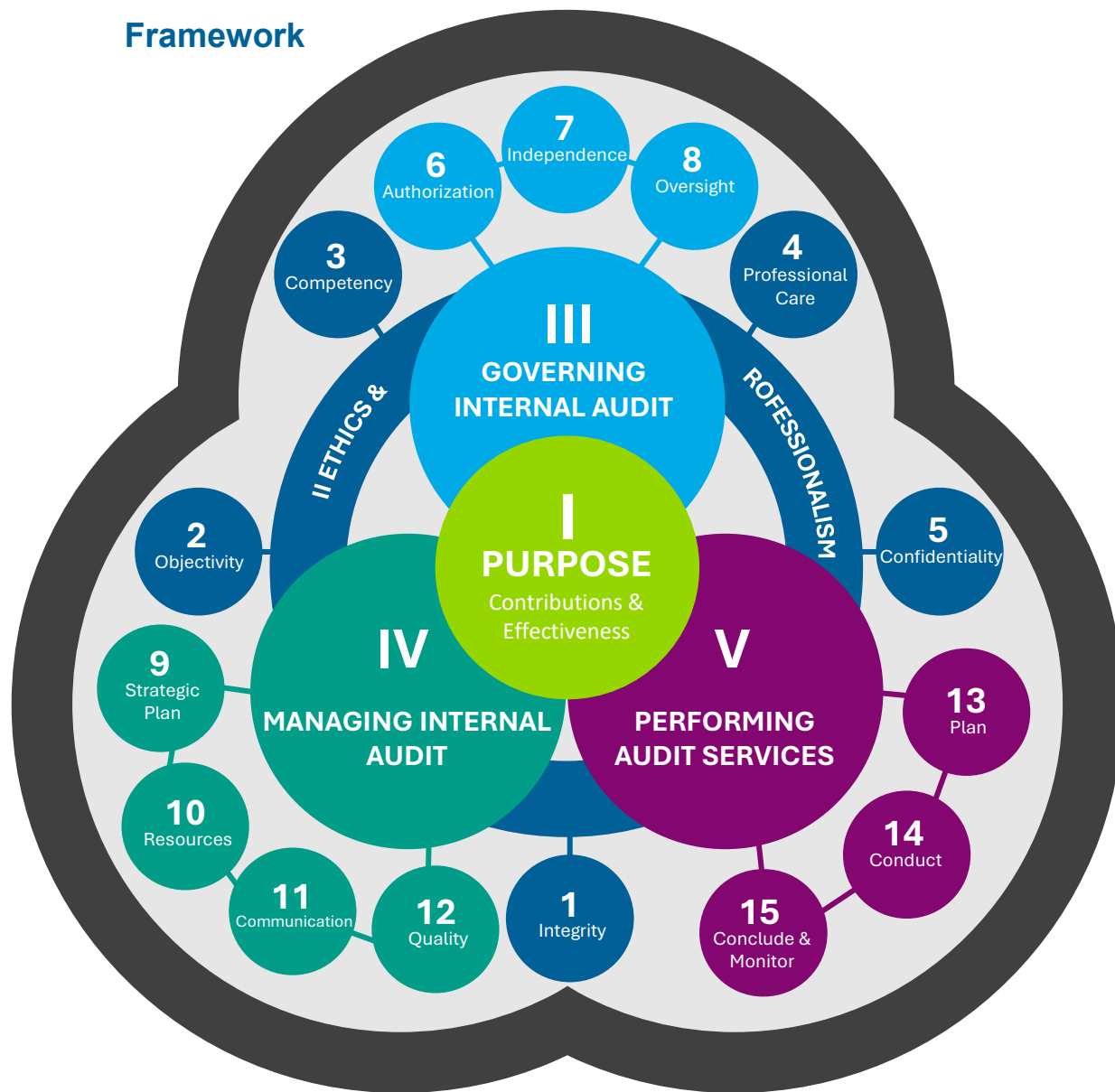
IIA Quality Assessment - May 2025



Context

- The Audit Unit (AU) in the Office of the Inspector General (OIG) at The Global Fund (TGF) is committed to enhancing its quality by adhering to the standards set out in the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors (IIA). This framework establishes essential elements for the effective management and operation of Internal Audit functions.
- The cornerstone of the quality of internal auditing is a periodic external assessment. At the request of the Inspector General (IG), an IIA Assessment Team conducted an independent External Quality Assessment (EQA) of the AU starting in late 2024, opting to be assessed under the new forward-looking standards, effective 9 January 2025, rather than the previous standards that were still in effect.
- The primary objectives of this assessment were to evaluate the AU's fulfilment of the Purpose of Internal Auditing and its achievement of the 15 related Principles. Additionally, the assessment sought to identify opportunities to enhance management practices, optimize work processes, and increase the value the AU delivers to TGF.
- This assignment was conducted from December 2024, by Joe Ioculano, supported by Asma Lebert who performed 8 file reviews.
- The results are organized in alignment with the Framework depicted on the right of this page. They are based on the documentation provided to, and the audit engagements sampled by, the Assessment Team.

Framework



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SECTION



EXECUTIVE SUMMARY

TGF – Audit Unit

IIA Quality Assessment – May 2025

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Integrity	Objectivity	Competency	Professional Care	Confidentiality	Authorization	Independence	Oversight	Strategic Plan	Resources	Communication	Quality	Plan	Conduct	Conclude & Monitor
														
Generally Achieved	Generally Achieved	Generally Achieved	Generally Achieved	Generally Achieved	Generally Achieved	Generally Achieved	Generally Achieved	Generally Achieved	Generally Achieved	Generally Achieved	Generally Achieved	Generally Achieved	Generally Achieved	Generally Achieved

Conclusions at Principle Level

Conclusion at Purpose, Principle and Standard Level

General Conclusion

- Of the 52 Standards, 52 Standards have been assessed as achieving Conformance. Enhancement Opportunities have been identified and recommendations made for further alignment with best practices or to support continuous improvement.
- The maturity assessment of the OIG Audit Unit, conducted using the IIA's Principles Effectiveness Framework, reflects a well-established and high-performing internal audit function.

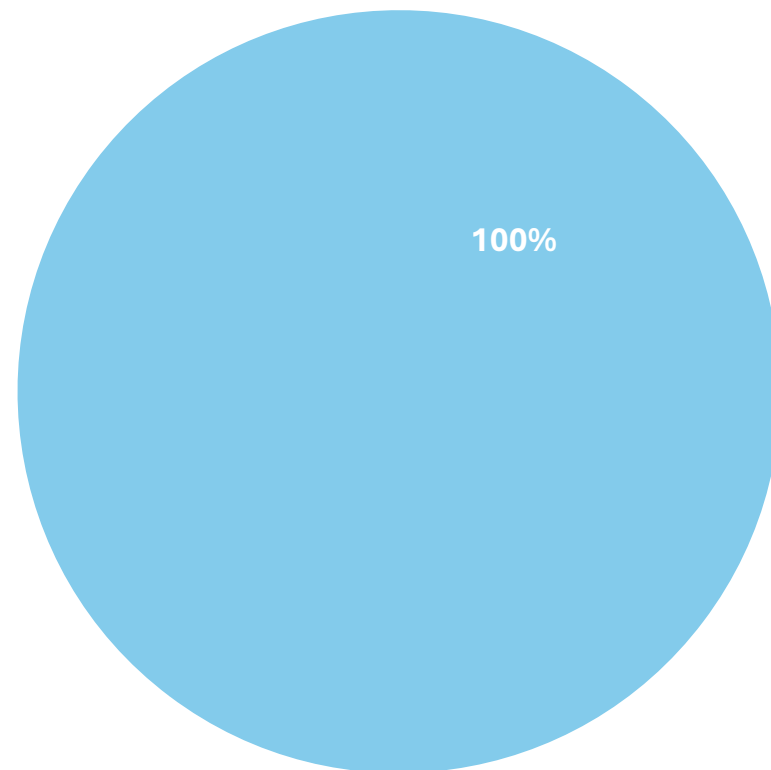
At Purpose and Principle Level

- The AU is assessed as Generally Fulfilling the Purpose of Internal Auditing and Generally Achieving all 15 of the 15 Principles, making it eligible for the IIA Quality Certification.

At Standard Level

- Of the 52 Standards, 52 Standards have been assessed as achieving Conformance. For these, eight Enhancement Opportunities have been identified, recommending further alignment with best practices or addressing minor gaps to support continuous improvement.

Conclusions at Standard Level



■ Generally Conforms ■ Partially Conforms

SCORECARD OF THE QUALITY ASSESSMENT

IIA QUALITY ASSESSMENT - JANUARY 2025

THE GLOBAL FUND - AUDIT UNIT



Domain	Principle	Standard	Conclusion	Principle
II Ethics and Professionalism	1 Demonstrate Integrity	1.1 Honesty and Professional Courage	Conf / Obs	Generally achieved
		1.2 Organization's Ethical Expectations	Conf	
		1.3 Legal and Ethical Behavior	Conf / Obs	
	2 Maintain Objectivity	2.1 Individual Objectivity	Conf	Generally achieved
		2.2 Safeguarding Objectivity	Conf	
		2.3 Disclosing Impairments to Objectivity	Conf	
	3 Demonstrate Competency	3.1 Competency	Conf	Generally achieved
		3.2 Continuing Professional Development	Conf	
	4 Exercise Due Professional Care	4.1 Conformance with the Global Internal Audit Standards	Conf	Generally achieved
		4.2 Due Professional Care	Conf	
		4.3 Professional Skepticism	Conf	
III Governing the Internal Audit Function	6 Authorized by the Board	5.1 Use of Information	Conf / Obs	Generally achieved
		5.2 Protection of Information	Conf	
		6.1 Internal Audit Mandate	Conf	
	7 Positioned Independently	6.2 Internal Audit Charter	Conf / Obs	Generally achieved
		6.3 Board and Senior Management Support	Conf / Obs	
		7.1 Organizational Independence	Conf	
	8 Overseen by the Board	7.2 Chief Audit Executive Qualifications	Conf	Generally achieved
		8.1 Board Interaction	Conf	
		8.2 Resources	Conf	
		8.3 Quality	Conf	
IV Managing the Internal Audit Function	9 Plan Strategically	8.4 External Quality Assessment	Conf	Generally achieved
		9.1 Understanding Governance, Risk Management, and Control Processes	Conf	
		9.2 Internal Audit Strategy	Conf / Obs	
		9.3 Methodologies	Conf	
		9.4 Internal Audit Plan	Conf	
	# Manage Resources	9.5 Coordination and Reliance	Conf	Generally achieved
		10.1 Financial Resource Management	Conf	
		10.2 Human Resources Management	Conf	
	# Communicate Effectively	10.3 Technological Resources	Conf	Generally achieved
		11.1 Building Relationships and Communicating with Stakeholders	Conf	
		11.2 Effective Communication	Conf	
		11.3 Communicating Results	Conf / Obs	
		11.4 Errors and Omissions	Conf	
	# Enhance Quality	11.5 Communicating the Acceptance of Risks	Conf	Generally achieved
		12.1 Internal Quality Assessment	Conf	
		12.2 Performance Measurement	Conf	
		12.3 Oversee and Improve Engagement Performance	Conf	
V Performing Internal Audit Services	# Plan Engagements Effectively	13.1 Engagement Communication	Conf	Generally achieved
		13.2 Engagement Risk Assessment	Conf	
		13.3 Engagement Objectives and Scope	Conf	
		13.4 Evaluation Criteria	Conf	
		13.5 Engagement Resources	Conf	
		13.6 Work Program	Conf	
	# Conduct Engagement Work	14.1 Gathering Information for Analyses and Evaluation	Conf	Generally achieved
		14.2 Analyses and Potential Engagement Findings	Conf	
		14.3 Evaluation of Findings	Conf	
		14.4 Recommendations and Action Plans	Conf	
		14.5 Engagement Conclusions	Conf	
		14.6 Engagement Documentation	Conf	
	# Communicate Engagement Results and Monitor Action Plans	15.1 Final Engagement Communication	Conf / Obs	Generally achieved
		15.2 Confirming the Implementation of Recommendations or Action Plans	Conf	



Successful Internal Audit Practices

- Internal Audit reports to the Inspector General who reports directly to the Board via the Audit and Finance Committee (AFC). Hence, both the functional and administrative reporting lines are directly to the Board, with coordination and cooperation with the Executive Director, and administrative support from the Executive Director. Moreover, the Board is responsible for the annual performance appraisal of the Inspector General. The Inspector General and Executive Director are performance assessed in the same way by the Board. As a result, Internal Audit is 100% fully independent.
- The annual risk assessment and audit planning process is robust and reliably and consistently identifies engagements with the greatest potential impact. Grounded in TGF's strategic objectives and based on a solid understanding of TGF's governance, risk management, and control processes, the annual plan is the result of a comprehensive and quantitative risk analysis, refined by a qualitative review incorporating input from the Management Executive Committee (MEC), the AFC and the Board.
- Effective communications, both written and through regular meetings with the MEC, the AFC and the Board, enable good relations and build trust.
- Integrated and ongoing quality assurance provided by the Professional Services Unit, including the technological support provided by the Analytics & Transformation (A&T) team.
- The Office of the Inspector General (OIG) supports a minimum of 40 hours of Continuing Professional Education (CPE) for all auditors.

Main Opportunities for Continuous Improvement

- Enhance the Internal Audit Strategy, relative to the new 2025 standards, by making the strategic objectives and the supporting initiatives Specific, Measurable, Achievable, Relevant and Time-bound (SMART), and by reporting the strategy, the rationale for it and the progress being made against it each year, in the OIG's annual report. Consideration should also be given to developing a new strategy before the end of the current strategic planning period in 2027, given the recent uncertainties in the global health landscape, and to creating an explicit link to the mandate, to help guide the internal audit function toward the fulfillment of the internal audit mandate.
- The audit reports from six of the eight audit files that were reviewed for this EQA were finalized with delays ranging from one to 11 months, relative to the indicative timelines in the OIG Stakeholder Engagement Model (SEM) due to several factors including request for extension by management and complex nature of the assignments. This point was also self-assessed by the Professional Services Unit (PSU) in their Internal Quality Assessments (IQAs). Two actions were agreed and reported as completed in readiness for the timely delivery of the 2025 plan. The ongoing monitoring of the timeliness of reports issued in 2025 will verify the effectiveness of the implementation of the actions.

Other Opportunities for Continuous Improvement

- Given the increased emphasis on training in the new 2025 Standards by the Institute of Internal Auditors (IIA), and the noteworthy support provided by the OIG for CPE for the AU, consideration should be given to;
 - ➔ introducing training on applicable laws and regulations, perhaps by the legal department, for country audits as part of the engagement planning
 - ➔ providing a single learning event for the AU on all GF policies relevant to the use and protection of information, over and above what is provided at different times on an individual basis for different policies by TGF.
 - ➔ maintaining AU records in such a manner as to facilitate the review of training provided to each auditor per standard/ principle, per year.



The EQA assessor interviewed 15 senior stakeholders including the Board Chair and Vice Chair, Audit & Finance Committee Chair and Vice Chair, Strategy Committee members and selected members of the Management Executive Committee of the Secretariat, including the Executive Director. The main themes to emerge from the stakeholder feedback are summarized below. **They reflect the views of the stakeholders, and as such, were not validated by the assessor.**

WHAT WORKS WELL IN THE AU	WHAT COULD BE DONE BETTER IN THE AU
<p>From 2021 EQA – Revalidated in 2024</p> <ol style="list-style-type: none"> 1. Robust independence 2. The Inspector General's leadership 3. Trusted advisor 4. Professional with solid operating procedures. 5. Respected 6. Well resourced 7. Principled <p>New in 2024</p> <ol style="list-style-type: none"> 8. A good investment for the value at risk 9. Concerns about coverage of country fraud risks now diminished 10. Recognition of Secretariat's achievements appreciated 11. AMA process has improved. 	<p>From the 2021 EQA:</p> <p>Limit 'advisory' and 'value for money' engagements to those that leverage OIG's in-house expertise.</p> <p>New in 2024</p> <ol style="list-style-type: none"> 1. The Value for Money audit (VfM) of Health and Laboratory Related Equipment created a lot of frustration. The lesson learned was to agree on the basis of measurement, qualitative and quantitative, with subject matter experts, management and stakeholders before starting the next VfM engagement. However, questions remain if auditors are the best resources for this kind of engagement, or if this is the best use of audit resources. 2. Advisories are appreciated. Audits are considered to be backward looking. Advisories are considered to be forward looking and generate good discussions. 3. The audit unit has developed of a broader portfolio of services, beyond only traditional assurance engagements, perhaps in response to TGF's more mature control environment. However, a broadening of the services offered, might in the future impair audit independence, real or perceived. Perhaps, given anticipated funding pressure, a focus on assurance engagements, both in country and within the Secretariat, might yield the best return on the audit unit investment. 4. Perhaps now is an opportune time to establish clear criteria (for the Board and the Secretariat) to determine when an engagement should be an advisory or an audit, or when a VfM audit should be an evaluation performed by the ELO team.

Plans to address the main opportunities for continuous improvement

- The Audit Unit has agreed actions to address the main areas of improvement. Refer to annex 1 for details.

Audit Unit's achievement of performance objectives.

- The Audit Unit has achieved its performance objectives.
- The Audit Unit has effectively strengthened the organization's Governance, Risk Management and Control environment. Its efforts to address critical risks and improve control processes have been positively received. Assurance and advisory services provided by the Audit Unit are recognized for their quality and relevance. Stakeholder feedback has provided important insights, in particular with respect to Value for Money Audits and more generally with respect to the broader portfolio of services.
- Overall, the Audit Unit's contributions are well-regarded.

Compliance with laws and regulations relevant to internal auditing

- The Quality Assessment verifications, did not identify any non-compliance with laws and regulations.

Conformance with applicable Topical Requirements

- Not applicable until IIA Topical Requirements are in effect.

Overall opinion of the IIA Evaluation Committee

- The IIA Evaluation Committee endorses the opinion that the Internal Audit Unit (AU) of the Office of the Inspector General (OIG) of The Global Fund (TGF) generally conforms to the Global Internal Audit Standards (GIAS).
- The IIA Evaluation Committee acknowledges that the action plans committed to by the OIG satisfactorily address the opportunities for continuous improvement raised by the IIA Assessor. The IIA Certification Committee draws attention to the timely implementation of these action plans.
- The IIA Evaluation Committee appreciates the commitment to professional improvement of the AU to better contribute to TGF's control environment, as presented in this Quality Assessment on conformance with the GIAS, and reflected in the summary of stakeholders' feedback.

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SECTION



SUMMARY REPORT

TGF – Audit Unit

IIA Quality Assessment - May 2025



Consistent practices

- ▶ The OIG support a minimum 40 hours of Continuing Professional Education (CPE).
- ▶ Annual declarations.
- ▶ Auditee and Stakeholder feedback surveys with questions relating to key elements of ethics and professionalism.
- ▶ Conformance with the Global Internal Audit Standards.
- ▶ The integrated and ongoing quality assurance provided by the Professional Services Unit, including the technological support provided by the Analytics & Transformation (A&T) team.
- ▶ The integration of Ethics and Professionalism related KPIs into the annual performance appraisal of the Inspector General and reporting of the same in the annual report of the OIG.

Main opportunities for continuous improvement

1. Consider the following opportunities for the noteworthy support provided by the OIG for CPE for the AU;
 - a. maintaining training records in such a manner as to facilitate the review of training provided to each auditor by standard, per year,
 - b. introducing training or formal guidance on any applicable laws and regulations, perhaps by engagement, during planning, perhaps by the legal department, and
 - c. providing a holistic learning event about all the GF policies and procedures relevant to the use and protection of information, to cover them all at once, over and above what is done at different times for different policies by TGF for all employees, especially given the digital nature of most data and communications today.



PRINCIPLES	RESULTS	ACHIEVEMENT OF THE PRINCIPLE	CONFORMANCE TO THE STANDARD
1 DEMONSTRATE INTEGRITY <i>Internal auditors demonstrate integrity in their work and behavior.</i>	<p>Adherence and contribution to, and the integration into audit plans and engagements of, moral and ethical principles, and relevant laws and regulations, and the associated risks and controls, including demonstrating honesty and the courage to act with integrity, objectivity, competency, due professional care, and confidentiality, is achieved through training, including by the Ethics and Human Resource departments as part of the new-joiner onboarding process, TGF policies, the Office of the Inspector General's (OIG) audit methodologies, mentoring and supervision, and periodic declarations of adherence to the OIG Code of Ethics (CoE) and TGF Code of Conduct (CoC).</p> <p>Although auditors' performances are not assessed against objectives for honesty, professional courage, and adherence to ethics policies, they are subject to formal feedback surveys on such conduct from auditees, the Audit & Finance Committee (AFC), and the Board.</p> <p>There were no legal or regulatory violations that were reported by the Audit Unit, and there were no cases of any auditor activity that was illegal or discreditable to TGF or the profession of internal auditing for the three-year period under review for this External Quality Assessment (EQA).</p>	Yes	<p>Yes.</p> <p>With an observation for Standards 1.1 and 1.3.</p>
2 MAINTAIN OBJECTIVITY <i>Internal auditors maintain an impartial and unbiased attitude when performing internal audit services and making decisions</i>	<p>The internal auditors maintain and safeguard a commitment to professional objectivity, supported by an independent, impartial and unbiased attitude, in making decisions and performing their work.</p> <p>Their commitment is achieved through training, annual declarations, methodologies including appropriate restrictions on resourcing engagements, the audit charter, auditee and stakeholder feedback surveys, mentoring and supervision, including reviews by the Professional Services Unit (PSU) to effectively support a systematic and disciplined approach to gathering and evaluating information to provide a balanced assessment of the activities under review, and to avoid or mitigate actual, potential, and perceived impairments to objectivity.</p> <p>There were no cases of auditor impairment for any engagements for the three-year period under review.</p>	Yes	Yes



PRINCIPLES	RESULTS	ACHIEVEMENT OF THE PRINCIPLE	CONFORMANCE TO THE STANDARD
3 DEMONSTRATE COMPETENCY <i>Internal auditors apply the knowledge, skills, and abilities to fulfill their roles and responsibilities successfully.</i>	<p>The internal auditors demonstrate competency in the delivery of their services by applying the knowledge, skills, and abilities they have developed. The auditors continue to improve their effectiveness and quality through the pursuit of continuing professional education (CPE).</p> <p>TGF auditors have the opportunity to partake in numerous training and learning events with OIG support for a minimum of 40 hours per year of CPE. The training ranges from in-house onboarding programs to formal external programs required for the maintenance of professional certifications. This includes training on the exploitation of technology in the pursuit of more efficient and effective audits, supported in-house by the Analytics and Transformation (A&T) team within the PSU.</p> <p>Self-assessments are performed by the auditors as part of their annual performance appraisals, and development plans are agreed each year, by the end of the first quarter of that year.</p> <p>The achievement of a minimum of 40 hours of CPE and the development of personal development plans, for each auditor, each year, is a Key Performance Indicator (KPI) in the IG's annual personal performance appraisal and is also reported in the OIG's Annual Report.</p>	Yes	Yes
4 EXERCISE DUE PROFESSIONAL CARE <i>Internal auditors apply due professional care in planning and performing internal audit services.</i>	<p>TGF internal auditors apply due professional care in planning and performing their engagements by;</p> <ul style="list-style-type: none"> • adhering to the methodologies in the Audit Manual and conforming with the Global Internal Audit Standards (GIAS) and other authoritative requirements, • taking into consideration stakeholder interests, the organization's strategy and objectives, and the adequacy and effectiveness of the organization's governance, risk management, and control processes, • ensuring that the significance of risks is analyzed during engagement planning, considering the cost benefit of Audit Unit (AU) services given the techniques, tools and technologies to be used, • supervision and the quality program executed by the PSU, and • exercising professional skepticism to critically assess and evaluate information. 	Yes	Yes



PRINCIPLES	RESULTS	ACHIEVEMENT OF THE PRINCIPLE	CONFORMANCE TO THE STANDARD
5 MAINTAIN CONFIDENTIALITY <i>Internal auditors use and protect information appropriately.</i>	<p>The OIG ensures that the information the Internal auditors receive is used for professional purposes only and is protected from unauthorized access or disclosure, internally and externally;</p> <ul style="list-style-type: none"> • by ensuring that auditors sign the annual OIG Code of Ethics (CoE) declaration, as an annex to TGF's Code of Conduct (CoC), which is also a commitment to adhere to the many GF policies and procedures that relate to the maintenance of confidentiality and security of data throughout its lifecycle, some of which are accompanied by mandatory GF training for employees who travel, • through the methodologies in the OIG audit manual, • by the restriction of access to OIG, Investigation Unit (IU) and AU, systems and documents within the OIG, by job responsibility, initially by request from HR to the IT department for new joiners, and subsequently by the Analytics and Transformation (A&T) team within the PSU, per engagement and within TeamMate, and • through the utilization of the GF document classification system, integrated into the Microsoft suite of products used by TGF. 	Yes	<p>Yes</p> <p>With an observation for standard 5.1.</p>



Consistent practices

- ▶ The board establishes, via the Audit and Finance Committee (AFC), approves, oversees and supports the internal audit function. Meetings with the AFC and the Board throughout the year include discussions on resources and budget to ensure the function's effectiveness.
- ▶ Internal Audit reports to the Inspector General, who reports directly to the Board via the Audit and Finance Committee. Hence, both the functional and administrative reporting lines are directly to the Board, with coordination and cooperation with the Executive Director, and administrative support from the Executive Director. Moreover, the Board is responsible for the annual performance appraisal of the Inspector General. The Inspector General and Executive Director are performance assessed in the same way by the Board. As a result, Internal Audit is 100% fully independent.

Main opportunities for continuous improvement

1. Some edits could be made to the Charter of the OIG, the next time it is reviewed, as follows
 - a. Although the authority to access physical properties is covered in the Grant Regulations, the Charter of the OIG could explicitly state the same authority for the Inspector General.
 - b. Some of the language and terms could be revised to better align with the new standards, e.g.;
 - The reference to the establishment of a “mandate” is a new term in the standards
 - The explicit recognition of the mandatory nature of the standards (in footnote 6) is no longer a requirement.



PRINCIPLES	RESULTS	ACHIEVEMENT OF THE PRINCIPLE	CONFORMANCE TO THE STANDARD
6 AUTHORIZED BY THE BOARD <i>The board establishes, approves, and supports the mandate of the internal audit function.</i>	<p>The internal audit function receives its mandate from the board and is documented in the internal audit charter based on information provided by the IG to the board and management. The charter empowers the internal audit function to provide the board and senior management with objective assurance, advice, insight, and foresight.</p> <p>The charter specifies the purpose, mission, authority and access, reporting lines, role and responsibilities, scope of activities and types of services to be provided, and the commitment of the internal audit function to adhere to the Global Internal Audit Standards (GIAS). The charter enables the internal audit function to achieve its strategy and accomplish its objectives by evaluating and improving the effectiveness of governance, risk management, and control processes.</p> <p>Furthermore, the IG provides the board, the AFC and senior management with regular updates on audit progress, enabling them to recognize, support and promote recognition of the internal audit function.</p>	Yes	<p>Yes</p> <p>With an observation for Standards 6.2 and 6.3.</p> <p>Refer to the General Report in Annex 1.</p>
7 POSITIONED INDEPENDENTLY <i>The board establishes and protects the internal audit function's independence and qualifications.</i>	<p>The internal audit function reports directly to the board through the AFC, placing it at a level within TGF that enables it to discharge its services and responsibilities with freedom from the conditions that could impair its ability to perform in an unbiased manner. The IG confirms the independence of the internal audit function to the board each year, and reports as much in the Annual Report of the OIG.</p> <p>The OIG Charter, audit manual and Code of Ethics address conflicts of interest and objectivity. Only the IG has outside roles and they have been reviewed by the Ethics Officer and approved by the Board.</p> <p>The IG's discussions with the AFC and the Board throughout the year include discussions about the qualifications, experience and competencies within the internal audit function and those required to manage the internal audit function. The IG is a qualified Chartered Accountant and Fellow with the Institute of Chartered Accountants of England and Wales and all members of the OIG undertake at least 40 hours of CPE per year.</p>	Yes	Yes



PRINCIPLES	RESULTS	ACHIEVEMENT OF THE PRINCIPLE	CONFORMANCE TO THE STANDARD
8 OVERSEEN BY THE BOARD <i>The board oversees the internal audit function to ensure the function's effectiveness.</i>	<p>The Inspector General (IG) and the Head of Audit and Advisory, meet with the Audit and Finance Committee (AFC) three times per year, in March, July and October, and with the Board twice per year, in April/May and November. The frequency of the meetings is agreed with the stakeholders and always includes operational updates. The updates help the AFC and the board understand the effectiveness of TGF's governance, risk management, and control processes, and provide the IG with the opportunity to discuss significant issues that might exceed the board's risk tolerance. Moreover, the IG provides an annual opinion on governance, risk management and internal controls in the annual report of the OIG.</p> <p>Discussions with the AFC and the board throughout the year include GF risks, objectives and strategic goals that help in setting audit priorities. The Board and the AFC members, (who are not members of the board), provide their main input to the annual audit plan when a draft proposal of the plan is socialized with stakeholders for feedback.</p> <p>The discussions also include audit strategy, resources and budget, including human resources and technology, to ensure the internal audit function obtains sufficient resources.</p> <p>Additionally, the board receives assurance about the quality of the performance of the internal audit function through the quality assessment and improvement program (QAIP), which includes KPI targets that are part of the IG's annual performance objectives, and annual internal assessments performed by the PSU, and a triennial external quality assessment, all of which are reported in the annual report of the OIG.</p>	Yes	Yes



Consistent practices

- ▶ The annual risk assessment and audit planning process is robust and reliably and consistently identifies engagements with the greatest potential impact. Grounded in the TGF's strategic objectives and based on a solid understanding of TGF's governance, risk management, and control processes, the annual plan is the result of a comprehensive and quantitative risk analysis, refined by a qualitative review incorporating input from the Management Executive Committee (MEC), the Audit and Finance Committee (AFC) and the Board.
- ▶ The Audit Unit is well resourced, financially and in terms of human capital and technology, enabling it to effectively execute the plan, using comprehensive and up to date methodologies.
- ▶ Effective communications, both written and through regular meetings with the MEC, the AFC and the Board, that enable good relations and build trust.
- ▶ The integrated and ongoing quality assurance provided by the Professional Services Unit, including the technological support provided by the Analytics & Transformation (A&T) team.

Main opportunities for continuous improvement

1. Enhance the Internal Audit Strategy, relative to the new 2025 standards, by making the strategic objectives and the supporting initiatives Specific, Measurable, Achievable, Relevant, and Time-bound (SMART), and by reporting the strategy, the rationale for it, and the progress being made against it each year, in OIG's annual report. Consideration should also be given to a new strategy before the end of the current strategic planning period in 2027, given the recent uncertainties in the global health landscape, and to creating an explicit link to the mandate, to help guide the internal audit function toward the fulfillment of the internal audit mandate.



PRINCIPLES	RESULTS	ACHIEVEMENT OF THE PRINCIPLE	CONFORMANCE TO THE STANDARD
<p>9 PLAN STRATEGICALLY</p> <p><i>The chief audit executive plans strategically to position the internal audit function to fulfill its mandate and achieve long-term success.</i></p>	<p>The internal audit plan is based on a sound understanding of the organization's governance, risk management, and control processes, based primarily on the results of the Audit Unit's (AU) engagements throughout the year but also on collaboration with the Chief Risk Officer, the Head of Programmatic Monitoring, other bilateral organizations and UN agencies, and on regular meetings and discussions with the Audit and Finance Committee (AFC) and the board.</p> <p>The Global Fund's audit planning process involves two audit universes: the country audit universe and the secretariat audit universe. Both universes are ranked based on inherent and residual risk factors. The top-ranked audits from both universes proceed to a qualitative phase, where thematic audits, Value for Money audits, and advisory engagements are considered, the scope of each being influenced by the coverage of risks through coordination with other assurance providers like the external auditors. The final audit plan is refined with stakeholder feedback and approved by the AFC before being validated by the Board. This process ensures that the audit plan aligns with the Global Fund's strategic objectives and addresses identified risks effectively.</p> <p>A comprehensive audit manual (70 pages) has been developed to guide the internal audit function in a systematic and disciplined manner to develop and execute the internal audit plan, and to conform with the new IIA standards.</p> <p>In order to achieve long term success, the AU has also developed an audit strategy. The current strategy was developed for the 6-year period from 2022 to 2027 inclusive and was reviewed in both 2023 and 2024. Whilst exceeding the requirements of the IIA's standards when it was developed in 2021, the current strategy could be enhanced, relative to the new standards, by making the "strategic objectives" and the "supporting initiatives" Specific, Measurable, Achievable, Relevant and Time-Bound (SMART), and by reporting the strategy, the rationale for it, and the progress being made against it each year in OIG's annual report. Consideration should also be given to a new strategy before the end of the current strategic planning period in 2027, given the recent uncertainties in the global health landscape, to ensure the strategy continues to support the strategic objectives and success of the organization. Consideration should also be given to creating an explicit link to the mandate, to help guide the internal audit function toward the fulfillment of the internal audit mandate.</p>	<p>Yes</p>	<p>Yes</p> <p>With an observation for Standards 9..</p>



PRINCIPLES	RESULTS	ACHIEVEMENT OF THE PRINCIPLE	CONFORMANCE TO THE STANDARD
10 MANAGE RESOURCES <i>The chief audit executive manages resources to implement the internal audit function's strategy and achieve its plan and mandate. 10.1 Financial Resource Management</i>	<p>The OIG budget, which includes the Audit Unit (AU), the Investigations Unit (IU) and the Professional Services Unit – (PSU) for 2024 was USD \$15.9 million, roughly consistent with prior years. The approved budget for 2025 is USD \$15.8 million. This budget, including the human resources and the technology required to implement the internal audit function's strategy, is adequate to ensure the achievement of the internal audit plan and mission effectively, and in accordance with the methodologies established by the internal audit function.</p> <p>TGF is an attractive international employer with the brand and budget to attract the appropriate and sufficient talent it needs to achieve its audit strategies and plans. The technology budget is mostly for software licenses but also for some consulting for new initiatives, and the payroll to cover in-house exploitation of available technology by the Analytics and Transformation (A&T) team within the PSU.</p> <p>The budget, and the consumption of it during the year, is discussed with the AFC and the Board as part of each operational update during the year. The budget, actual spend and variances, is also reported in the Annual Report of the OIG, which is available to the public on the internet.</p>	Yes	Yes
11 COMMUNICATE EFFECTIVELY <i>The chief audit executive guides the internal audit function to communicate effectively with its stakeholders.</i>	<p>The Inspector General (IG) oversees and ensures the quality of the internal audit function's formal communications in writing for each engagement report, and in meetings with key stakeholders including senior management, the AFC and the board, planned at regular intervals during the year. These communications help to establish the trust and relationships required to enable stakeholders to benefit from the insights from the results of internal audit services.</p> <p>The communications are based on methodologies that promote accurate, objective, clear, concise, constructive, complete, and timely internal audit communications.</p>	Yes	Yes With an observation for standard 11.3.



PRINCIPLES	RESULTS	ACHIEVEMENT OF THE PRINCIPLE	CONFORMANCE TO THE STANDARD
11 COMMUNICATE EFFECTIVELY <i>The chief audit executive guides the internal audit function to communicate effectively with its stakeholders.</i>	<p>The expectations of key stakeholders are reflected in the AU's methodologies and practices, including the frequency and format of communications. These practices include publishing all audit and investigation reports online for public access, aligning with the value of total transparency at TGF. Despite encountering legal challenges from publishing investigation reports, the benefits are considered to outweigh the risks. However, now might be an opportune time for the AFC and the Board to reassess the pros and cons of making OIG reports publicly available.</p> <p>If management does not agree with, or to, an AMA (Agreed Management Action) the management accepted risk is detailed in the audit report along with management's rationale. In scenarios where the AU believes an AMA is appropriate, the matter is also referred to the Chief Risk Officer (CRO) for sign-off and risk acceptance rationale.</p> <p>In the event that an error should arise in an audit report, section 8.8 of the Audit Manual stipulates how corrections are to be communicated. The PSU confirmed that there were no errors in any AU reporting for the period under review, and therefore no corrective action was required.</p>		
12 ENHANCE QUALITY <i>The chief audit executive is responsible for the internal audit function's conformance with the Global Internal Audit Standards and continuous performance improvement.</i>	<p>Conformance with the Global Internal Audit Standards (GIAS) is assured by an annual Internal Quality Assessment (IQA) performed by the OIG's Professional Services Unit (PSU) and a triennial External Quality Assessment (EQA), which exceeds the GIAS requirements for an EQA at least once every five years.</p>	Yes	Yes



PRINCIPLES	RESULTS	ACHIEVEMENT OF THE PRINCIPLE	CONFORMANCE TO THE STANDARD
12 ENHANCE QUALITY <i>The chief audit executive is responsible for the internal audit function's conformance with the Global Internal Audit Standards and continuous performance improvement.</i>	<p>The annual personal performance objectives of the Inspector General (IG) and the KPIs used in the Quality Assurance and Improvement Program (QAIP) to measure quality and continuous improvement in the Audit Unit (AU), are one and the same. Therefore, the annual performance appraisal for the IG, independently led by the Audit and Finance Committee (AFC) and the Board, and therefore incorporating the expectations of the board, (and consistent with the internal audit charter, OIG strategy and the GIAS), is at the same time the IG's method of monitoring and reporting on the achievement of the objectives of the OIG's QAIP.</p> <p>The methodologies for engagement supervision and quality assurance are outlined in the OIG Audit Manual and the QAIP Handbook. The PSU reviews completed engagement files to verify completeness, adequacy, and compliance with methodologies before reports can be issued.</p>		



Consistent practices

- ▶ Comprehensive audit methodologies, quality assurance by the PSU, and the Global Internal Audit Standards, form the foundation of the audit unit's systematic and disciplined approach to planning, executing and reporting on audit engagements.
- ▶ An engagement risk assessment is used to develop the engagement objectives and scope and enables the internal auditors to develop a risk prioritized work program.
- ▶ The process of developing Agreed Management Actions (AMAs) is collaborative, and AMAs are monitored by a centralized dedicated person in PSU.
- ▶ monitor management's progress toward the implementation of AMAs.
- ▶ The integrated and ongoing quality assurance provided by the Professional Services Unit, including the technological support provided by the Analytics & Transformation (A&T) team.

Main opportunities for continuous improvement

1. The audit reports from six of the eight audit files reviewed for this EQA were finalized with delays ranging from one to 11 months, relative to the indicative timelines in the OIG Stakeholder Engagement Model (SEM) due to various reasons including request for extension by the secretariat and in-country stakeholders. This point was also self-assessed by the Professional Services Unit (PSU) in their Internal Quality Assessments (IQAs). Two actions were agreed and reported as completed in readiness for the timely delivery of the 2025 plan. The ongoing monitoring of the timeliness of reports issued in 2025 will verify the effectiveness of the implementation of the actions.

PRINCIPLES	RESULTS	ACHIEVEMENT OF THE PRINCIPLE	CONFORMANCE TO THE STANDARD
13 PLAN ENGAGEMENTS EFFECTIVELY <i>Internal auditors plan each engagement using a systematic, disciplined approach.</i>	<p>Planning for Audit Unit engagements begins with formal notifications and Terms of Reference (TOR) letters, communicated by the Inspector General, outlining objectives, scope, timing, and team composition, followed by kick-off meetings to present the audit plan. The planning phase involves gathering information, conducting walkthroughs and performing a comprehensive risk analysis that is formalized in the Audit Planning Memorandum (APM). The risk assessment is based on the Secretariat Risk Heat Map and IRM Risk Tracker Report and includes a fraud assessment which has improved since the previous External Quality Assessment (EQA) with a revised Fraud Risk Assessment Questionnaire (FRAQ) and enhanced collaboration with the Investigations Unit.</p> <p>Audit objectives are strategically oriented, prioritized, and linked to work program procedures. Scope exclusions are documented and approved by senior management. Work programs, derived from risk assessments and organizational controls, are well-documented and prioritize key controls based on risk levels. Resources are allocated based on complexity, skills, and objectives, with work program steps assigned and approved by the audit manager and Inspector General. Work programs which link risks, processes, and controls, are risk-prioritized in a standardized format in TeamMate. They include objectives, tests, analyses and findings, and distinguish between design and effectiveness testing to achieve the mission objectives.</p>	Yes	Yes
14 CONDUCT ENGAGEMENT WORK <i>Internal auditors implement the engagement work program to achieve the engagement objectives.</i>	<p>Verification work is performed on the information collected to ensure it is reliable, relevant and sufficient to develop engagement findings and to achieve the objectives of the engagement. The information is systematically analysed and challenged using audit methodologies, professional skepticism and through supervisory reviews. Both positive and "axis of improvement" conclusions are consistently supported by evidence and properly documented to support the results. The audit trail is well documented, linking the audit program to evidence and documentation through TeamMate, with clear references and links to the underlying evidence.</p>	Yes	Yes

PRINCIPLES	RESULTS	ACHIEVEMENT OF THE PRINCIPLE	CONFORMANCE TO THE STANDARD
14 CONDUCT ENGAGEMENT WORK <i>Internal auditors implement the engagement work program to achieve the engagement objectives.</i>	<p>"Fast Check" meetings with auditees/relevant stakeholders collaboratively investigate preliminary findings, root causes and the potential effects of issues. Issue significance is evaluated using a clearly defined methodology and is categorized into four levels: Effective/Partially effective/Needs significant improvement/Ineffective with definition.</p> <p>Internal auditors collaborate with management to agree on Agreed Management Actions (AMAs) that address the identified issues. Internal auditors ensure that proposed management actions mitigate the risk(s), address the root cause, are assigned to appropriate owners, and are time-bound within a reasonable timeframe.</p> <p>All reports present the results clearly and include an executive summary and the audit objectives. Each finding documents the root cause, its consequence and a recommendation. The rating of objectives is appropriate, and the overall opinion expressed in the report is both adequate and aligned with the findings.</p>		
15 COMMUNICATE ENGAGEMENT RESULTS AND MONITOR ACTION PLANS <i>Internal auditors communicate the engagement results to the appropriate parties and monitor management's progress toward the implementation of recommendations or action plans.</i>	<p>Audit Unit engagement reports include objectives, scope, results, recommendations, AMAs if applicable, and an opinion, are reviewed by the Inspector General before issuance, and are distributed to the appropriate parties. The audit reports also state conformance with the Global International Audit Standards (GIAS) in the Annex.</p> <p>Although the audit reports are clear, complete, balanced and well-organized, 6 out of the 8 audit reports reviewed for this EQA were finalized with delays ranging from one month, up to 11 months, relative to the OIG timelines in the Stakeholder Engagement Model (SEM). This point was also identified by the OIG Professional Services Unit (PSU) in the 2023 Internal Quality Assessment (IQA). Two actions were agreed, AMA 1 & 2, each with due dates in June 2024. The AMA tracker report dated October 2024 reported both actions as completed in readiness for the timely delivery of the 2025 plan.</p>	Yes	<p>Yes</p> <p>With an observation for Standards 15.1.</p> <p>Refer to the General Report in Annex 1.</p>



PRINCIPLES	RESULTS	ACHIEVEMENT OF THE PRINCIPLE	CONFORMANCE TO THE STANDARD
<p>15 COMMUNICATE ENGAGEMENT RESULTS AND MONITOR ACTION PLANS</p> <p><i>Internal auditors communicate the engagement results to the appropriate parties and monitor management's progress toward the implementation of recommendations or action plans.</i></p>	<p>A robust methodology for follow-up and monitoring of Agreed Management Actions (AMAs) has been established, utilizing TeamMate for progress tracking and automatic notifications. The Professional Services Unit (PSU) maintains regular status updates through a monitoring file.</p> <p>Following an observation in the 2021 External Quality Assessment (EQA), a comprehensive review of the AMA development process was conducted. The current EQA confirms that stakeholders expressed an increased satisfaction with the revised approach.</p>		

4

SECTION



ANNEX 1

ACTION PLANS

TGF – Audit Unit

IIA Quality Assessment - May 2025



STANDARD	ACTION
#9.2 Internal Audit Strategy	<p>Recognizing the ongoing uncertainty, the OIG will update its existing strategy to further enhance alignment with the new guidance in Standard 9.2 and changing risk profile of the Organization. The revised strategy will include SMART objectives and supporting initiatives adapted to the ongoing uncertainties, and updates provided to the AFC/Board as part of OIG's routine governance reporting.</p> <p>Due Date: 31 March 2026 Owner: Inspector General</p>
#15.1 Publication of Final Audit Reports	<p>The OIG will review the Stakeholder Engagement model to ensure the stages and timelines remain relevant, as well as define differentiated timelines based on nature of the assignment.</p> <p>Major findings from ongoing engagements will be communicated to the AFC/Board as part of routine governance reporting.</p> <p>Due Date: 31 January 2026 Owner: Head of Audit/Head of Professional Services</p>

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SECTION



ANNEX 2

MATURITY ASSESSMENT

TGF – Audit Unit

IIA Quality Assessment - May 2025



The Principles Effectiveness Framework describes the performance and maturity characteristics associated with differing levels of effectiveness for each Principle of the Global Internal Audit Standards.

Most organizations strive to be at an Effective to Sustainable level as there is normally incremental cost associated with operating at an Optimized level. Each increasing level of maturity includes the characteristics of maturity described below.

Effectiveness Rating ¹	Definition
Optimized	Processes are measurably well optimized, with a focus on driving innovation, adding strategic value, and contributing to organizational success. Internal auditors are proactive in identifying emerging risks and providing forward-looking insights. The internal audit function is an early adopter of emerging technology to enhance the effectiveness and efficiency of audit processes. Internal audit is viewed as Proactive: individuals who embrace new ideas, new ways of working and drive change that creates value. The internal audit function is also seen as a strategic advisor and partner in achieving organizational objectives.
Sustainable	Data-driven approaches to management, using key performance indicators. Internal auditors use data analytics and technology to enhance audit efficiency and effectiveness. Continuous improvement initiatives optimize processes to deliver greater value.
Effective	Standardized processes; audit activities are well-managed. Focus on risk-based auditing and planning. Quality assurance processes are established to monitor and improve audit effectiveness. Internal audit viewed as Practicalist: individuals who advocate or adhere to what is practical.
Partially Effective	Basic processes for conducting engagements. Audit activities are documented and repeatable. Internal auditors adhere to professional standards and guidelines, but there may be inconsistencies in the application of processes across engagements. Internal audit viewed as Purist: individuals focused on adherence to traditional rules.
Not Effective	Processes not formally defined or consistently applied. Internal audit activities are reactive. Little focus on risk management or adding value to the organization.

¹ Note that the Sustainable Effectiveness rating builds off of the Effective criteria and an Optimized rating builds off the Sustainable criteria.

PRINCIPLES EFFECTIVENESS FRAMEWORK RATING SUMMARY



The Principles Effectiveness Framework describes the performance and maturity characteristics associated with differing levels of effectiveness for each Principle of the Global Internal Audit Standards. Most organizations strive to be at an Effective to Sustainable level as there is normally incremental cost associated with operating at an Optimized level.

See Definitions Above

	Optimized	Sustainable	Effective	Partially Effective	Not Effective
Domain-II Ethics and Professionalism					
1 - Demonstrate Integrity					
2 - Maintain Objectivity					
3 - Demonstrate Competency					
4 - Exercise Due Professional Care					
5 - Maintain Confidentiality					
Domain-III Governing the Internal Audit Function					
6 - Authorized by the Board					
7 - Positioned Independently					
8 - Overseen by the Board					
Domain-IV Managing the Internal Audit Function					
9 - Plan Strategically					
10 - Manage Resources					
11 - Communicate Effectively					
12 - Enhance Quality					
Domain-V Performing Internal Audit Services					
13 - Plan Engagements Effectively					
14 - Conduct Engagement Work					
15 - Communicate Engagement Results and Monitor Action Plans					



Introduction

The maturity assessment of the OIG Audit Unit, conducted using the IIA's Principles Effectiveness Framework, reflects a well-established and high-performing internal audit function.

The Audit Unit demonstrates consistent effectiveness across all domains, with several areas achieving Sustainable or even Optimized ratings, particularly in Governance (Domain III), Management (Domain IV), and Service Delivery (Domain V).

These results highlight the Unit's solid strategic positioning, operational discipline, and strong delivery of its audit mandate. The ratings were developed using a balanced and context-sensitive interpretation of the framework's demanding criteria.

In this context, achieving "Sustainable" effectiveness is already a strong indicator of maturity. Most notably, Domain II (Ethics and Professionalism) received a Sustainable rating, not due to a lack of integrity or ethical culture, but because of the evolving expectations under the 2025 Standards.

Progress toward Optimized Maturity

While the OIG Audit Unit performs at a high level across most domains, achieving several "Sustainable" and "Optimized" ratings, progress toward full maturity would benefit from targeted enhancements, particularly in **Domain II: Ethics and Professionalism**.

The assessment identified that strong ethical culture exists but there is room for improvement to achieve Optimized rating under the new Standards.

Key areas for improvement include:

A/ ensuring staff undertake principle-specific training content that addresses each element of Domain II (e.g. Integrity, Due Professional Care, Objectivity, and Professional Behavior) in a clear, structured, and recurring format.

B/ documenting and tracking training participation to demonstrate, on a principle-by-principle basis, which internal auditors have received relevant training, this is a new and demanding expectation under the 2025 Standards.

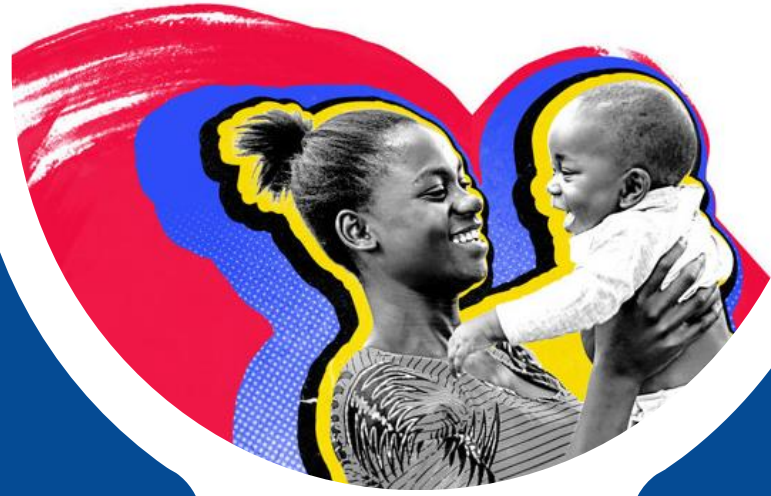
C/ defining clear performance objectives that explicitly support ethical and professional behavior, as opposed to relying solely on general KPIs. These objectives should be embedded in professional development and evaluation processes.

These enhancements reflect the high bar set by the Principles Effectiveness Framework for an "Optimized" maturity level.

Addressing these areas will further consolidate the Unit's strengths and align it fully with the IIA's forward-looking expectations for professional internal audit functions.

Conclusion

Overall, the assessment reflects a commendable level of maturity across the Audit Unit, with a clear and realistic path toward optimization in targeted areas. This outcome confirms the OIG Audit Unit's commitment to continuous improvement and alignment with leading global standards.



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