



## Board Report

# Office of the Inspector General 2014 Annual Report

GF/B33/06  
For information  
Thirty-Third Board Meeting  
Geneva, Switzerland  
31 March – 1 April 2015

Purpose of the paper: to provide an update on the  
2014 activities of the Office of the Inspector General

# PART 1. EXECUTIVE MESSAGES



## Message from Katie Hodson, Inspector General ad interim

2014 was a year of consolidation and construction at the Office of the Inspector General (OIG). The office finished the year with a headcount of 41, the biggest it has ever been. The Audit and Investigations Units were restructured with a more regional and thematic focus and reinforced by the creation of a Policy and Strategy Unit and an Intelligence and Operational Excellence Team.

Better communications, with the implementation notably of stakeholder engagement models that map out the key stages of OIG work, has led to stronger relationships with all our stakeholders. We are now having more strategically important conversations with the Secretariat compared to the more operational nature of discussions before. Examples include participation in important initiatives such as a review of governance, combined assurance, ethics and results-based financing. OIG involvement is helping the organization make the sustainable and structural improvements required to manage and mitigate risk.

However, the year also brought its challenges. Given the restructuring and a more demanding and strategic audit approach, the Audit Unit functioned at 50% headcount for much of the year. The OIG, with the approval of the AEC, took a deliberate decision to revise its Audit Plan from 21 reviews to a more realistic 11, placing greater emphasis on key areas of assurance needed for its annual opinion. The focus of the Investigations Unit on closing 30 cases dating from 2009 to 2012 left little time for fraud prevention activities.

On the other hand, the OIG has for the first time produced an annual opinion intended to give Board members and other stakeholders an understanding of whether internal controls, governance and risk management processes at the Global Fund are adequate and effective to ensure that the organization's operational and strategic objectives are being met.

*The full Annual Opinion on Governance, Risk Management and Internal Controls of the Global Fund is available in document GF/B33/07.*

The investigation backlog of cases dating from 2009-2012 has been cleared with an increase in productivity thanks to more staff coming on board and efficient management. Screening processes of incoming complaints were refined, including building capacity to deal with

potential Human Rights violations in Global Fund grants. 2014 saw a rise of 60% in overall complaints, mostly due to better communication and visibility rather than an actual increase in wrongdoing.

Overall, we released 25 reports in 2014 (the full list is available in Annex 2). However, once an OIG report is released, the work doesn't stop. Our focus is now on helping the Secretariat to find solutions rather than simply describing problems. All our reports identify root causes and ensure there are implementable and sustainable solutions as reflected in Agreed Management Actions with the Secretariat. These actions are designed to prevent problems from recurring and are vital in helping the Global Fund move forward.

*More information on the 2014 Agreed Management Actions is available in document GF/B33/08.*

The Audit Unit was confirmed as 'generally conformant' with the Institute of Internal Auditor's Standards for the Professional Practice of Internal Auditing and the Investigations Unit as 'fit for purpose' after their respective external quality assurance reviews conducted by an independent firm. This is in line with our Charter which states that the OIG itself should be compliant with international standards and best practices. The office's 2014 Key Performance Indicators have been materially met, demonstrating that we delivered an efficient and effective service, were fully accountable and transparent, that our interventions had impact and that we now have a team in place to meet our objectives. Full details of our 2014 Key Performance Indicators are available in Annex 1.

In conclusion, as the OIG celebrates its ten-year anniversary in 2015, it remains an independent, well-staffed office that reports directly to the Board, through the AEC, and compiles regular, publicly available audit and investigation reports of financial, programmatic, and reporting aspects of the Global Fund, its grantees, and Local Fund Agents.

A cornerstone of the organization's assurance structure, the OIG is committed to its mission to safeguard the assets, investments, reputation and sustainability of the Global Fund. Our gratitude is extended to the AEC, the Board and Secretariat executive management for their continued support.



## Message from Mouhamadou Diagne, Inspector General from March 2015

I am delighted to inherit a strong OIG as it celebrates its 10 year anniversary. I would like to thank Martin O'Malley, my predecessor, for building up a dedicated and focused team and Katie Hodson, Inspector General ad interim, for assuring the continuity of Martin's work in the first quarter of 2015. I would also like to thank Elmar Vinh-Thomas, Director of Audit, who leaves the OIG in March, for leading and strengthening the team, particularly during periods of significant change. My main message is to assure the Audit and Ethics Committee and the Board that I intend to continue building on these foundations to raise the office to the next level.

To do this, I believe in a culture of continuous improvement. We need to pay particular attention to strengthening our delivery accountability, to maximizing the strategic impact of our work, and to developing effective relationships with all key stakeholders.

We also need to have a collaborative approach. This includes maintaining and continuing to strengthen our close relationship with the Secretariat, in a spirit of candid but productive partnership, while preserving and protecting the independence and objectivity of the OIG. This balanced approach is a key requirement to fulfill our mandate and maintain donor confidence.

The OIG engages not only with the Secretariat but with all the Global Fund's stakeholders. While our work will always be anchored in core professional values of objectivity, fairness and impartial fact-finding, we also need to be balanced and sensitive to the varying needs of the diverse constituencies that make up the intricate multi-stakeholder fabric of the Global Fund.

With your help, I look forward to leading the OIG into its second decade to help to ensure the Global Fund takes the right actions to defeat AIDS, tuberculosis and malaria.

### About the OIG

The Office of the Inspector General is a group of 41 dedicated people comprising 17 women and 24 men with diverse profiles and backgrounds in various industries including the police, customs, health, publishing, accounting, law, assurance, development banks, the United Nations, government, anti-corruption bureaux and internal revenue services.

In addition to English and French, at least 20 languages are spoken at the OIG including Albanian, Afrikaans, Bengali, Chichewa, Dutch, Georgian, German, Gujrati, Hindi, Italian, Japanese, Latvian, Marathi, Russian, Spanish, Tagalog, Ukrainian, Vietnamese, Welsh and Yao.

## PART 2.

# AUDIT UNIT

### Strategy

In 2014, the Audit Unit was restructured in order to put in place a new audit approach more closely aligned with Global Fund strategy. The new approach is designed to answer high-level questions of value to the Board.

### A NEW AUDIT APPROACH CLOSELY ALIGNED WITH GLOBAL FUND STRATEGY

Examples of high-level questions include: what is the best model of governance for the Global Fund in the future? How can the Secretariat put in place new models that support national health strategies such as results-based financing? In the absence of in-country representation, how can the Global Fund gain assurance that its grants are having the desired impact and that risks are being properly managed on the ground?

Throughout the year, these themes have played an important part in guiding the Audit Unit's work plan for country and internal audits.

### Staffing

The restructuring of the audit team and the new focus on a more strategic audit approach led to the departure of seven members of staff in 2014 (two were made redundant, one transferred to the Secretariat, one took early retirement and three resigned). Recruitment to fill the resulting vacancies took substantially longer than expected, which meant that for much of the year the unit functioned at less than 50% of the approved head count. Rather than hire external consultants to fill in the vacancies, OIG management decided to focus on recruiting the best candidates to build a strong and sustainable internal team.

### Progress against the 2014 Work Plan

Due to the above staffing situation, the AEC approved a revised Audit Work Plan, which decreased the reviews from 21 to a more realistic 11 that focused on key assurance deliverables. The Audit Unit completed 94% of this revised 2014 Work Plan. At the time of writing, all 11 reviews have been conducted, with five reports published in 2014, two in early 2015, and the remaining four in line to be published soon. In addition, the unit continues to be actively involved in the combined assurance steering and working groups, results-based funding initiatives, document retention policy work and shadowing the implementation of the new funding model. This forms part of our ex-ante audit work in the 2015 annual plan.

### BUILDING A STRONG AND SUSTAINABLE TEAM

At the time of writing all but two of the vacancies in the 19-strong Audit Unit have been filled. With Elmar Vinh-Thomas' departure to the Bill & Melinda Gates Foundation, a search for a new Audit Director is also underway. We project to be fully staffed by the end of Q2 of 2015.

### Quality assurance and improvement

The quality of the Audit Unit was assessed twice in 2014. The first evaluation was part of the "Pillar Assessment" of the Global Fund by the European Commission. The evaluators concluded that the OIG audit function "compl[ies] with the international professional standards and the code of ethics issued by the Institute of Internal Auditors."

In addition, in the interest of continuous improvement, the OIG voluntarily commissioned a formal external quality assessment of the audit function in line with the Institute of Internal Auditors' (IIA) guidance. This was performed in December/January by Moore Stephens and confirmed that the Audit Unit is in general conformance with IIA standards and the code of ethics.

*2014 Audit Reports (Summaries of the reports can be found in Annex 2)*

2014	Original Plan	Revised Plan (AEC10)	Completed	Reports Released	Work in Progress	Progress against Revised Plan
Assurance	20	10	10	4	6	91%
Advisory	1	1	1	1	--	100%
<b>Total</b>	<b>21</b>	<b>11</b>	<b>11</b>	<b>5</b>	<b>6</b>	<b>94%</b>



It highlighted three operational areas for further improvement, which the OIG agrees with and has begun implementing, as well as an area related to the OIG Charter, which is directed to the AEC.

The Audit Unit routinely collects satisfaction surveys from its auditees following fieldwork. The surveys are designed to receive feedback in three areas: the effectiveness of the audit, audit organization and scheduling and audit fieldwork. Feedback in 2014 was positive overall and improved slightly from 2013. On a scale from 1-4, audit effectiveness was rated 3.6 compared with 3.4 in 2013, audit organization was rated 3.2 (no change from 2013) and fieldwork was rated 3.3 (no change from 2013). The professionalism of OIG auditors and their constructive approach received specific praise, reflected in a high rating of 3.8 (2013: 3.7). The “shift from auditing transactions to auditing program effectiveness” and the “improved spirit of dialogue” were positively highlighted by auditees.

### OIG Annual Opinion

The OIG has issued its first “Annual Opinion on Governance, Risk Management and Internal Controls of the Global Fund.” A typical overall assurance opinion in the audit world is binary: the OIG either can or cannot give assurance that governance, risk management and

internal controls are adequate and operating effectively at the organization under scrutiny. Such a binary approach is not suitable in the context of the Global Fund, which is a relatively young organization with a large number of processes undergoing change at the time of the audit work. The OIG approach is therefore to give an opinion on the overall maturity of the Global Fund for the period 2013-2014 at a macro level.

## CORE GLOBAL FUND PROCESSES AND CONTROLS HAVE MATURED SINCE 2012

The OIG analysis shows a progressive improvement in organizational maturity over time. Audits prior to 2013 documented an organization that had marked weaknesses at the policy and compliance level, with governance, risk management and internal controls not fully defined. Based on the OIG’s work in 2013 and 2014, the Global Fund has clearly matured. Governance, risk management and internal control processes have largely been defined through institutional policies approved by executive management and/or the Board. However, on aggregate, the OIG’s findings show that these are not yet applied consistently and are not yet fully embedded in everyday management practice across the organization.



This is due in part to the time necessary to fully transform a multistakeholder organization that has undergone repeated revisions to its business model even as it continues to fund public health programs in highly variable and often fragile environments. The Global Fund has had to make pragmatic choices in deciding how to prioritize the implementation of its transformation plan; recent audit work shows that core processes and controls at the Global Fund are now maturing and continue the positive trajectory that began in 2012. This progress is noteworthy; at base the Global Fund is a financing instrument that must balance rapid evolution in the search for greater impact with stewardship over donor funds.

The OIG has no reason to doubt that continued management attention to identified weaknesses will lead to further growth in maturity along this positive trajectory, reaching higher maturity levels in the coming years.

*The full Annual Opinion is available in document GF/B33/07.*

### The year ahead

The 2015 Audit Plan is aligned with the 2012-2016 Global Fund Strategy and the three-year audit plan.

It consists of 16 audits:

- 6 internal audits including:
  - “Strategy and Impact”: controls around ensuring that the Global Fund measures and achieves its strategic objectives.
  - “Grant Making under the New Funding Model”: controls around the implementation of grant making processes.
  - “The Effectiveness of the Country Coordinating Mechanism”: efficiency and effectiveness of the mechanisms in-country.
  - “The Allocation of Funds”: robustness of the current allocation methodology.
- 10 country audits: Ghana, Nigeria, Tanzania, Uganda, Pakistan, Indonesia, Honduras, Uzbekistan, Chad and South Sudan

These ten countries cover a combined 24% of the 2014-2016 allocation across the three diseases



### Disease Impact Coverage

The ten countries account for  
**23%** of successful tuberculosis treatments,  
**27%** of people on antiretroviral treatment and  
**32%** of bed nets distributed.

The majority of the country audits will take place in the first half of the year, as the conclusions of these reviews will likely inform the internal reviews (e.g. CCMs, grant making). Work has started in Q1 2015 on the audits of Pakistan, South Sudan and Ghana as well as on the internal review of the allocation of funds.

20% of the overall audit effort in 2015 will be dedicated to ex-ante work, involving participation in standing committees and new strategic initiatives.

# PART 3.

## INVESTIGATIONS UNIT

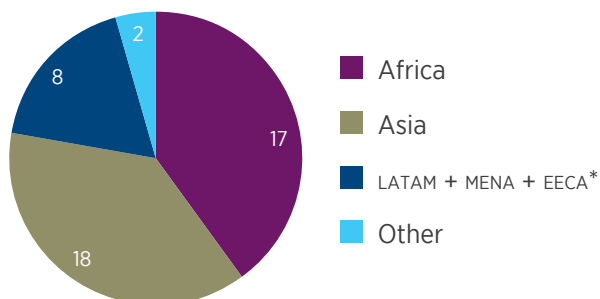
### External Quality Assurance Review

As stated in its Key Performance Indicators, the work of the OIG is subject to periodic independent reviews to confirm that it conforms to prevailing international standards, guidelines, and best practices. In 2014, after being assessed by Moore Stephens International, the Investigations Unit was deemed 'Fit for Purpose' and in a good position to build on investments and become more proactive.

The creation of an Intelligence and Operational Excellence team is recognised as key in the evolution of the OIG's Investigations Unit from reactive and 'fire-fighting' to a more professional, proactive and collaborative outfit. This team will add significant value not only to investigations, but also in providing information that allows the Global Fund Secretariat to make risk-based and strategic funding decisions.

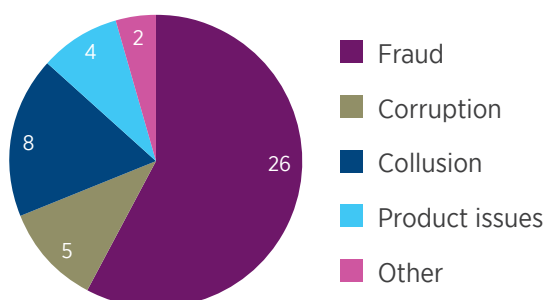
### Investigation case load

The OIG opened 45 cases in 2014, broken down per the following regions:



\*Latin America, Middle East and North Africa, Eastern Europe and Central Asia

These cases can be broken down in the following categories of wrongdoing:



### Production

The OIG Investigations Unit published 11 reports in 2014, following investigations in Madagascar, Papua New Guinea, Sierra Leone, Ghana, Mali, Nigeria, Burundi, Congo (Democratic Republic), Burundi, Niger and Nigeria. Ten of these reports were part of a backlog of cases, known as 'legacy cases' relating to investigations started before 2012 that the OIG was able to finalize and publish thanks to increased staff headcount and effective management. Summaries for all reports published in 2014 can be found in Annex 2.

Not all OIG investigations result in a published report. When there is insufficient evidence to conclusively say if there has been fraud or abuse, the investigations are closed with case closure memoranda. In 2014, 42 investigations were closed in this way. Production in 2014 has increased compared to 2013, when five reports were published (comprising eight cases) and 148 investigations were closed with case closure memoranda.

### HIGHER PRODUCTIVITY IN 2014 THANKS TO INCREASED HEADCOUNT AND EFFECTIVE MANAGEMENT

At the beginning of 2014, the team had 60 open active investigations brought forward from previous years. During the year, a further 45 new investigations were started and 53 were closed. At the end of the year, 52 active investigations were carried forward, a balance considerably less than in previous years.

### Fraud and Abuse Complaints

In 2014, the OIG received 157 reports of fraud and abuse, an increase of 60% compared to the 98 received in 2013. The reports received were carefully reviewed to ensure that the complaints fell within the scope of the OIG's Charter and related to fraud and abuse in Global Fund financed activities.

### COMPLAINTS UP 60% COMPARED TO LAST YEAR

The OIG sees the increase in reports as a healthy development of a 'speak-up' culture. Of the 157 reports, 114 allegations were received directly from whistle-blowers. This is largely due to increased visibility and better communication of the OIG's multimedia whistle-blowing channels.



	2005-2007	2008	2009	2010	2011	2012	2013	2014
Investigations brought forward from past	0	20	48	89	139	190	178	60
Investigations opened	20	29	69	75	57	33	38	45
Investigations closed	0	1	28	25	6	45	156	53
Investigations carried forward into future	20	48	89	139	190	178	60	52

Of the 157 allegations received in 2014, 38 new investigations were referred to the investigation teams, while 45 were deemed 'out of scope', i.e. not linked to Global Fund financed projects. In addition, there are 21 allegations pending screening, with 18 further allegations related to existing investigations. When the OIG receives allegations which refer to programmatic inefficiencies, the screeners forward them to the Secretariat to inform its operational risk management. In 2014, 35 allegations fell into this category, compared to 11 in 2013.

## Human Rights

The OIG continued to work closely with the Secretariat to integrate human rights violation allegations into complaint handling processes. In 2014, the OIG screened 11 reports of potential human right violations; nine originated from the Community, Rights and Gender Department and two were reported via the OIG hotline. The reports were carefully vetted but as most could not be directly linked to Global Fund activities, an investigative response was not deemed appropriate and the cases were referred to the Secretariat.

## The Year Ahead

In addition to completing the legacy cases in 2014, the OIG conducted missions in Guyana, Nigeria, Laos, Egypt, Angola, India, São Tomé and Príncipe, Tajikistan, Ghana, Burundi, Ukraine and Yemen. Reports or memoranda will follow in 2015.

## BUILDING INTELLIGENCE AND INTERVENING EARLIER

The Intelligence and Operational Excellence Team is now in place. Four years of OIG Investigations data from 2011-2014 have been harvested, broken down and reconstructed into a data base to draw out lessons and analyze the root causes of fraud and abuse. This OIG 'organizational memory' will be exploited to better inform the value of future grant risk management and associated investigation tactics. The growing data base now has a search capability and profiles a thousand entities with whom the Global Fund has worked.

This intelligence will help the OIG become more proactive by intervening earlier to prevent or disrupt fraud before it becomes systematic, lengthy and costly.

## The Conference of International Investigators

On 29 September 2015, the OIG will host the 16<sup>th</sup> Conference of International Investigators (CII) in Montreux, Switzerland. The CII was founded in 1999 through the initiation of Franz-Hermann Brüner, who was Director-General of the European Anti-fraud Office (OLAF) from 2000 to 2009. The CII brings together investigators from OLAF, international financial institutions, the United Nations and other agencies from around the world to discuss issues of common concern in the field of investigations and corruption.



## PART 4.

# THE STRATEGY AND POLICY UNIT

Newly created in 2014, the seven people in the Strategy and Policy Unit and in the front office aim to enable auditors and investigators, lead internal strategy and process improvements, and ensure that activities of the OIG are well coordinated in order to meaningfully influence the Global Fund. The unit supports and empowers auditors and investigators in their delivery by leading the identification of priority themes and strategies, ensuring the alignments of deliverables with the purpose and the mission of the office and working closely with the Intelligence and Operational Excellence team.

### ENGAGING MORE EFFECTIVELY WITH GLOBAL FUND STAKEHOLDERS

The unit acts as an incubator for ideas and improvements, piloting new initiatives such as the revised role of the OIG in the recoveries process, or the tracking of Agreed Management Actions in a more effective and transparent manner, allowing analysis around trends and progress. Deep dive reviews were introduced to assess progress against Agreed Management Actions focused on key risk areas.

Tracking of time and resources on a per project basis was introduced, enabling the development of management indicators. The unit also conducted assessments of the IT systems of the OIG, including its case management, document management and IT forensic operations,

which confirmed the quality of the work undertaken and will help prioritize ongoing developments.

*More information about Agreed Management Actions is available in document GF/B33/08.*

The implementation of the OIG Communications Strategy in 2014 has succeeded in creating a culture of no surprises and clear expectations around process. This is supported by the OIG's Stakeholder Engagement Models, which summarize the steps taken during planning, field work and report finalization and have been shared with all stakeholders. Along with improvements to the reports presentation and ensuring consistency and suitability for the target audience, the work of the unit ensures due process and supports the publication of quality reports.

Partnership with the Secretariat around access to and analysis of core financial and programmatic data and use of IT services corresponding to OIG business needs has improved. Improved internal metrics regarding resource use have been put in place, enabling informed decision making and planning.

In addition to these new initiatives, the unit has ensured business continuity and budget control through management transitions and ensured that the external quality assurance review of the Investigations Unit was conducted appropriately.

### 2015 'Speak-up' Communications Campaign

The OIG is organizing a communications and training campaign in the second half of 2015 to encourage people to speak up about fraud and corruption in programs financed by the Global Fund. The campaign will be divided into two phases:

- a) A key internal audience is the Global Fund itself, its governance bodies, partners and friends as they can become campaign champions and amplifiers of the messages.
- b) As resources are limited, the strategy is to pilot the external campaign in two or three countries in close collaboration with the Secretariat and, if possible, external partners.

The campaign will link up with proactive anti-corruption interventions from the OIG and it can also accompany high profile national health programs financed by the Global Fund. The campaign will culminate on 9 December 2015, International Anti-Corruption Day.



### **Collaboration with Global Partners**

The OIG has signed a number of memoranda of understanding with global partners in the fight against fraud and abuse in Global Fund financed programs including the following:

- UK Department for International Development
- Djibouti Inspection Générale d'Etat
- Economic and Financial Crimes Commission - Nigeria
- GAVI Alliance
- Malawi Anti-Corruption Bureau
- Malawi Financial Intelligence Unit
- Malawi Police
- OLAF - European Anti-Fraud Office - European Commission
- Prevention and Combating of Corruption Bureau Tanzania
- Tanzania Food and Drug Authority
- United Nations Development Programme
- The United Nations Office for Project Services
- USAID
- World Bank

# PART 5.

## BUDGET AND RESOURCES

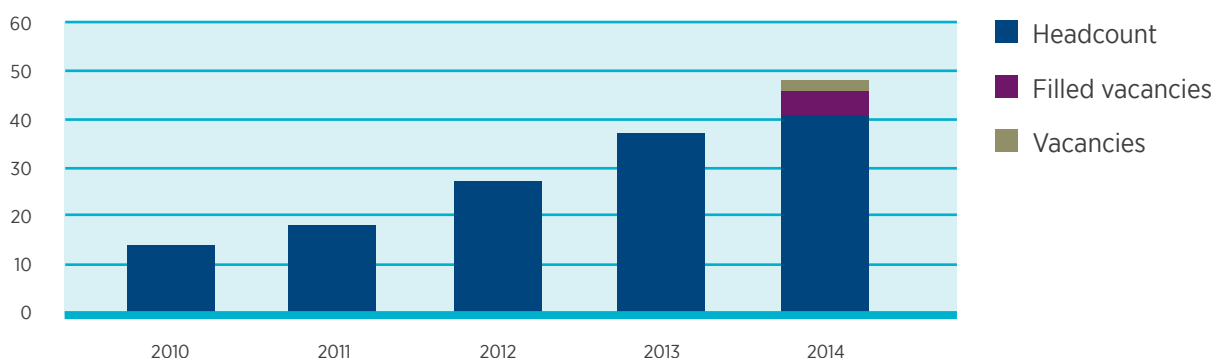
### OIG Headcount

The OIG is now almost fully staffed. At the end of the year, headcount was 41 out of an overall budget of 48, the highest it has ever been. Of the seven positions left, five have been filled since the start of 2015, with three new members of staff joining in January and two in March, leaving two remaining vacancies.

### THE OIG IS FIT FOR PURPOSE

Headcount 1 Jan 2014	Hires 2014	Departures 2014	Headcount 31 December 2014	Filled vacancies since December 2014	Vacancies
37	14	10	41	5	2

Staff growth over the past five years



### OIG Budget

At the end of December, the OIG operational expenditure showed an underspend of USD 4,949,174 against the budget (April 2014) and an underspend of USD 430,482 versus the 2014 full year forecast (September 2014). Most of this is explained by variances in salaries, travel and associated costs due to 10 departures during the year, the reduced headcount in the Audit Unit for much of the year and fewer investigation missions in order to clear the backlog of legacy cases. Also, external factors such as the postponements of some audits due to the Ebola epidemic and delays in the roll-out of new initiatives at the Secretariat, as well as careful savings in the use of external consultants play a part in the underspend.

Budget line item	2014 Budget	2014 Full Year Forecast	December Actual	Variance against original Budget
Salaries	\$9,405,003	\$8,154,346	\$8,153,207	\$1,251,796
Professional Fees	\$2,858,350	\$1,961,500	\$1,907,288	\$951,062
Travel	\$3,232,999	\$1,270,500	\$897,073	\$2,335,926
CPD / Representations	\$211,500	\$125,500	\$101,499	\$110,001
Communications	\$225,250	\$65,000	\$68,552	\$156,698
Office infrastructure	\$1,134,533	\$972,097	\$990,842	\$143,691
<b>Total Operating Expenditure</b>	<b>\$17,067,635</b>	<b>\$12,548,943</b>	<b>\$12,118,461</b>	<b>\$4,949,174</b>

# ANNEX 1.

## KEY PERFORMANCE INDICATORS

	Key Performance Indicator	Status
<b>A. To deliver an efficient and effective service</b>	A.1 Reports finalized in compliance with the Stakeholder Engagement Model contained in the Communications Strategy and, on average, following the indicative timeframes	All audit reports from the revised 2014 Work Plan and 9 investigations reports followed all stages of the Stakeholder Engagement Model. The indicative timeframes in version one of the engagement models were probably too ambitious as on average the reports took longer than 18-22 weeks
	A.2 At least 90% achievement of annual audit/investigations work plans	94% of the revised Work Plan for audit, 91% for investigations
	A.3 Costs managed within approved budget	2014 budget was \$17,067,635 and reforecast \$12,548,943. As of 31 Dec 2014 actuals were of \$12,118,461. Total variance vs. budget is \$4,949,174
<b>B. To foster confidence by being accountable and transparent</b>	B.1 External quality assurance review of audit and investigations units to confirm that the quality of assessment processes, work papers, reports, and interaction with key stakeholders adheres to professional standards and guidelines	Both the Investigations and the Audit Units built strong internal quality control capabilities. This was confirmed through independent external Quality Assurance Reviews conducted by Moore Stephens International. The Investigations Unit received a green rating in all six categories reviewed. The Audit Unit likewise received a rating of 'general conformance', the highest rating possible under the guidelines from the Institute of Internal Auditors. The unit directors are following up on recommendations
	B.2 All investigation and audit reports published on the OIG website as defined in the Communications Strategy	25 reports were completed in 2014. Five audit reports were published on the OIG public website and nine were released to the AEC. From the investigations unit, 11 reports were published
	B.3 Annual opinion on governance, risk management and controls at the Global Fund	This has been submitted to the Board through the Audit and Ethics Committee for its March 2015 meeting
<b>C. To ensure impact in our work</b>	C.1 Agreed actions tracked, reported on monthly and validated within 3 months of Secretariat reported "Completed" date. Reports of slippage on agreed actions are escalated.	Seven status reports were shared with the MEC in 2014. As at 31 December 2014, 119 Agreed Management Actions had been validated by the OIG, 58 within three months after Secretariat implementation
	C.2 Adherence to the Stakeholder Engagement Models embedded in the Communications Strategy to ensure quality through the safeguards (i.e. Facts and accuracy check)	The OIG has followed the stages and respected the safeguards in 100% of cases. This ensures that audit and investigation reports have gone through the necessary checks before being published. The OIG is also consistently in contact with the Secretariat throughout the whole Agreed Management Actions cycle: agreement, tracking, implementation, validation and closure stages
<b>D. To recruit and retain the best people and foster a culture of trust and teamwork</b>	D.1 All employees participating in continuing professional development activities and complying with requirements	2014 Individual development plans were completed for all OIG staff. 100% of OIG staff have attended the trainings that ensure they meet their professional certification and qualification requirements
	D.2 Staff Turnover does not exceed 10%	Due to restructuring, staff turnover in 2014 was 16%. Total budgeted headcount is 48, 41 staff were on board as at 31 December 2014, with seven vacancies. Three joined January 2015, two in March



# ANNEX 2.

## SUMMARIES OF OIG REPORTS COMPLETED IN 2014

### 13-052 Madagascar

This investigation examined procurement irregularities by grant recipients in Madagascar. Two of the recipients concerned were government agencies, Unité de Gestion des Projets d'Appui au Secteur de Santé (UGP) and Centrale d'Achats de Médicaments et de Matériel Médical (SALAMA). The report contains findings following a review of USD 12.2 million in grants and identifies overpricing of goods partly by vendors and partly by SALAMA amounting to a total of USD 462,670.

### 14-001 Market Dynamics Advisory Group

The overall objective of this audit was to perform a high level assessment of the extent to which the Global Fund Board can place reliance on the work of the Market Dynamics Advisory Group for providing strategic direction to the Global Fund for achieving impact and effectiveness in market-shaping initiatives.\*

### 14-002 Papua New Guinea

This investigation found irregular procurement procedures and cash advances at the National Department of Health in Papua New Guinea, a grant recipient of Global Fund grants. The investigators found that the Department of Health had failed to comply with government procedures and Global Fund grant agreement requirements, resulting in USD 1,352,696 of non-compliant expenditure.

### 14-003 Information Technology

The overall objective of this audit was to perform a high-level assessment of the adequacy of key IT systems and processes against ISO 27001.\*

### 14-004 Communications

This high-level assessment focused on communications practices at the Global Fund, specifically assessing whether the communication strategy and activities were aligned to the overall Global Fund strategy and the effectiveness and efficiency of the Global Fund's communication strategy, work plan and activities.\*

### 14-005 Sierra Leone

Investigators found evidence of fake invoices and fictitious vendors in the procurement of office equipment for the Sierra Leone Ministry of Health and Sanitation, a Principal Recipient of Global Fund grants. In an assessment of the ministry made in 2011 by the Local Fund Agent, losses of USD 167,947 were highlighted in the purchase of non-health products. In its investigation, the OIG identified a further USD 70,510 of compromised expenditure.

### 14-006 Assurance Model

This audit assessed the extent to which senior management and the Global Fund Board can place reliance on the work of first- and second-line assurance providers over Global Fund grants. Specifically, the OIG reviewed the extent of reliability of assurance provided by the providers (based on IIA-defined criteria), the adequacy of assurance coverage considering the key risk areas of Global Fund grants, and the overall coordination of assurance by the Global Fund Secretariat.\*

### 14-007 Qualifications and Forecasting

The overall objective of this audit was to evaluate the sufficiency and adequacy of the quantification and forecasting arrangements in place for ARVs, which are needed for the effective implementation of the Global Fund-supported programs.\*

### 14-008 Governance

The objective of this OIG report, issued in June 2014, was to advise the Board on how to become more effective and efficient in driving the Global Fund forward in its mission to end the three diseases. Overall, the OIG found no major concerns as regards the Board's role in fulfilling three of its core functions: strategy development, the commitment of financial resources, partnership engagement, resource mobilization and advocacy. There were concerns, however, some significant, in relation to the Board's other core functions, namely, governance oversight, risk management and assessment of performance.

### 14-009 Capacity Gaps among PRs

The overall objective of this audit was to assess the adequacy and effectiveness of the processes and controls in place to ensure that the capacity gaps that had been identified prior to grant signing had been adequately mitigated in the course of implementation.\*

### 14-010 Quality of Services

In this audit the OIG reviewed Secretariat processes for supporting continuous quality improvement in eight High-Impact countries (Ghana, Indonesia, Kenya, Pakistan, the Philippines, the Sudan, Tanzania and Uganda), where it assessed systems for detecting and addressing service quality gaps in Global Fund-supported programs.\*

### 14-011 QUART

The objective of this audit was to establish the extent to which senior management can rely on the risk assessments of grants using the QUART methodology in three high-impact portfolios: the DRC, Haiti and Pakistan.\*

## 14-012 Performance Measurement

This audit assessed the measurement of programmatic performance and the consideration of Monitoring and Evaluation systems issues in the overall performance rating of grants. It was backward looking and considered a sample of eight grants totaling USD 636.6 million from eight countries across the three diseases.\*

## 14-013 Ghana

OIG investigators found evidence of unapproved expenditures and bidding irregularities for construction contracts awarded by Ghana Health Service, the implementing agency of the Ministry of Health, the Global Fund's Principal Recipient in the country. Based on the OIG's findings, the Secretariat is seeking to recover USD 1.5 million from the Ministry of Health.

## 14-014 Guinea-Bissau

Auditors found that financial risks in Guinea-Bissau have been managed well by the Global Fund and that the safeguards in place are generally effective. On the other hand, stock management of health products, grant performance data and Local Fund Agent oversight need improving.

## 14-015 Mali

The OIG investigation covered the largest grant to Mali of USD 45.2 million, earmarked for the expansion of prevention and care networks for HIV/AIDS and sexually transmitted infections in the capital and across the country. The investigators found irregularities in 357 procurement transactions by the Haut Conseil National de Lutte contre le Sida (HCNLS), a former Principal Recipient of Global Fund grants, and its sub-recipients, and sub sub-recipients in Mali at the time.

## 14-016 Nigeria

An investigation by the OIG found evidence of fraud and procurement irregularities amounting to USD 354,680 by two principal recipients, the Society for Family Health and the National Malaria Control Program in Nigeria between 2008 and 2010. The recipients have either already paid back the misused funds or committed to full repayment.

## 14-017 Myanmar

The OIG audit found controls over financial management and program performance to be generally effective in Myanmar. There were no serious stock-outs of medicines, however, given the country's weak infrastructure, stock management was inadequate and the supply chain fragmented. The OIG also identified gaps in the general assurance framework on Global Fund grants.

## 14-018 Burundi

OIG investigators identified fraud and procurement irregularities involving Global Fund grants in Burundi between 2007 and 2011. A supplier of medical products, Diagnostic, submitted forged certificates, overcharged and delivered equipment to the Principal Recipient that did not meet bid specifications. The OIG also found that the grant recipient bought unapproved HIV Rapid Diagnostic Test Kits from another supplier, Bio-Rad. As a result, the Global Fund is seeking to recover USD 283,068 and has put in place stronger procurement processes at the recipient level.

## 14-019 Democratic Republic of the Congo

OIG investigators identified fraud and bidding collusion in the Democratic Republic of the Congo (DRC) between 2007 and 2010 from sub-recipients of grant funds. The Global Fund is seeking to recover a total of USD 1,428,718 million from UNDP, the Principal Recipient at the time, who oversaw the activities of the sub-recipients. The Global Fund has also strengthened significantly its DRC country team with an increased focus on mitigating financial risks.

## 14-020 Burundi

Investigators from the Office of the Inspector General (OIG) found non-compliant spending worth USD 184,000 in Burundi. The investigation noted a lack of transparency in the procurement of school and nutritional kits using funds from an HIV grant managed by a Global Fund Principal Recipient in Burundi, Réseau Burundais des Personnes Vivant avec le VIH/SIDA (RBP+). The Global Fund is seeking to recover the misspent sums and has strengthened significantly the procurement process involving its grants in Burundi.

## 14-021 Ghana

This OIG investigation found USD 3.84 million was not spent in compliance with Global Fund grant agreements in Ghana. The money was used by the Ghana Health Service to buy 128 million male condoms between 2010 and 2013 from the supplier Global Unilink. The condoms were found to be sub-standard, over-priced and bought through a non-competitive tender process involving forged documents. As a result, the Global Fund is seeking to recover the above sum, is taking actions against the supplier Global Unilink and ensuring that health products meet quality standards prior to distribution.

## 14-022 Niger

Following an investigation of Global Fund grants in Niger, the Office of the Inspector General (OIG) is proposing USD 2.4 million to be recovered. This sum corresponds to unsupported expenses, mainly from sub-recipients of grants, from 2005 to 2012. This sum is part of an overall total of USD 16.8 million that was not spent in compliance with Global Fund grant agreements over this period. The remaining USD 14.4 million of non-compliant expenditure stems mainly from a procurement of bed nets in 2008. Despite insufficient transparency and a conflict of interest in the bidding process, the OIG found that the bed nets were reasonably priced and successfully distributed. As a result, the OIG is not proposing that this sum be reimbursed.

## 14-023 Rwanda

The OIG found that the system of internal controls to be generally effective. However, with the move to a results-based funding model in Rwanda, the auditors found that the Secretariat had neither thoroughly assessed all the controls nor designed a robust assurance framework before the implementation of the new model.

## 14-024 Ecuador

The OIG found that the Secretariat's management of financial and fiduciary risk related to the grants to Ecuador is generally effective. They identified, however, gaps in assurance provision as well as serious delays in the procurement of condoms and in program outcomes.

*\* The report was shared with the Audit and Ethics Committee and with executive management but was not published given the policy at the time of fieldwork.*

**Photos:**

- Page 5      Patient files at the antiretroviral treatment clinic of the General Hospital in Lagos, Nigeria.  
*The Global Fund / John Rae*
- Page 10      At the warehouse of the Regional Hospital to Fight TB in Fergana, Uzbekistan, hospital staff inspect boxes with tuberculosis medicine. TB treatment is provided for free throughout the country with the support from the Global Fund and its partners.  
*The Global Fund / John Rae*