Audit Report

Audit of

Key procurement controls over health commodities for the Global Fund

GF-OIG-26-001
21 January 2026
Geneva, Switzerland

THE GLOBAL FUND
Office of the Inspector General

What is the Office of the Inspector General?

The Office of the Inspector General (OIG) safeguards the assets, investments, reputation and sustainability of the Global Fund by ensuring that it takes the right action to end the epidemics of AIDS, tuberculosis and malaria. Through audits, investigations and advisory work, it promotes good practice, enhances risk management and reports fully and transparently on abuse. The OIG is an independent yet integral part of the Global Fund. It is accountable to the Board through its Audit and Finance Committee and serves the interests of all Global Fund stakeholders.

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Table of Contents

1. Executive Summary

1.1 Opinion

In recent years, the Global Fund has become one of the world's largest health product purchasers, spending over US$2.5 billion annually on essential commodities. Around US$1.7 billion of this is procured, on average, through the Pooled Procurement Mechanism (PPM), which serves over 80 countries. The PPM's scale enables the Global Fund to shape markets, reduce prices, ensure quality, incentivize innovation, and expand access in low- and middle-income countries.

Several good practices are in place to ensure transparent and fair health-product procurement. The development of the procurement strategy is collaborative, with detailed planning and discussions with partners and suppliers before launching new tenders. The NextGen Market Shaping Approach[1] (adopted in 2022) aims to promote equitable access to affordable, quality-assured health products through innovation, capacity building for regional manufacturing, and sustainable procurement and Supply Chain. The procurement evaluation process includes evaluations by independent panel members, ensuring ethical standards and impartiality. This balanced approach helps to address challenges while promoting effective and transparent procurement practices.

Tendering processes follow the principles established in the procurement policy and ensure competitive selection of suppliers. However, in the absence of detailed procedures guiding health commodity procurements, including defined roles and responsibilities, application of evaluation criteria, and management of contingencies, the processes rely on established practices and procurement staff knowledge. This puts the application of some key controls at risk and has led to occasional inconsistencies in their application. The tendering process is **Partially Effective,** as mechanisms that ensure continuous effective execution of key controls need to be strengthened.

The Global Fund allocates forecast quantities to selected suppliers for the duration of the framework agreement, based on their tender score. Initial allocations are reassessed annually, using eight risk dimensions to maximize effectiveness and uphold procurement principles. Final procurement orders are placed for each supplier after requisitions are received from Principal Recipients. The final distribution of commodities among suppliers often differs from initial and annual allocations. While most variations are within a few percentage points, there were three instances from a sample of 27 where these were at or exceeded 10% vs. initially allocated volume. While annual allocations are approved by the Head of Supply Operations at the beginning of the year, after the annual performance review, and the Senior Manager of Direct Procurement reviews actual procurements, the criteria used to determine new allocations are insufficiently documented, regardless of their materiality, potentially limiting the effectiveness of their controls.

A new procurement policy was issued in April 2024, and a new procurement Manual was issued in April 2025, with controls designed to address the current findings. However, detailed guidelines and operating procedures for selected processes are yet to be established for allocation processes. Controls over the allocation process are **Partially Effective** in ensuring the application of procurement principles throughout the reallocation process.

[1] This framework outlines specific interventions to drive equitable access to affordable and quality-assured health products and services in support of the Global Fund's 2023-2028 Strategy. The principle of equitable access means that every person can obtain the health products they need to maintain or improve their health, regardless of where they live or their ability to pay, and without facing social discrimination. The core objectives of the approach are to reduce barriers to health product availability and affordability, improve the responsiveness and timeliness of health product service and delivery, and promote resilient and sustainable supply chains.

1.2 Key Achievements and Good Practices

Collaborative Procurement Strategy Development

As a high-volume buyer (over US$2.5 billion annually) the Global Fund plays an important role in shaping the markets of HIV, Malaria and TB health commodities. The organization has developed a NextGen Market Shaping Approach, designed to ensure equitable access to affordable and quality-assured health products and services. It has three key strategic interventions:

- Shape innovation and accelerate new product introduction at scale
- Promote Capacity building for regional manufacturing
- Drive environmentally sustainable procurement and supply chain

This approach includes support for the rapid scale up of dual active ingredient (a.i.) insecticide-treated nets (ITNs), and sustainability of supply for rapid diagnostic tests for malaria and HIV. It also promotes capacity building for regional manufacturing, exemplified by the collaboration with Africa-based ITN suppliers. This initiative aims to strengthen regional production capabilities and ensure a more resilient supply chain.

Category-specific procurement strategies for health products are informed by consultations, and are meticulously developed, presented, and discussed with partners and suppliers before the launch of new health commodity tenders. This collaborative approach ensures that all stakeholders are aligned and informed about procurement objectives and methodologies.

Procurement evaluation and approval process ensures transparency and fairness

The procurement process involves several key steps to ensure transparency, fairness and compliance with the Global Fund's Procurement Policy. After the Technical Evaluation Committee (TEC) and Commercial Evaluation Committee (CEC) panels complete their evaluations, an Evaluation Memo is drafted, detailing the tendering and evaluation process and results, and is validated by senior management. The Direct Sourcing Team then presents the tender results to the Management Executive Committee (MEC), which reviews and approves outcomes for contracts exceeding US$10 million. For non-standard processes, an exception memo is prepared and approved by the Executive Director, to ensure adequate oversight.

For each tender category, a panel briefing session is organized by the support team for the TEC and CEC. The evaluation methodology is presented, ensuring that all committee members are well-informed and aligned on the evaluation criteria and processes.

Competitive tendering processes are conducted in line with the Global Fund's Procurement Policy, ensuring fair supplier selection. Tenders are evaluated using either two panels (TEC and CEC) or a single panel (TEC endorsing the commercial proposal). To ensure impartiality, TEC and CEC members are independent, or from unrelated health product category teams, and staff from the team managing that health category is excluded. Furthermore, staff adhere to ethical standards and declare their impartiality and confidentiality ahead of the procurement. This dual-panel approach ensures a thorough evaluation of both technical and commercial aspects of bids.

Adequate criteria to make initial allocations, with close follow-up on supplier performance

During the initial allocation, the Direct Sourcing team establishes clear technical and commercial scoring, using the final score to allocate volumes to suppliers. The team also conducts quarterly evaluations to track the supplier's performance, in terms of the quality and timeliness of delivered health products. This helps to adjust and reallocate volumes among suppliers to ensure maximum

efficiency, by factoring in eight risk factors. The approved allocation is then communicated to suppliers as part of the Framework Agreement, along with annual allocation letters, which give the supplier visibility over expected volumes for annual orders.

The Direct Sourcing team checks the prices of requisitions on the Global Fund's online procurement platform, wambo.org, before approving the electronic Purchase Order, ensuring alignment with contracted rates. The approval of the Senior Manager, Direct Sourcing, is needed for requisitions exceeding US$10 million, to ensure they comply with agreed rates.

1.3 Key Issues and Risks

The absence of detailed written procedures to guide the procurement process of health products has led to inconsistent application of key controls

The procurement of health commodities relies on established practices and staff institutional knowledge, leading to inconsistent application of procedures and controls. Although guided by the Procurement Policy (2008), General Procurement Procedures (2020), and Procurement Regulations (2020), these do not sufficiently detail procurement processes. Key elements such as stakeholder roles & responsibilities, application of tendering criteria, management of contingency situations, management of accelerated introduction of new products, and supplier evaluation methodology are not described, and have led to occasional inconsistencies in the application of key control steps.

Tendering criteria used to evaluate suppliers do not consistently align with the Global Fund's NextGen Market Shaping Approach (NGMSA), a framework of interventions to drive equitable access to affordable and quality-assured health products and services. For example, evaluation criteria for pharmaceutical tenders (one out of four sampled) do not support strategic goals like innovation and sustainability. The criteria used, and their assigned weight, are specific to a particular product category, and consequently differ between each tender. The absence of documentation to support differences creates opportunities for inconsistent or irregular procurement processes across tenders. Finally, the procurement procedures and regulation do not provide explicit guidance for managing exceptions, such as accelerated introduction of new products and limited suppliers for specific health commodities, and there is no formal document that defines how these cases should be handled.

The distribution among suppliers of actual procured commodities may differ from provisional allocations resulting from tender process and annual allocations. The rationale for deviations is not documented, impairing the effectiveness of some controls.

Annual allocations are a routine part of the procurement process, designed to respond to emerging circumstances and actual country demand to be procured, compared to provisional allocations. However, the process and controls over the underlying rationale for reallocating quantities based on confirmed order requests is neither adequately documented nor consistent. Each category team articulates deviations differently, impairing the verification of effective control execution.

The Head of Supply Operations signs off on deviations between MEC-approved provisional allocations and subsequent annual allocations. Similarly, the Senior Manager of Direct Sourcing signs off on the deviation between quantities procured and annual allocations. Exception reports introduced in 2023 – 2024 aim to track allocation deviations above 20% and report them to Risk. However, the underlying criteria that have led to the deviation with previous allocations are not documented, and the rationale for the new allocation cannot be reviewed.

1.4 Objectives, Ratings and Scope

The overall objective of the audit is to provide reasonable assurance to the Global Fund Board on internal controls over the procurement of health products. Specifically, the audit assessed the adequacy and effectiveness of:

Objectives	Rating	Scope
The sourcing process, including the selection of health commodities suppliers and contract management.	**Partially Effective**	**Audit period** January 2021 to June 2024 **Scope** The audit reviewed key measures and controls implemented between January 2021 and June 2024. **Scope exclusion** The audit does not cover procurement-related processes that have been subject to, or part of, other OIG assurance and advisory engagements during the audit period. This includes the Advisory review of Procurement Service Agents (2022), as well as procurement-related processes routinely audited as part of OIG Country Audits. The audit covers the allocation-related processes that have been subject to the "Procurement and Supply Chain during the COVID-19 pandemic" audit (2021).
The allocation process, i.e., the effective distribution of health commodities orders among the pool of suppliers selected.	**Partially Effective**	

Details about the general audit rating classifications can be found in Annex A.

2. Background and Context

2.1 Overall Context

Functioning health systems are critical for the effective delivery of disease programs. From its inception, the Global Fund has recognized this linkage, embedding cross-cutting support for health systems in its Framework Document, and incorporating it in various policy and strategy frameworks that have guided Global Fund investments over the years. This effort reached a significant milestone with the 2017-22 Strategy, "Investing to End the Epidemics", which establishes "Resilient and Sustainable Systems for Health" (RSSH) as one of the Global Fund's four strategic objectives. At the global level, partners have acknowledged that the achievement of Sustainable Development Goal 3 (Ensure healthy lives and promote wellbeing for all at all ages)[2] is contingent on strengthening health systems.

A key component of a well-functioning health system, procurement ensures the efficient, transparent, and timely acquisition of essential medicines, and health commodities. It directly impacts service delivery by helping ensure that health facilities are equipped in a timely manner to meet patient needs, while also promoting cost-effectiveness, accountability, and resilience—especially during public health emergencies.

Over the past two decades, the Global Fund partnership has played a critical role in shaping markets to support this objective. Each year, over US$2.5 billion from country grants are used to procure health products; accounting for 40–60% of grant funding across the portfolio. This includes antiretroviral medicines (ARVs), Antimalarial Medicines (ANTM), insecticide-treated nets (ITNs), TB medicines, and diagnostic products. Through its Pooled Procurement Mechanism (PPM)[3] serving 83 countries, the Global Fund has used scale to encourage manufacturers to meet global quality requirements for low- and middle-income countries, and to lower health product prices.

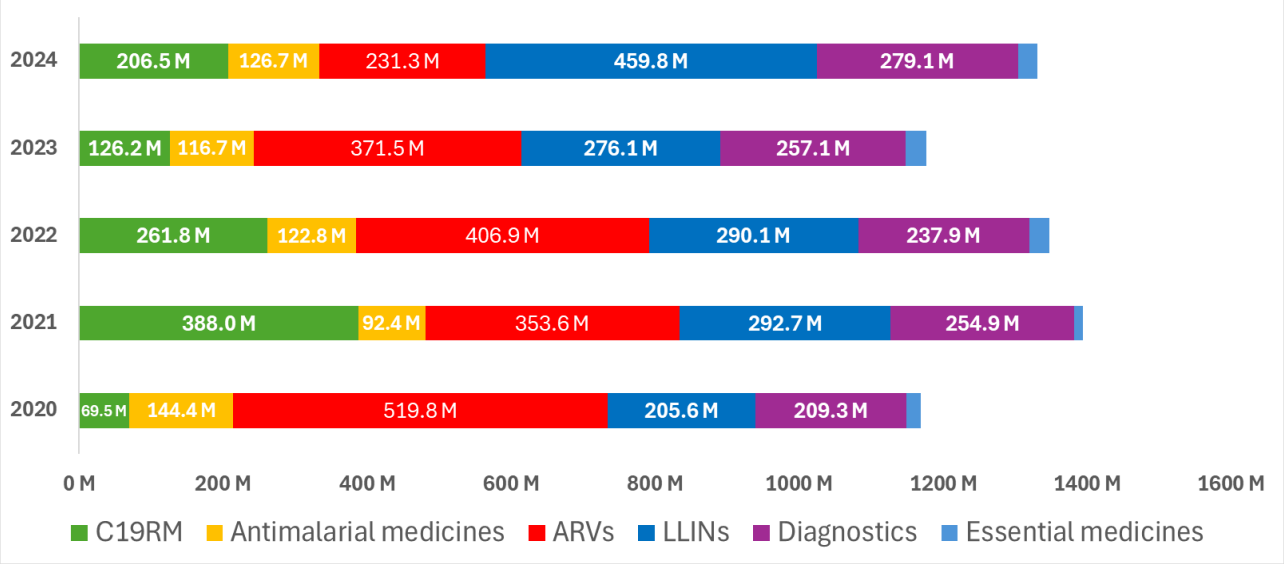
Approximately 59% of the total products purchased are procured through the PPM. From 2020 to 2024, the average annual PPM orders amount was US$1.7 billion, with approximately 2,000 purchase orders issued each year. Over the past five years, driven by programmatic requirements, PPM procurement spending has varied across key product categories, including ARVs, ANTM, ITNs, and diagnostic products.[4]

[2] SDG 3: https://sustainabledevelopment.un.org/sdg3

[3] The Pooled Procurement Mechanism (PPM) is an initiative designed to streamline and optimize the procurement of health products. It allows the Global Fund Secretariat to combine order volumes from Principal Recipients to secure quality-assured products, achieve better value for money through optimal pricing and delivery conditions, and reduce lead times for critical health products by using framework contracts with manufacturers.

[4] Note that PPM transactions are exclusive of most TB volumes (i.e., all TB medicines and most TB diagnostics), which are procured through the Stop TB Partnership's Global Drug Facility (GDF).

Figure 1: Value of a subset of procured transactions through PPM within the scope of the audit by main product category, exclusive of procurement and supply management costs



2.2 NextGen Market Shaping Framework

In 2015, the Global Fund Board approved the Market Shaping Strategy (2016-2021) that defines how the partnership can contribute to health outcomes by influencing global health product markets. It aims to (i) ensure continued availability and affordability, (ii) promote consistent quality standards, (iii) support efforts to stimulate innovation, (iv) accelerate the adoption of new and/or cost-effective products, (v) prepare for country transition and long-term market viability, and (vi) strengthen key foundational elements for market shaping.

As part of its Strategy for 2023–2028, the Global Fund has integrated market shaping into the core of its organizational approach. In 2022, the Global Fund adopted the **NextGen Market Shaping Framework** to enhance and support the effective implementation of its strategic objectives. The framework outlines specific interventions to drive equitable access to affordable and quality-assured health products and services. The approach revolves around three interventions, each with a specific goal:

- Shape innovation and accelerate new product introductions at scale.
- Promote capacity building for regional manufacturing.
- Drive environmentally sustainable procurement and supply chains.

2.3 Procurement principles

The Global Fund acknowledges the significance of efficient procurement as a critical mechanism in combating the three diseases, while maintaining a policy framework that facilitates the execution of the Global Fund's Strategy. This overarching framework ensures that procurement delivers value for money, adheres to public procurement principles, and aligns with the organization's strategy. Quality assurance criteria for health items are delineated in distinct policies.

In April 2024, the Global Fund Board approved a new Procurement Policy that governs all procurement-related procedures and activities undertaken by the Secretariat. This policy is fundamental to upholding the principles of integrity, transparency, efficiency, and effectiveness in procurement operations. It ensures the acquisition of high-quality goods and services, promotes fair and equitable access to quality-assured health products by the populations the Global Fund serves, maximizes value for money, and supports the development of sustainable partnerships.

All procurement activities undertaken by the Global Fund must adhere to the below standards and requirements, which provide a guiding framework for responsible and accountable procurement practices.[5]

- **Value for Money:** the trade-off between price, quality, and performance provides the greatest overall benefit under the specified selection criteria.
- **Effective Competition:** achieved when procurement opportunities are published for an open competition, or enough prospective suppliers are invited to apply.
- **Fairness, Impartiality, and Integrity:** treating all parties equally throughout the process, adhering strictly to predetermined criteria and avoiding any actual, potential, or perceived conflict of interest.
- **Client centricity:** focusing on the needs and requirements of the person or unit requesting the goods or services, to ensure client satisfaction is at the core of every purchasing decision.
- **Sustainable Procurement:** minimizing the supply chain’s environmental impact, supporting fair and humane working conditions, and contributing to long-term well-being of communities.
- **Best interest of the Global Fund:** conducting Procurement in a manner that best enables the organization to pursue its mission and deliver its strategic objectives.

[5] corporate_procurement_policy_en_23April2024_Page 5

3. Findings

3.1 Procurement processes follow Global Fund policy and ensure fair supplier selection, but could be strengthened to ensure more consistent application

Each year, over US$2.5 billion from country grants is used to procure essential health products such as ARVs, ANTMs, ITNs, TB medicines, and diagnostics. While the procurement process is designed to ensure transparency, fairness, and compliance with the Global Fund's Procurement Policy, the lack of formal written procedures for health commodities means that operations rely heavily on staff experience and informal practices. This has led to inconsistent tender evaluation practices across different tenders, uneven application of supplier selection criteria, extended use of contingency procedures, and unclear methods for assessing supplier performance.

The OIG reviewed all ITN, pharmaceutical, and diagnostic tenders conducted between 2021 and 2024 - representing 85% of the annual PPM procurement value - and confirmed that competitive processes aligned with the Global Fund's procurement policy, ensuring transparency and fairness. However, given the significant volume of health commodities procured through PPM (US$1.3 – 2.2 billion annually, with around 2,000 purchase orders per year), detailed category-specific procedures are needed.

The Secretariat acknowledged that internal procedures lacked sufficient detail for health commodities procurement, leading to the Board's approval of a new procurement policy in April 2024 and the release of a Procurement Manual in April 2025. While the manual outlines organization-wide processes, detailed operational procedures were still pending at the time of the audit. Limitations in existing guidance have resulted in unclear roles, lack of contingency planning, and inconsistent supplier evaluation, potentially undermining fairness, competition, and efficiency in procurement.

The roles and responsibilities of stakeholders in the tendering process are not clearly defined, increasing the risk of suboptimal performance.

Three Global Fund management committees – TEC[6], CEC[7] and MEC[8] – participate in reviewing supplier bids during tenders, but their roles, expectations, and influence on procurement decisions are not clearly defined, and vary depending on committee composition.

Evaluation timelines differ widely across tenders, due to the absence of standardized review durations in current guidelines. For instance, TEC had only two days to assess bids for dual active ingredient bed nets, while other tenders allowed up to ten days. These evaluations rely on preliminary scoring by the Supply Operations category lead, and insufficient time can compromise accountability.

Additionally, final tender approval memos submitted to MEC lack financial details such as supplier allocations and contract values, limiting oversight and potentially eroding stakeholder trust.

[6] Technical Evaluation Committee: assesses how each bid meets the technical specifications and requirements outlined in the tender documents. The TEC evaluation is conducted before considering the financial aspects to ensure the selection of high-quality bids. It includes independent members from Supply Operation Department, Grant Management Division, Technical Advice and Partnership Department, and Risk Department.
[7] Commercial Evaluation Committee: assesses the financial proposals of each bid focusing on the financial and commercial aspects of the bids. It includes independent members from Supply Operation Department, Grant Management Division, Finance Department, Grant Finance Department, and Risk Department
[8] Management Executive Committee: reviews and approves overall tender process and its outcome with respect to supplier selection for contracts above US$10 million.

Although the April 2025 Procurement Manual clarifies some roles, further operational details are needed to ensure consistent and controlled tendering processes.

Criteria to support varying weighting of tender criteria and their consistency with NextGen Market Shaping Approach are not adequately formalized and may undermine procurement principles and transparency.

The alignment between the NextGen Market Shaping Approach (NGMSA) and tender evaluation criteria is not formally established, leading to differing weighting of vendor evaluation criteria across tenders.

While adapting criteria to specific markets and products may be justified, there is no formal documentation of rationale explaining how these criteria support procurement principles or affect individual tenders. This has created ambiguity and uneven application of procurement standards.

Criteria weights vary without documented justification, and two strategic NGMSA goals – innovation and environmental sustainability – were omitted from evaluations for pharmaceuticals. For example, in the PSA tender for COVID-19 oxygen, supplier performance was considered only at the final selection stage, after a request by the Technical Evaluation Committee, as opposed to during initial evaluation. These different evaluations did not include a formal assessment of how the criteria used supported the five procurement principles,[9] or the risks posed to their implementation. The April 2025 Procurement Manual introduced clearer scoring guidelines, requiring technical criteria to account for 50 – 80%, and commercial criteria for 20 – 50%, of total evaluation weight in direct procurements.

The lack of guidance to regulate exceptional situations that limit the application of procurement principles exposes the Global Fund to risks of suboptimal outcomes.

The Global Fund's corporate procurement policy principles emphasize effective competitiveness, value for money, fairness, impartiality, and integrity. These principles are observed by having periodic tenders for health product procurements.

Instances have occurred where the Global Fund had to deviate from the processes set by the policy to overcome crises and mitigate supply shortage risks. While the processes reviewed by the OIG did not highlight cases of abuse, the absence of clear guidance about what constitutes exceptional circumstances, who approves deviations from standard procurement processes, and how, exposes the Global Fund to a number of risks.

For example, between 2021 and 2023, 80% of malaria rapid diagnostic tests (mRDTs) were sourced from only two suppliers, due to eligibility restrictions tied to the competitive tender in 2019. The remaining mRDTs were procured from five other suppliers that became eligible via Purchase Order Agreements. This process was initiated and managed at the time of the global COVID pandemic. The use of Purchase Order Agreements was developed with consultation and guidance from Legal, in order not to compromise the integrity of the original tender (concluded in 2019). While this helped the Global Fund to mitigate supply shortage risks, the decision to forgo a new tender and continue with two main suppliers for three years limited competition and exposed the organization to procurement-related risks.

In 2023, the Global Fund introduced a new type of ITN with a dual active ingredient (Dual a.i.), following a WHO recommendation to address mosquito resistance to repellents in previously procured ITNs. Only two suppliers were pre-qualified by WHO and had the capacity to produce this new type of net. The Global Fund accordingly used Special Contracting conditions to select the

[9] 2008 procurement principals are: Value for Money; Competition; Efficient and Effective Procurement, impartiality, Transparency and Accountability, Ethics

supplier, who would only be guaranteed a certain volume if they met a specific pricing threshold. In the subsequent years, the pool of suppliers increased.

In the absence of policies and procedures that regulate what constitute exceptional circumstances and approval mechanisms by which trade-off decisions between Procurement Principles are taken, these situations are managed on an ad-hoc basis. This leaves them exposed to higher procurement risks, and the risk of suboptimal outcomes. which need to be more closely monitored and eventually mitigated.

Absence of formalized methodologies to assess supplier performance and ensure transparency in supplier performance evaluation.

Supplier performance evaluation is well defined, with key performance indicators (KPIs) included in the Framework Agreements but lacks a formalized methodology to ensure consistent and transparent performance tracking.

In the absence of a dedicated system, data is collected weekly from manufacturers via Excel files, covering shipments, allocations, and costs. While Global Fund IT performs data quality checks, accuracy controls vary across teams, depending on the commodity type. KPI calculations are based on established practices, but are not documented, leading to risks in data accuracy and reliability.

Preventive controls over data accuracy are not systematic, and detection of inaccurate data is performed manually, through dashboards and supplier discussions. Inconsistent use of consolidated data across teams results in material discrepancies between internal records and supplier-reported performance, which are addressed reactively.

While no material errors were found in OIG recalculations, the lack of standardized methodologies and formal documentation undermines the consistency, efficiency, and transparency of supplier performance evaluations.

Agreed Management Action 1
The Secretariat will continue to implement the Procurement Manual and develop more detailed standard operating procedures for selected processes, such as evaluation and performance criteria, and roles and responsibilities of reviewers and approvers, to ensure greater effectiveness and efficiency.
OWNER: Head of Sourcing
DUE DATE: 31 December 2026

3.2 The initial allocation process is methodical and guided by clear criteria, but controls around subsequent allocation need strengthening

Key controls over vendor allocations are in place, with procurement decisions approved by the Management Executive Committee, Head of Supply Operations, and Senior Manager of Direct Sourcing, based on tender outcomes and annual allocation plans. For various valid reasons, actual quantities procured often deviate from both provisional and annual allocations; controls to monitor these deviations lack some critical elements.

Supplier selection for health commodities is conducted through competitive tendering, with technical and commercial committees evaluating proposals based on RFP criteria. Final assessments are reviewed by the MEC and used to determine provisional allocations under framework agreements.

Allocations are reassessed annually through a risk assessment exercise which considers supplier performance and eight risk criteria, and also during order placement, to reflect evolving needs. This flexible approach has supported timely procurement and delivery amidst changing circumstances. However, areas for improvement remain in refining allocation processes, and ensuring consistency.

Controls over the allocation process do not adequately document the rationale for variations between MEC-approved provisional allocations, annual allocations, and actual procured quantities.

Allocations to suppliers follow a three-stage process: MEC-approved provisional allocations based on tender results; annual allocations determined by the Direct Sourcing team using eight risk dimensions; and actual procurement orders submitted by Direct Sourcing based on specific orders received by Principal Recipients, which may deviate from annual allocations.

Orders below US$10 million are approved by category managers, while those above are signed off by the Senior Manager for Direct Procurement, who also reviews all deviations before biannual risk reporting. Deviations – typically within a 10% margin[10] – are expected due to factors like inaccurate country data, market shifts, and supplier capacity. However, the rationale behind these deviations is not properly documented nor subject to formal oversight, and no committee, including MEC, receives reports comparing actual allocations to those originally approved, limiting oversight. Exception reports introduced in 2023 – 2024 track allocation deviations and include escalation mechanisms for deviations of +/- 20%. However, the purpose, reporting and validation or approval, remain undefined.

The criteria to determine annual allocation and actual procurement are not applied consistently, limiting the allocation process effectiveness.

Annual allocations are derived by applying eight risk dimensions[11] to the provisional allocations set during the tendering process, aiming to uphold procurement principles and maximize effectiveness. However, the application of these risk dimensions varies, with discrepancies noted in allocations for suppliers with similar performance issues, such as low on-time, in-full delivery (OTIF).

The methodology to apply the criteria is only partially documented. It lacks clarity in how risks are considered and allocations adapted. For instance, key criteria to the allocation processes, like in-country registration and production capacity – central to annual allocations – carry low weights during tender evaluations. While the shift is meant to mitigate risks of suppliers exaggerating efforts to

[10] Variances are calculated comparing Suppliers' shares, not the quantities, which may be the result of additional quantities rather than changes in allocations.
[11] The eight risk dimensions are 1. Commercial; 2. Ability to Supply; 3. Commitment; 4. Product Quality; 5. Country Registration; 6. Technical Support; 7. Management Engagement & Communication; 8. Integrity and due diligence.

obtain in-country registration and inflate production capacity, the rationale for the shift, and its consequences on allocations, are not documented.

To address these gaps, the Procurement Manual (April 2025) introduced “allocation teams” composed of members from Supply Operations, Grant Management, and Finance to propose annual allocations and review procurement variances. While this structure could strengthen oversight, the manual lacks clarity on documentation requirements and escalation mechanisms. The Head of Supply Operations convenes ad-hoc committees to review the outcome of health product tenders and provide their input and no-objection to proposed contract awards. However, guidance on the triggers needed to convene the ad-hoc committee, and the criteria used to provide the no-objection, are yet to be developed.

Agreed Management Action 2
The Secretariat will strengthen controls over the review and approval process of deviations between the provisional, annual, and actual allocations of commodities to suppliers.
OWNER: Head of Sourcing
DUE DATE: 31 December 2026

Annex A. Audit rating classification and methodology

Effective	No issues or few minor issues noted. Internal controls, governance and risk management processes are adequately designed, consistently well implemented, and effective to provide reasonable assurance that the objectives will be met.
Partially Effective	Moderate issues noted. Internal controls, governance and risk management practices are adequately designed, generally well implemented, but one or a limited number of issues were identified that may present a moderate risk to the achievement of the objectives.
Need significant improvement	One or few significant issues noted. Internal controls, governance and risk management practices have some weaknesses in design or operating effectiveness such that, until they are addressed, there is not yet a reasonable assurance that the objectives are likely to be met.
Ineffective	Multiple significant and/or (a) material issue(s) noted. Internal controls, governance and risk management processes are not adequately designed and/or are not generally effective. The nature of these issues is such that the achievement of objectives is seriously compromised.

The OIG audits in accordance with the Global Institute of Internal Auditors' definition of internal auditing, international standards for the professional practice of internal auditing and code of ethics. These standards help ensure the quality and professionalism of the OIG's work. The principles and details of the OIG's audit approach are described in its Charter, Audit Manual, Code of Conduct and specific terms of reference for each engagement. These documents help safeguard the independence of the OIG's auditors and the integrity of its work.

The scope of OIG audits may be specific or broad, depending on the context, and covers risk management, governance and internal controls. Audits test and evaluate supervisory and control systems to determine whether risk is managed appropriately. Detailed testing is used to provide specific assessments of these different areas. Other sources of evidence, such as the work of other auditors/assurance providers, are also used to support the conclusions.

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

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