Office of the Inspector General, Progress Report

42nd Board Meeting

GF/B42/06

14-15 November 2019, Geneva, Switzerland

Board Information

Purpose of the paper: to update the Board on the activities of the Office of the Inspector General's activities in 2019 to date, and on the workplan and budget for 2020.

Executive Summary

Context

OIG engagements in 2019 have confirmed the trajectory reported earlier that Global Fund grants are generally achieving significant impact. Our audits noted improvements both at the Global Fund Secretariat and in-country, while highlighting continuing challenges. At the operational level, the OIG is on track to meet its work plan, with both audits and investigations anticipated to reach their KPI of 80% of reports issued in draft by year end.

Questions this paper addresses

A. Emerging themes and trends based on OIG 2019 engagements to date
B. Status on the delivery of OIG audit and investigation plans
C. OIG 202 workplan

Conclusions

A. The 2020 audits to date indicate general improvement in availability of data at country level, availability of commodities at service delivery points, and management of fiduciary risks. The main thematic issues highlighted in the audits remain around: accuracy of the data; inventory management and traceability for drugs; gaps in grant implementation arrangements; and inconsistencies in the effectiveness of some of the financial oversight mechanisms.
B. The OIG is on track to deliver its audit and investigations workplan in line with the key performance indicators set by the Audit & Finance Committee.
C. The OIG work plan for 2020 comprises 11 country audits, 7 internal audits, 4 advisory reviews, and 16 investigations.

Input Sought

Following the Audit and Finance Committee's recommendation, the Board is asked to approve the inclusion of the OIG's 2020 operating expenses budget in the 2020 Operating Expenses Budget of the Global Fund. This progress update is provided for Board oversight purposes.

Input Received

At its October 2019 meeting, the Audit & Finance Committee approved the OIG 2020 work plan, operating expenses budget and Key Performance Indicators.

I.   Executive summary

OIG engagements undertaken in 2019 so far have confirmed the trajectory reported earlier that Global Fund grants are generally achieving significant impact. Our audits noted improvements both at the Global Fund Secretariat and in-country, while highlighting continuing challenges. Efforts to strengthen health information systems across the Global Fund's 50 high impact and core countries have improved the availability of data at country level, but much more effort is needed to improve the overall accuracy of the results being reported. The availability of medicines at service delivery points has improved, but inventory management continues to be a challenge, especially at lower levels of the supply chain.

Grant implementation arrangements could benefit from better alignment with the country context, taking into account federal structures, mandates of national bodies and the private sector contribution. While the Global Fund's model and the environments it operates in naturally exposes grants to high fiduciary risks in some countries, management of these risks has significantly improved over time. However, OIG's work finds that gaps still exist in some aspects of the related oversight. Services provided by the Fiscal Agents are not consistently effective and reliance on international non-governmental organizations as Principal Recipients does not necessarily reduce inherent risks in the absence of adequate oversight.

Section III of this report highlights some emerging and significant themes from our work so far this year. These themes will be further developed in the 2020 OIG Annual Report.

At the operational level, as of 31 August 2019, the OIG audit plan completion KPI stood at 37%, while the Investigations unit was at 59% for the same period. This rate of progress is consistent with expectations, taking into account the timelines of most audits that are planned for completion in the second half of the year. Progress against our 2019 KPIs is presented in Section VI. The OIG is proposing to the AFC for approval same 2019 KPIs, set out in section VIII as KPI for 2020.

This report also presents, in Section VIII, for the AFC's approval, the proposed OIG work plan for 2020, comprising 22 audit engagements and 12 investigation reports, as well as the corresponding proposed budget and KPIs.

Finally, Section VIII further sets forth the 2020 OIG budget to be recommended to the Board by the AFC as part of the Secretariat 2020 OPEX budget.

<u>Work Program Completion</u>

- 19 audit engagements have been completed year to date (16 audits and 3 advisories), 12 of which are carry-overs from the 2018 work plan.

- 42 assessments/investigations closed this year, resulting in three published reports and 40 closure memos.

- Current active pipeline includes 14 audits, 1 advisory review and 12 investigations (10 complaint-led and 2 proactive).

- 43 Agreed Management Actions (AMAs) have been validated and closed, compared to 41 during same period in 2018.

- 50 new AMAs from reports published YTD, compared to 27 in the same period in 2018. More information about AMAs in separate report GF/AFC11/14.

- OIG investigations received 167 allegations between 1 January and 13 September 2019, compared to 144 during the same period in 2018. Of the 167 allegations, Secretariat referrals have increased by 100% from 2018 (from 14 to 28).

<u>Staffing and resources</u>

- At end-August 2019, the OIG had 48 employees out of a budgeted headcount of 52, with 4 open vacancies (two in audit, two in front office). Context is provided in Section VII.

- At end-August 2019, the OIG had a budget underspend of US$1.261m (-12.4%) against the YTD 2019 Operating Expenses Budget, due essentially to the vacancies which are being incrementally filled out.

II. Significant strategic themes

1. Efforts to improve the availability and quality of data for decision-making

The Global Fund is strengthening health information systems across its 50 high-impact and core countries to improve overall data quality. As of December 2018, the DHIS2 Health Information Management system had been rolled out in 13 countries, with plans to increase the number to 35 by 2022. This has generally improved the availability of data at country level, but much more effort is needed to improve the overall accuracy of the results reported to the Global Fund. While DHIS2 is a good system and contributes to the availability of data, it does not address in-country data quality challenges. Hence the Global Fund will need to balance investments in the system with support for the underlying tools, supervision mechanisms and assurance over the results reported by countries.

Togo successfully rolled out DHIS2 in March 2018, thanks to support from the Global Fund and partners. Most health facilities are also equipped with digital tablets, enabling them to report data directly in DHIS2. This has improved the timeliness of data report submissions by health facilities, from 14% in early 2018 to 56% in December 2018. However, material inaccuracies between the data reported in the system and underlying records compromise the overall quality of the data. About 42% of pregnant women reported in DHIS2 as being enrolled for PMTCT[1] could not be reconciled to the underlying patient files and registers. The number of patients treated with anti-malaria drugs was underestimated by at least 19% because of non-reporting of patients treated with non-Global Fund financed anti-malaria drugs, contrary to the performance framework. This is largely due to limited Global Fund assurance over in-country data and to ineffective supervision by implementers.

The number of people on anti-retroviral treatment in **Democratic Republic of Congo** is overstated due to ineffective supervision over the maintenance and reporting of patient records in the electronic information management system. There are material discrepancies between reported and actual numbers of people on anti-retroviral treatment. Integrated supervision guidelines and tools have been developed and are expected to be disseminated for use in Q4 2019.

While **Nepal** has established a health information management system, the data reported remain incomplete due to unclear definition of roles and reporting arrangements. None of the municipalities had submitted their TB program data one year after implementation of the new Global Fund grants. Only 32% of reports from health facilities had been reported in the system as of 31 December 2018. Antiretroviral therapy and Prevention of Mother to Child Transmission sites reporting through the system decreased from 79% to 57% and from 85% to 61%, respectively, between April and December 2018. The reporting delays result partly from unclear roles and accountability for reporting from the new data aggregation and reporting units. There is also a lack of clarity at service delivery points on where HMIS reports should be submitted.

Control weaknesses in DHIS2 installed in some countries and limited staff capacity to use key functionalities also present challenges to improving data quality. The system is usually not locked after each reporting period; as such, data can be changed after submitting progress reports to the Global Fund. Data changes in DHIS2 are not consistently documented, making it impossible to determine whether modifications of reported results are authorized or not. The system has inbuilt data quality assurance functionalities, but these are not being optimally used by implementers to identify data inconsistencies and outliers for follow-up review.

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[1] Prevention of Mother To Child Transmission

In the absence of accurate data, the quality of the decision-making process both at country level (e.g. quantification and forecasting) and at Secretariat level (e.g. performance ratings and disbursements) is affected.

2. Mixed performance on country supply chains

The Global Fund is supporting countries to strengthen their supply chain systems. As of August 2019, supply chain diagnostic studies or equivalent reviews have been performed in 18 countries. Transformation plans and specific investments are being made together with other partners to address challenges identified in the diagnostic reviews. OIG audits show that the availability of medicines at service delivery points has improved, but inventory management continues to be a challenge, especially at lower levels of the supply chain. This is due, in part, to weak oversight and limited ownership of the in-country supply chain.

Our follow-up audit in the **Democratic Republic of Congo** shows drug traceability has improved and the level of expiries has reduced. The traceability of malaria drugs from zonal warehouses to heath facilities was successfully verified in 70% of visited facilities, compared to 55% in 2016. All sampled HIV commodities and medicines were successfully traced from zonal warehouses to health facilities. However, there is limited traceability of medicines in **Liberia, Uganda** and **Togo.**

The Global Fund has aligned its investments to support **Liberia's** supply chain. With support from the Global Fund and partners, a new central warehouse has been built to store health and non-health commodities. The Global Fund invested US$0.5m from Catalytic Investments to perform a supply chain diagnostic review in 2017 and support the development of a transformation plan. Despite the ongoing improvement, weak supply chain governance and leadership is affecting the timely availability and accountability for commodities. Significant gaps in inventory management at the central level resulted in an inability to reconcile medicines and commodities funded by the Global Fund. There is no inventory management system, either paper or electronic, in use at the warehouse. No routine inventory counts have been conducted, impacting the visibility into drug availability at central level.

The internal controls at National Medical Stores and Ministry of Health of **Uganda** are not designed to track the health product batch numbers of health commodities received at the central medical stores. As a result, errors in entries manually posted in the inventory management system go undetected and uncorrected, limiting the National Medical Store's ability to trace health commodities. At health facility level, incomplete record keeping and the lack of regular physical inventory counts, both due to insufficient human resources and inadequate supervision over commodities from the MOH and the District Health Office, are contributing to low traceability, especially for malaria and TB commodities.

There is good traceability of inventory at central and regional levels in **Togo**. However, 70% of the sampled health facilities, at the local level, could not fully account for the drugs received in 2018, due to poor maintenance of stock cards and dispensing logs. District health offices and health facilities do not maintain adequate inventory management records. Four out of six districts visited do not have stock cards or stock-issued vouchers for medicines supposedly sent to health facilities. This poor traceability is due to weak oversight over commodities at district and health facilities level, and insufficient human resources at health facilities.

There is varied availability of medicines across the countries audited to date. In **Togo,** there are no material stock-outs in the supply chain; medicines are generally available at service delivery points to support the achievement of overall program objectives. **Uganda** has continuous availability of key anti-retroviral and anti-malaria medicines, but there were significant stock-outs of HIV rapid tests (screening tests and confirmatory tests) in 2018, mostly due to inadequate funding. There were also stock-outs of anti-TB first-line drugs (RHZE), due to a global drug shortage. **Liberia** experienced stock-outs of key

commodities for the three diseases for at least 68 days in 20 out of the 25 facilities visited, despite these commodities being in stock at the central level.

The **Democatic Republic of Congo** also experienced pervasive stock-outs of first line HIV test kits, affecting the detection of new HIV cases; this was mainly due to lack of funding to finance the national strategy. The assumptions underlying test kit quantification focus on key populations and patients at risk, while the national testing strategy in health centers involves voluntary testing of the general population.

Most of the above issues are expected to be addressed through the ongoing supply chain diagnostics and transformation initiatives. The OIG will be assessing the status of these initiatives and provide an update in the annual report.

3. Importance of adapting grant implementation arrangements

As part of their funding request, Country Coordinating Mechanisms propose grant implementation arrangements, which are reviewed and approved by the Secretariat. While Global Fund grants are generally achieving impact worldwide, implementation arrangements in some cases require better alignment with the country context. Federal structures, mandates of national bodies and the role of the private sector are not consistently considered in grant implementation arrangements.

Our follow-up audit in the **Democratic Republic of Congo** found that implementation arrangements have been streamlined since the 2016 audit. The number of Principal Recipients has decreased from five to three, and the number of grants from eight to five, with the HIV and TB components being combined in one grant. Donor interventions are now well-delineated by provinces for malaria and tuberculosis, and by health zones for HIV, helping to avoid overlapping interventions and improving supply chain efficiency and coordination with provincial authorities. A matrix of responsibilities at national and provincial level has been established and approved by the Ministry of Health, enabling better coordination and accountability between all stakeholders.

Following decentralization in **Nepal**, provincial and municipal governments are now responsible for planning, health care delivery and reporting to the newly created Ministry of Social Development (MoSD). Responsibilities between the Ministry of Health and Population and the MoSD regarding the oversight and implementation of the three disease programs have not been clearly defined. The lack of clarity post-federalization has affected implementation of the three disease programs in the areas of supply chain, funds flow, and reporting of programmatic and logistics data. The flow of TB and malaria commodities from the central level to service delivery points (SDPs), and of logistics and programmatic data from SDPs to the central level has been disrupted. This has contributed to delays in the distribution of drugs by the central warehouse, expiries at the central level, and a high risk of stock-outs at service delivery centers.

While the Global Fund does not have any control over country institutional arrangements or their administrative structures, the Secretariat needs to consider carefully the impact of those arrangements on the implementation model for our grants, anticipate the related risks associated with country institutional changes, and make necessary adjustments to mitigate those risks.

Our advisory review of grants in **West and Central Africa** found grant implementation at central level managed by Principal Recipients with limited mandate in delivering health services and no hierarchical, functional or financial relationship with service delivery entities. Global Fund Implementers, often the National Programs and National Aids Councils, generally do not have a mandate to implement healthcare delivery services. They oversee policy making, adoption of global treatment guidelines, monitoring and evaluation, program supervision, training, and overall coordination of the disease response. Vertical implementation arrangements and a lack of integration among the three diseases are not conducive to efficiency at central level. They also increase the burden on service delivery functions at the lower levels.

Fragmented management arrangements at the central level between the three disease programs affect health service delivery functions at the regional, district and facility levels, due to uncoordinated requests for financial reporting and data, as well as overlapping oversight activities such as program supervision.

While private sector health facilities account for a significant component of outpatient cases in many countries, they are not consistently involved in implementing Global Fund grants, due to the absence of a private sector engagement strategy in those countries. Despite private, for-profit facilities accounting for 34% of the total health facilities in **Liberia**, the Ministry of Health has not effectively engaged private sector facilities to improve access to malaria services. The lack of a comprehensive strategy on the engagement of the private sector and of a defined approach to the monitoring and supervision of private sector facilities limits the effectiveness of the Global Fund grants in the country. In **Nepal**, the limited engagement of the private sector is due to the absence of a nationally endorsed public-private strategy. This has hindered the creation of a national task force and the formal involvement of professional bodies (including task forces at provincial levels) to support grant implementation. Although "pay for performance" has improved engagement with private providers in Nepal, there is limited monitoring of the private providers enrolled in the program, due to the absence of dedicated TB surveillance officers within TB high burden municipalities.

4. Strengthening of the financial assurance framework

The Global Fund's operating environment naturally exposes grants to high fiduciary risks in some countries. The Secretariat institutes measures, such as Fiscal Agents and the use of international non-governmental organizations, to reduce the financial risks. Local Fund Agents also perform special reviews when required. These measures require continuous reassessment to ensure they remain effective in the environments where the Global Fund Operates.

OIG audits in the Democratic Republic of Congo and Liberia show significant inconsistency in the effectiveness of services provided by the Fiscal Agents. Fiscal Agent reviews in the **Democratic Republic of Congo** are too narrowly focused, are inconsistent in scope, and there is limited quality assurance over the reviews. In **Liberia,** inadequate oversight by the Fiscal Agent has contributed to gaps in financial controls. The Fiscal Agent does not perform any reconciliations on, or review, final accounting entries made by the Ministry of Health to ensure accurate and complete financial reporting. The agent does not effectively review advances as OIG found that liquidated advances were approved by the Agent without adequate supporting documentation. Weak oversight of the in-country Fiscal Agent's work by its headquarters and insufficient performance monitoring at the Global Fund Secretariat contributed to the deficiencies in the Fiscal Agent's reviews. To improve effectiveness of the services performed, the Secretariat has now developed guidelines on engagement and reassessment of the performance of Fiscal Agents.

The use of international non-governmental organizations (INGOs) comes with many benefits but does not always reduce the high inherent risks in some countries. This is largely due to gaps in the oversight from INGOs headquarters over their country level operations and to weaknesses in the Secretariat's assurance over these INGOs. Our investigation in the **Democratic Republic of Congo** showed that senior managers and fiduciary agents hired by Population Services International (PSI), the Principal Recipient (PR) for malaria grant, engaged in systemic and significant overpricing of transportation, warehousing, and customs clearances contracts, resulting in an estimated financial loss of US$7,386,066 to the Global Fund, which has now been reimbursed. PSI's inadequate internal governance and weak oversight of its DRC operations facilitated the wrongdoing. The Global Fund's reliance on, and non-evaluation of, PSI's internal controls reduced its ability to identify these procurement irregularities proactively. In **South Sudan**, the INGO commingles grant funds with resources from other donor funds in line with the framework agreement with the Global Fund. However, the PR has no mechanism to track

and reconcile the cash balance of Global Fund grants. As a result, the external auditor could not express an opinion on the PR's cash balances, and the OIG cannot provide assurance on the PR's bank balances at headquarter or country levels.

The Global Fund is reevaluating the assurance framework for international non-governmental organizations across its portfolio to better respond to such risks.

IV. Progress on OIG 2019 work plan

1. Audit

Table 1, Completion status of Audit work plan as of 1st October 2019

Audit engagements	In-country audits	Internal audits	Advisory reviews	TOTAL
AFC approved plan	13	6	4	23
Additions	1	1	0	2
Cancellations	0	2	0	2
Revised plan	**14**	**5**	**4**	**23**
Current status:				
Planning	3	3	0	6
Fieldwork stage	2	0	1	3
Reporting stage	5	1	0	6
Completed	4	1	2	7
Not started	0	0	1	1
TOTAL	**14**	**5**	**4**	**23**

There are no changes to the audit planning presented at the AFC10 meeting and progress on the 2019 audit plan remains on track. All the 14 country audits, 5 internal audits and 3 out of 4 advisory reviews are either in progress or have been completed.

Table 2, Upcoming Audit completion pipeline

Q4 2019	Q1 2020
South Sudan	Zimbabwe
Togo	Cote d'Ivoire
DRC	Lesotho
Angola	Pakistan
Indonesia	Grant Operating System
Malawi	Global Health Campus
Capacity Building & Technical Assistance	Recoveries
IT Strategy (Advisory)	Gen-Ex Machines (Advisory)

2. Investigations

Table 3, Completion status of Investigations work plan as of 31 August 2019

2019 WORK PLAN	RESULTS (to end Aug 2019)
Screen 180 reports of potential wrongdoing	Screened 157 reports of potential wrongdoing
Conduct 54 assessments (32 oversight, 22 complaint-led)	49 assessments conducted (39 oversight, 10 complaint-led)
Close 15 assessments/ investigations carried over from 2018	58 assessments/investigations were carried over into 2019, 35 are closed, 23 remain open (14 oversight, 9 complaint-led)
Open 19 new complaint-led investigations	6 new complaint-led investigations opened

| Conduct 4 proactive investigations | 4 proactive investigations opened |
| Publish 12 investigation reports | 2 published reports and 10 in the pipeline |

Opening fewer investigations is a careful effort to focus resources on the more impactful fiduciary and programmatic risks. Investigation assessments determine the most proportionate outcomes. Both the preliminary assessments and the actual investigations form the body of work handled by the unit. Closed cases have exceeded the plan due to a higher proportion of carry over cases from the previous year.

Overall reporting rate remains consistent

OIG's reporting systems allow it to address issues quickly, before they can create significant impact. The number of reports received is broadly in line with previous years. The increase in merged cases relates to one case where the OIG received multiple reports of potential wrongdoing. These have been consolidated into one case, for which an investigation is ongoing. Once screened, reports can have different outcomes. Assessments can be opened, referrals made to the Secretariat or information can be retained for ongoing monitoring. Opened assessments are in line with previous years, Secretariat referrals have decreased compared to 2018, and there are fewer information/no further action reports.

Table 4, Reporting trends

Reporter type	2019 Jan-Sep*	2018 Jan-Sep*
Reporter/whistle-blower	102	82
Secretariat	28	14
PR	10	16
OIG Audit	5	3
OIG Investigations	2	7
Inter-agency	8	6
CCM	2	4
SR /SSR	5	5
Supplier	4	7
LFA	1	0
Total	167	144

Report Screening Outcomes	2019 Jan-Sep*	2018 Jan-Sep*
Merge with existing Case	34	4
Open assessment	41	30
Refer to Secretariat	30	35
Undergo Screening Review	25	17
Information report	26	40
No further action	8	16
Referral to OIG Audit	2	1
Referral to external agency	1	1
Total	167	144

*13th Sept 2018/9

Most types of wrongdoing reported to the OIG fall into the category of abusive practices, described in the Global Fund Policy to Combat Fraud and Corruption as instances of theft, misappropriation, embezzlement, waste or improper use of property, either committed intentionally or through reckless disregard. This includes the theft of funds, as well as assets purchased with Global Fund money, including health products.
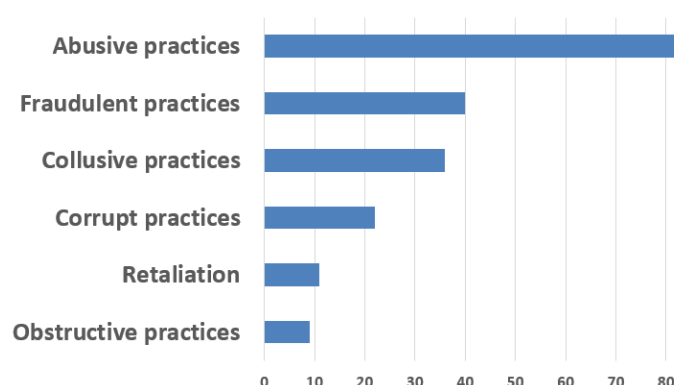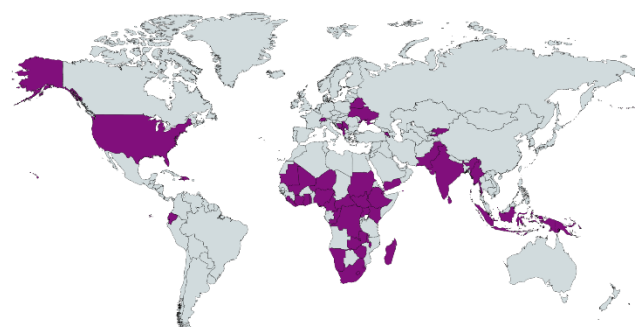
NB: Reports received from 53 countries, including 17 countries which did not report in 2018.

Closed cases exceed predictions

There was a significant variance between the expected number of cases carried over compared to the actual (58 instead of 15). This was largely due to an unanticipated spike in reporting in the last quarter of 2018, which represented 45% of the cases opened that year. To date, 35 cases have been closed, 23 remain open (14 oversight, 9 complaint-led).

New assessments opened in 2019 exceed predictions

The 32 predicted oversight assessments planned for 2019 will likely be exceeded. Oversight activity allows OIG to acquire regular intelligence into emerging fraud risks, which is used to produce fraud awareness materials and provide guidance to Secretariat and implementers. Recoveries from oversight assessments also add up to substantial amounts. As such, this activity represents an efficient use of OIG resources, freeing staff up to work on more impactful cases. OIG's independent validation of a PR's investigative work and findings is also of great value to our partners. Of the 33 oversight assessments closed in 2019, 70% resulted in substantiated wrongdoing and 14 of those assessments resulted in US$736,203 recoveries to the Global Fund.

Investigations that drive impact

Assessments and investigations differ in the type of evidence collected and reviewed. During an investigation, primary evidence will be collected in-country and through interviewing witnesses. Six new investigations have been opened in 2019, fewer than the predicted 19. This is largely because in 2018, the investigation unit formalized the concept of oversight and complaint-led cases; at that stage there was limited data on which to base this estimation. Six investigations have been closed, four of which were closure memos and two resulted in published reports. We anticipate at least 23 further closures and ten published reports this year. Two investigation reports carried over from the 2018 workplan have been published and a further ten are in the pipeline: two proactives and one reactive investigation opened in 2019, and five investigations carried over from 2018 will be published in 2019; two further reports will be published in the first quarter of 2020.

Table 5, Impact of published investigations

Country	Issue Investigated	Impact
DRC	Tender manipulation and overpricing in Malaria grant	Recovery of US$7,386,066. The Global Fund will review assurance arrangements with other international non-governmental organizations to determine whether revisions

		are required to their respective assurance arrangements and/or framework agreements.
Haiti	Collusion and fraud in the procurement of a bed net storage warehouse	Recovery of US$109,368. Based on the findings of the report, the Principal Recipient will introduce risk mitigation processes and procedures in the area of procurement.
Senegal	Cyber fraud leads to theft of grant funds	Awareness raising of a new fraud scheme targeting Principal Recipients; one such attempt resulted in losses of US$481,541.
In the pipeline (not yet published)	Sierra Leone, Haiti, Tanzania, Nigeria (x2), Indonesia, Malawi, Pakistan, Government fraud reporting proactive	

I Speak Out Now – Raising awareness, sharing experiences

This year the team has conducted 'I Speak Out Now' fraud awareness raising activities to Global Fund Secretariat staff. Additionally, the OIG gives induction training to new staff joiners at the Global Fund. Nine speak out training sessions have been delivered to Secretariat staff as well as four implementer training events. The quarterly OIG newsletter is sent to a wide database of external recipients and contains fraud awareness articles and OIG commentary. The ispeakoutnow.org website, which is kept up to date with case studies and new material, hosts six short educational videos designed to promote awareness of issues the investigation unit encounters:

- Salary kickbacks
- Speaking out against human rights violations
- Problematic per diems
- Tricky tenders
- Pilfered products
- You decide! For better grant impact

The investigation unit will present its fraud awareness strategy to the Conference of International Investigators at their annual meeting in November. The unit is currently providing technical assistance and advice to the Global Fund's Human Resources Department, which is reviewing its employee relations complaint handling and investigation processes.

3.   Professional Services Unit

PSU serves as the OIG's front office, delivering key mission-critical activities and leading cross-cutting projects and special initiatives. The regular activities include core enabling or support services, coordination, risk management and administration, operational oversight, and quality assurance. This enables the audit and investigations units to focus on delivery, providing them with tailored and effective support services.

The Office of the Inspector General has a unique independent setting which is considered as a leading model in the landscape of international organizations; its foundational independence is complemented by an operational independence. In addition to having an independent OPEX budget separate from the Global Fund Secretariat's budget, OIG has always maintained since its inception in-house, fit-for-purpose resources and capabilities to support its operations and maintain collaboration with the Secretariat, while protecting confidentiality in its operations and above all its structural independence.

While a number of core roles had always existed in the then called "OIG Front Office", this unit was strengthened as a result of the OIG restructuring of Q1 2018 to make it more fit-for-purpose. Whilst nearly all the current front office roles and functions have always existed across the OIG, the existing capacity was consolidated in a single support unit, PSU, with a vision, a structured workplan, an enhanced delivery

discipline with the same level of accountability as the audit and investigation units, and placed under the strategic direction of a Head of Unit since October 2018.

While OIG is independent from the Secretariat, it remains an integral part of the Global Fund. As such, there is an expectation that the two entities collaborate in many aspects above and beyond the audit and investigation work. In this regard, PSU:

- Coordinates OIG engagement with the Secretariat and the Office of Board Affairs on all matters pertaining to the work of OIG, and communications to internal and external governance stakeholders.
- Handles the OIG periodic and annual reports to the MEC, AFC and the Board.
- Provides inputs to Global Fund policy development work and any new strategic initiatives.
- Leads the negotiation of audit, integrity and accountability clauses in Global Fund agreements with external entities, to the extent such clauses affect the OIG mandate. This is an increasingly growing area in the context of the Global Fund's engagement in innovative finance partnerships and the expansion of its collaboration with UN and other International Financing Institutions, acting as either PRs or co-financiers.
- Implements key strategic initiatives, including the Knowledge Management initiative, the integration of OIG's technology infrastructure and processes with the Secretariat, the implementation of the OIG People Strategy, etc.
- Represents OIG in a number of Secretariat committees and task forces such as the Data Governance Committee, the Recoveries Committee, the IT Projects Steering Committee and the Operational Change Group.

In addition to these broader strategic focus areas, day-to-day operational areas managed by PSU include:

- Administration of all systems and tools supporting the execution of OIG audits and investigations.
- Execution of certain quality assurance procedures prior to the issuance or publication of OIG reports.
- Tracking and reporting on the Secretariat's implementation of Agreed Management Actions.
- Management of key aspects of OIG's communications, both internal and external, in accordance with key principles of the OIG communications strategy previously approved by the AFC.
- Procurement, coordination and monitoring of a large pool of external resources supporting the delivery of OIG's work program. This includes maintenance and renewal of various pools of contractors and specialists, ongoing contract management and consultants' performance management.
- Financial planning, budgeting and resources management related to OIG's operating expenditures.
- Management and monitoring of training and development activities for OIG staff.
- Administration of the OIG confidential whistle-blower hotline and handling of sensitive whistle-blower data, including chain-of-custody evidence.

Two significant strategic initiatives currently being implemented by PSU are the Knowledge Management Initiative and the OIG IT integration.

OIG has retained as a key priority in its 2018-2020 strategy the centralization of all its knowledge data currently sitting in different systems and repositories. A key objective is to enhance the management and use of a wide body of information, insights and knowledge gathered through the various OIG reviews across the Secretariat and country reviews, to draw lessons learned and help build a learning organization both within the OIG and vis-à-vis the rest of the Global Fund, and to support continuous improvements in risk mitigation and internal controls. In order to support this journey, PSU is leading the development and delivery of a major Case and Knowledge Management System (CKMS).

Whilst OIG has committed to achieving an optimal level of integration of its previously standalone-managed IT infrastructure with the broader Global Fund infrastructure on a technology, service delivery and helpdesk standpoint, this integration presents unique challenges related to the specific confidentiality and security requirements related to OIG's work in audits and investigations; maintaining a high level of confidentiality and integrity is a cornerstone of the trust that all stakeholders place on the

Office. While the integration is ongoing in an incremental manner under a transition roadmap agreed between the OIG and the Global Fund IT department, PSU is also working with the Chief Information Officer to manage additional projects designed to provide OIG with the means to ensure it can control, monitor, and administer the security of the technology platforms supporting our work. These projects include the implementation of **PAM** (Privilege Access Management), **SIEM** (Security Information and Event Management), and additional **firewalls** deployment. These additional safeguards are aimed at protecting access to key OIG resources and data, including audit and investigation systems and servers, forensic data and resources, whistleblower information and private data, and audit and investigation evidence and records.

V. High-level summary of OIG reports released or published in January-September 2019

	Audit of Grants to Sierra Leone	GF-OIG-19-001
Malaria incidence and mortality have fallen thanks to improvements in prevention and treatment, but delays in execution have adversely impacted grant implementation, notably around health system strengthening. Financial controls, assurance and governance are still not operating effectively to mitigate key risks. Supply chain mechanisms require significant improvement to ensure the timely provision of medicines to patients.		

	Audit of Grants to Madagascar	GF-OIG-19-002
Program results have improved over the last two years; malaria mortality has dropped by 33% and patients benefiting from MDR-TB and HIV treatment have increased. Financial controls and assurance mechanisms have improved. However, access and quality of malaria services are low, as is HIV detection and treatment, and there are deficiencies in patient data and levels of human resources.		

	Audit of Global Fund Multicountry Grants	GF-OIG-19-003
Despite progress made in streamlining multicountry grants to ensure their effectiveness, grant implementation arrangements need improvement in terms of operational efficiency and resource optimization. Processes, systems and resource allocation have not yet been adequately tailored to cater for multicountry grants' specificities and complexities. A lack of governance requirements has resulted in some ad-hoc management of processes.		

	Follow-up Audit of Global Fund Grants to Rwanda	GF-OIG-19-004
Significant progress has been made in the fight against HIV and TB. There is increased government financial commitment to the health sector, and a strong control environment and processes at country level. Malaria cases, however, have increased threefold. The audit noted data integrity issues and inadequate assurance on the data and related systems which inform the Secretariat's disbursement decisions.		

	Audit of Global Fund Grants to Benin	GF-OIG-19-005
Benin has made significant progress in the fight against the three diseases. Access to quality malaria services is however low, there are no appropriate national guidelines for therapeutic education for Prevention of Mother-to-Child Transmission, and data is often unavailable or inconsistent. While supply chain and data quality have improved, the audit found non-compliance with procurement planning and staff capacity deficiencies.		

	Investigation in the Democratic Republic of Congo	GF-OIG-19-006
Senior managers appointed by Population Services International, the Principal Recipient for the Global Fund's malaria grant, manipulated the local tenders relating to PSI's bed net mass distribution campaigns. This resulted in systemic and significant overpricing of transportation, warehousing, and customs clearances contracts and an estimated financial loss of US$7,386,066 to the Global Fund which has since been refunded by PSI.		

	Audit of Human Resources Management Processes	GF-OIG-19-007

Substantial progress has been made in strengthening HR systems and processes, however the design and operational effectiveness of Global Fund systems, policies and procedures to support HR management processes, especially performance management, employee relations and the employee grievance process, need significant improvement. Delays in implementing Strategic Workforce Planning are negatively impacting the organization.

	Audit of the Key Performance Indicator Framework	GF-OIG-19-008

The development and approval process for the KPI framework has improved. The Secretariat has enhanced its processes for collecting data and calculating KPIs, there is an enhanced performance reporting framework, and more active use of KPI data within the organization. Isolated control weaknesses remain however, and limitations in the design of some KPIs have led to their poor utilization in Global Fund daily operations.

	Audit of Global Fund Grants to Ghana	GF-OIG-19-009

Malaria deaths have fallen significantly, and Ghana has expanded geographical access to health care at community level. There are however low levels of HIV testing, treatment and viral load suppression, and progress is required in TB case detection. The audit found data completeness and quality issues, inadequate oversight arrangements and inventory management practices, and only limited use of logistics data for decision-making.

	Audit of Grants to Sudan	GF-OIG-19-010

Efforts have been made to improve malaria prevention, diagnosis and drug resistance; to improve TB testing and MDR-TB treatment; and to scale up HIV/AIDS treatment. However, the audit found serious deficiencies in relation to asset management by both Principal Recipients. Implementation, financial and assurance arrangements are ineffective, and procurement and supply chain processes need significant improvement.

	Audit of Managing Investments in RSSH	GF-OIG-19-011

Investments in Resilient and sustainable systems for health (RSSH) are contributing to the fight against the three diseases. There is increased strategic focus on RSSH, and financial management capabilities of implementers have been strengthened. However, structures and processes are not optimally designed to deliver RSSH activities, and there are challenges in terms of monitoring the performance and impact of RSSH investments.

Advisory Review of Grant Implementation in Western & Central Africa	GF-OIG-19-012

Global Fund investments have driven improved performance for malaria and HIV, although challenges remain for TB. There is a need to use the Challenging Operating Environment policy more effectively and to improve coordination of technical assistance at country level. Global Fund co-financing requirements need to integrate community activities and strike the right balance between the financial sustainability of health systems and the gratuity of services for patients.

Investigation in Haiti	GF-OIG-19-013

Investigators found collusion and fraud in the procurement of a bed net storage warehouse, involving the supply chain manager of the Global Fund's lead implementer in Haiti and the director of a third-party supplier. The investigation identified non-compliant expenditures of US$216,870 and proposed recoveries of US$109,368 relating to contract overpricing.

	Audit of Grants in Democratic Republic of Congo	GF-OIG-19-014

Despite the challenging environment, Global Fund-supported programs have achieved impact in DRC. Malaria mortality has decreased and HIV treatment expanded, there is increased availability of drugs, and the Secretariat has put in place enhanced safeguards to improve program implementation and oversight, supply chain management and financial controls. Financial management of grants implemented by the Ministry of Health, however, still requires significant improvement.

	Audit of Global Fund Grants in Nepal	GF-OIG-19-015

Nepal is making significant progress in tackling HIV, tuberculosis and malaria. The number of patients on antiretroviral treatment has increased by 25% in the last three years, the TB treatment success rate is stable at 91%, and malaria cases have declined significantly. The capacity of the three national disease programs remains severely limited, however, and grant implementation arrangements need significant improvement.

	Audit of Managing Ethics & Integrity at the Global Fund	GF-OIG-19-016
The Global Fund has continuously worked to develop a strong ethics and integrity culture. There is an Ethics and Integrity Framework, and the Secretariat has developed a Policy to Combat Fraud and Corruption. The approach to implementing the Policy has however been relatively unstructured. While there has been improvement in managing conflicts of interest, improvement is still required in addressing ethical issues relating to suppliers and implementers.		

Key: audit ratings

	Effective: no issues or few minor issues noted
	Partially effective: moderate issues noted
	Needs significant improvement: one or some significant issues noted
	Ineffective: multiple significant and/or (a) material issue(s) noted

VI.   Progress on the OIG's 2019 KPIs

Table 6, KPIs as of 31 August 2019

Theme	2019 KPI	Progress
A. To deliver an efficient and effective service	**A.1** 80% of reports as per the work plans issued in draft by year end (stage 4 of the Stakeholder Engagement Model for audits, stage 4a or 6 of the Stakeholder Engagement Model for investigations), as a proportion of all engagements in the work plan.	Based on the 2019 workplan, the Audit unit was at 37% (expected figure according to projection was 42%). The Investigations unit was at 59% for the same period.
	A.2 Costs managed within approved budget.	At the end of August 2019, the OIG had a budget underspend of -US$1,261k (-12.4%) against the 2019 Year to Date Budget. The largest variance (-828k) is on salaries, to be attributed to vacancies in PSU and Audit teams.
B. To foster confidence by being accountable and transparent	**B.1** Annual quality self-assessments completed to confirm ongoing conformance with requirements of Quality Assurance and Improvement Program (QAIP), including general conformance with the Stakeholder Engagements Models (SEM) timelines.	Annual quality assessments for both Audit and Investigation Units were completed at end-2018, and resulting actions are being followed up. All audits and investigations followed the SEM in every area with the exception of timelines, as only 8% of the audits and 18% of investigation cases closed this year have met timelines.
	B.2 Triennial external quality assurance review to confirm, once every 3 years, that the quality of assessment processes, work papers, reports, and interaction with key stakeholders adheres to professional standards and guidelines.	An external quality assurance review took place in 2017 and OIG received the highest possible rating on both its Audit and Investigations activities. The next one will take place in 2020.
	B.3 Annual assurance statement on governance, risk management and controls at the Global Fund.	The 2019 Annual Opinion will be issued in Q1 2020.
C. To ensure impact in our work	**C.1** Agreed actions tracked, reported on monthly and validated within 30 days of Secretariat reported "Completed" date. Reports of slippage on agreed actions are escalated.	As of 31 August, 92% of the Agreed Management Actions reported as implemented during the year by the Secretariat had been validated by the OIG within the 30-day limit.
	C.2 Client engagement surveys are conducted for at least 90% of audit engagements completed during the year.	At 100%. 16 surveys out of the 16 audit and advisory reports issued this year were sent.
	C.3 Conduct annual stakeholder satisfaction survey, including all Audit Committee members and all Board	Survey to be carried out in December 2019.

	members (or alternates), and achieve an overall satisfaction score of 80% or better.	
	C.4 Sixty Percent (60%) of Agreed Management Actions are remediated by the Secretariat, by their due date, over a rolling period of eight (8) quarters.	32% of Agreed Management Actions were implemented by the Secretariat by their due date between 1 July 2017 and 30 June 2019.
	C.5 Achieve following coverage targets over a three-year audit cycle: *75% of the disease burdens (for each of the three diseases), 75% of the country allocation amounts, and 35% of the countries classified as High Risk.	As of 31 August 2019, the 2017, 2018 and 2019 workplans have covered: • 76% of the HIV burden, 77% of malaria burden and 49% of the tuberculosis burden • 75% of the country allocation amounts • 53% of the countries rated as high risk.
	C.6 At least four (4) advisory or consulting engagements requested by management and/or governance bodies during the annual work program cycle	The Catalytic Investments and Human Rights Advisories were issued in August. The IT Advisory started in July and the Gen-ex Machines Advisory is due to commence in Q1 2020.
D. To recruit and retain the best people and foster a culture of trust and teamwork	**D.1.** All employees have a development plan approved by their managers by end of Q1. At least 90% of staff will complete by year end a minimum of 20 hours of formal training	100% of staff have had their development plans approved in the system within the deadline. So far 61% of staff have completed at least 20 hours formal training.

VII. Headcount and budget

1. Headcount

At the end of August 2019, the OIG had 48 employees out of a budgeted headcount of 52.

Table 7, Headcount and vacancies as of 31 August 2019

Unit	Headcount 1 Jan 2019	Hires	Departures	Headcount 31 Aug 2019	Budget	Vacancies
Front Office (PSU)	11	0	2	9	11	2
Audit	19	2	0	21	23	2
Investigations	14	4	0	18	18	0
Total	**44**	**6**	**2**	**48**	**52**	**4**

One of PSU's two vacancies, the Performance Information and Data Analyst will be filled in September, the other, the Knowledge Management Officer is expected to be filled in January 2020, a lead candidate has been identified already.

In Audit, as already reported in the AFC10 progress report, two vacancies exist and are deferred for recruitment in early 2020 due to challenges in identifying qualified candidates both internally and externally in the first recruitment round in Q2 2019.

At the end of August 2019, the OIG had a budget underspend of US$1,261k (-12.41%) against the 2019 Operating Expenses Budget.

Table 8, OIG Operational budget in thousands of US$ as of 31 Aug 2019

Budget Line	2019 Budget	YTD Budget	YTD Actuals	YTD Variance Budget vs Actuals	
Salaries	10,957	7,304	6,476	*-828*	*-11%*
Professional Fees	2,406	1,468	1,112	*-356*	*-24%*
Travel	1,758	1,082	1,120	*38*	*4%*
Meetings	77	50	2	*-48*	*-96%*
Communications	129	76	30	*-46*	*-61%*
Office Infrastructure	266	178	157	*-21*	*-12%*
Total	**15,593**	**10,158**	**8,897**	***-1,261***	***-12%***

The variances can be explained by the following factors:

By far the largest driver for the variance, the underspend in **salaries,** is attributable to vacancies. At the beginning of the year, the OIG had eight vacancies, six of which were filled by August. In addition, two staff left PSU in March and April. One PSU vacancy was filled in September and the three remaining OIG vacancies will be filled incrementally in 2020 as qualified candidates are being identified.

Professional fees and **Travel**: the underspend is due to timing differences: expenditures do not happen linearly throughout the year, which is what the "YTD budget" assumption is based on. Remaining audit and investigations engagements, as well as the IT component of our ongoing knowledge management project will affect these lines in end Q3/Q4.

Meetings: Current underspend is a timing difference as the budgeted amount is forecasted to be fully used by Q4.

Communications: "Speak Out Now!" campaign costs will be charged to this line in Q4.

Office infrastructure: underspend due to timing differences.
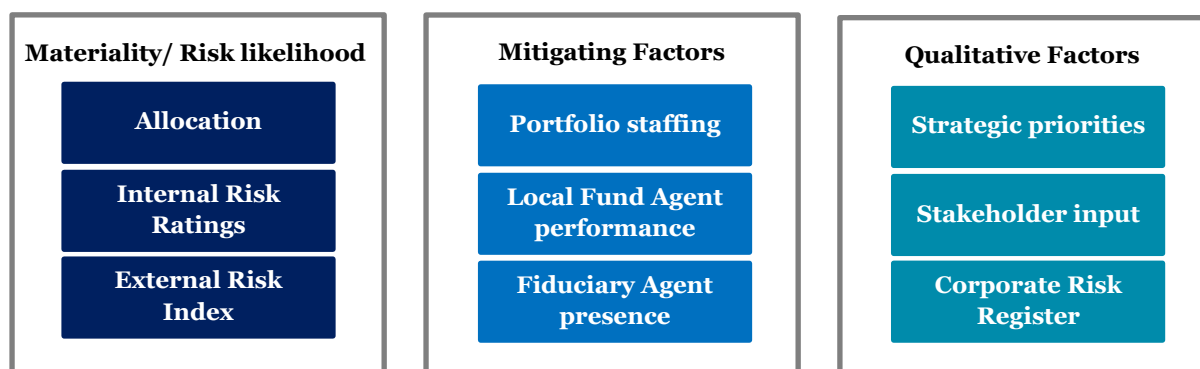
VIII. Looking ahead:

1. Work Plan for 2020 at a glance

Table 9, Engagements to be completed or initiated in 2020

	Country audits	Internal audits	Advisory engagements	Complaint-led investigations	Proactive investigations
Totals	**11**	**7**	**4**	**12**	**4**

The OIG's primary mandate is to provide the Board with assurance over significant risks to the Global Fund's mission. In assessing these risks, the planning and risk assessment exercises for the 2020 audit work plan have considered quantitative and qualitative data, as well as inputs from key stakeholders, including Board and Audit Committee members and executive management.

2. Country audits

The plan for 2020 takes into account a number of factors, with a particular focus on the riskiest areas of the Global Fund portfolio, as in previous years. These factors include:

Materiality/ Risk likelihood	**Mitigating Factors**	**Qualitative Factors**
Allocation	Portfolio staffing	Strategic priorities
Internal Risk Ratings	Local Fund Agent performance	Stakeholder input
External Risk Index	Fiduciary Agent presence	Corporate Risk Register

The OIG also considered the following in its choice of country coverage:

- An emphasis on High Impact and Core countries, in line with the Global Fund's approach to differentiation;
- A focus on Southern and Eastern Africa region as the Western Central Africa was covered by many audits in the last 3 years in addition to the advisory published this year.

Figure 5, 2020 OIG Audit Plan covers 11 countries and 24% of 2017-2019 allocation

High-impact portfolios
- **Nigeria, US$661m**
- **Mozambique, US$503m**
- **Ethiopia, US$376m**
- **South Africa, US$354m**
- **Philippines, US$98m**

Core portfolios
- **Cameroon, US$185m**
- **Haiti, US$106m**
- **Burundi, US$73m**
- **Eswatini, US$50m**
- **Eritrea, US$44m**
- **Namibia, US$38m**

At the completion of the 2020 audit plan, OIG expects our country visits over the three-year cycle (i.e. 2018-2020) to have cumulatively covered 45 countries, accounting for 77% of the total grant funding for the 2017-19 allocation cycle. These countries account for 77%, 81%, and 51% of the disease burdens for HIV, Malaria, and TB, respectively. The coverage of the TB burden is below the KPI target of 75% because India which accounts for 31% of the burden was last audited in 2016 and not included in the above analysis. India which is eligible for audit in 2020 was not included in the work program based on qualitative factors assessed by the OIG.
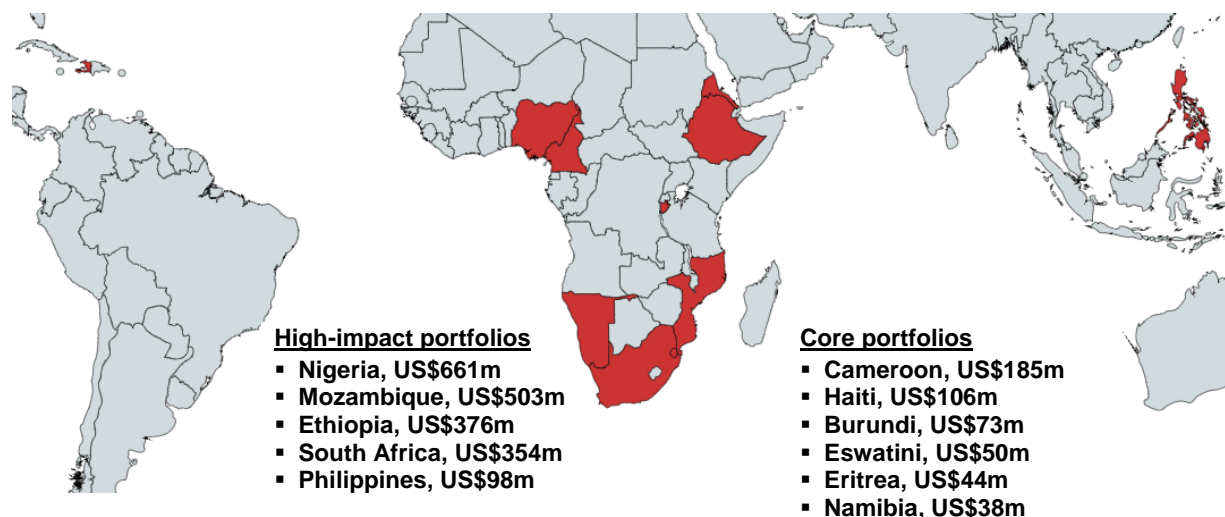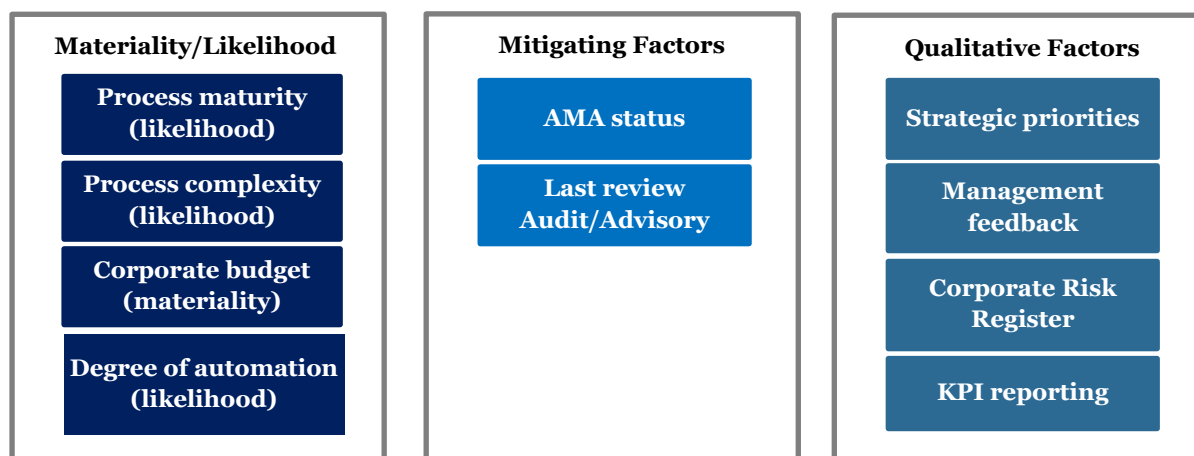
3. Other audit engagements

The plan for 2020 takes into account a number of factors, with a particular focus on the riskiest areas of the Global Fund processes. These factors include:

Materiality/Likelihood	**Mitigating Factors**	**Qualitative Factors**
Process maturity (likelihood)	**AMA status**	**Strategic priorities**
Process complexity (likelihood)	**Last review Audit/Advisory**	**Management feedback**
Corporate budget (materiality)		**Corporate Risk Register**
Degree of automation (likelihood)		**KPI reporting**

The OIG also plans seven internal audits and four advisory engagements for 2019.

Cross-cutting reviews (4)

1. *Country Team model and supporting functions*: this audit will provide evaluate the adequacy and effectiveness of the country team model in managing grants, including the support provided by functional teams.

2. *In-country data systems and data quality*: this review will assess the adequate and effectiveness of the Global Fund's framework for strengthening data systems and quality, including related assurance mechanisms.

3. **Risk Management**: this review will assess the adequacy and effectiveness of structures, systems and processes to improve risk management at the Global Fund, including use of risk appetite in decision making.

4. **Value for money study on procurement and use of health and non-health equipment**: this review will provide insights on the efficiency, economy and effectiveness of spending on health and non-health equipment, a significant component of grant fund expenditures.

Focused reviews (3)

1. **Processes for Portfolio Optimization**: this audit will assess the adequacy and effectiveness of the governance structures and related processes for reallocating grant funds across portfolios and integrating new funds into existing grants.

2. **Grant Closure processes**: this audit will assess the effectiveness of the processes to reconcile implementation periods and close grants, including transfer of commitments and assets between allocation periods.

3. **Internal financial controls post disbursement:** This review will provide assurance over the adequacy and effectiveness of the Secretariat's financial controls after funds are disbursed to implementers.

Advisory engagements (4)

The OIG continues to enhance its approach for performing advisory reviews. These enhancements include revising advisory strategy, developing a more robust methodology, and building a pipeline of advisory products. These efforts are part of a long-term strategic priority to complement our core assurance mandate with value-adding advisory services to meet the emerging business needs and the evolving risk profile of the Global Fund.

Based on business needs and requests during the year, the OIG has set aside time in its work plan to perform four advisory engagements. The specific areas will be confirmed with the relevant business sponsors in due course.

4. Coverage of corporate risk register

The OIG's annual planning processes ensure that our audit plan is aligned with the risk areas identified by the organization:

> ➢ 86% (7/8) of "high" risks covered by OIG audits in 2018-2020. Reputational risk has not been audited as a standalone subject as this is the impact of other risks not being effectively managed.
> ➢ 83% (9/12) of "moderate" risks covered by OIG audits in 2018-2020. Future funding and Governance and Oversight were subject to Advisory engagements in 2016. Culture has not been audited as a separate engagement but considered in audits such as Human Resources and Ethics in 2018 and 2019 respectively.

5. Investigations

Figure 6, Investigations Unit Workplan

The 2020 work plan, developed using information from previous years' trends, mirrors the work processes within the investigation unit. Allegations of possible wrongdoing are received and screened, the issues are thoroughly assessed and where appropriate, investigated. Root causes of the wrongdoing are identified, and actions taken to mitigate the risk. Cooperation with our international partners and cascading the learnings helps prevent recurrence.

Allegation screenings

All assessments and investigations start as reports to the OIG. We give priority to allegations where the wrongdoing is likely to affect Global Fund strategic/grant objectives. The Head of Investigations reviews all screening outcomes. We predict **200 allegations** reported to the OIG within a 12-month period.

Open new assessments

At a conversion rate of 40%, 200 allegations will result in **80 assessments**. We estimate **63** will be **oversight** assessments and **17 complaint-led** assessments; a further **4 proactive** assessments will also be conducted. OIG may open an oversight assessment when an implementer advises that they have initiated an investigation into a low-level issue, or when the Secretariat commissions an LFA to gather information concerning a potential fraud. Close supervision of such activities gives assurance that the scope and terms of reference are adequate and that we are kept informed of any issues that would warrant further OIG involvement, i.e. if a seemingly low level-issue becomes something more critical.

Open new investigations

Once the investigator has concluded the assessment, if deemed appropriate an in-country mission will follow and the investigation team will collect the primary evidence (interviews and documentation) necessary to decide if there has been fraud/abuse. In 2020, we predict **12 new investigations** will result from the assessment stage.

Closure of assessments

Oversight assessments are closed when OIG receives a copy of the report from the LFA/implementer and we are satisfied that reasonable and proportionate actions have been taken. Closures and assessment findings are routinely shared with Secretariat staff. The unit plans to complete **58 complaint-led, oversight and proactive** assessments in 2020 (includes assessments opened in 2019.)

Closure of investigations

The OIG investigation unit publishes substantiated findings of fraud and other categories of wrongdoing. In 2020, we predict that the Investigation Unit will produce at least **10 complaint-led reports** resulting
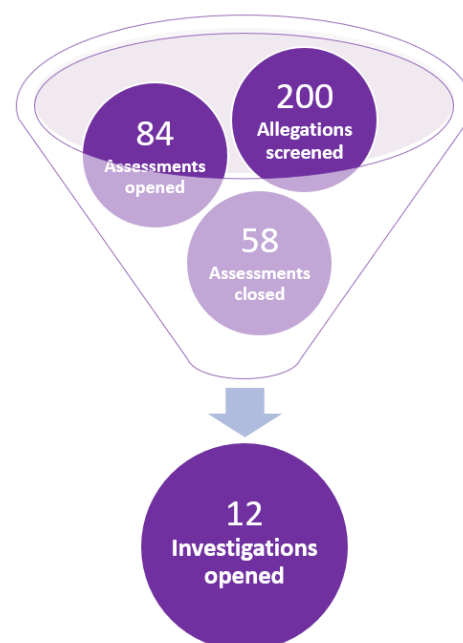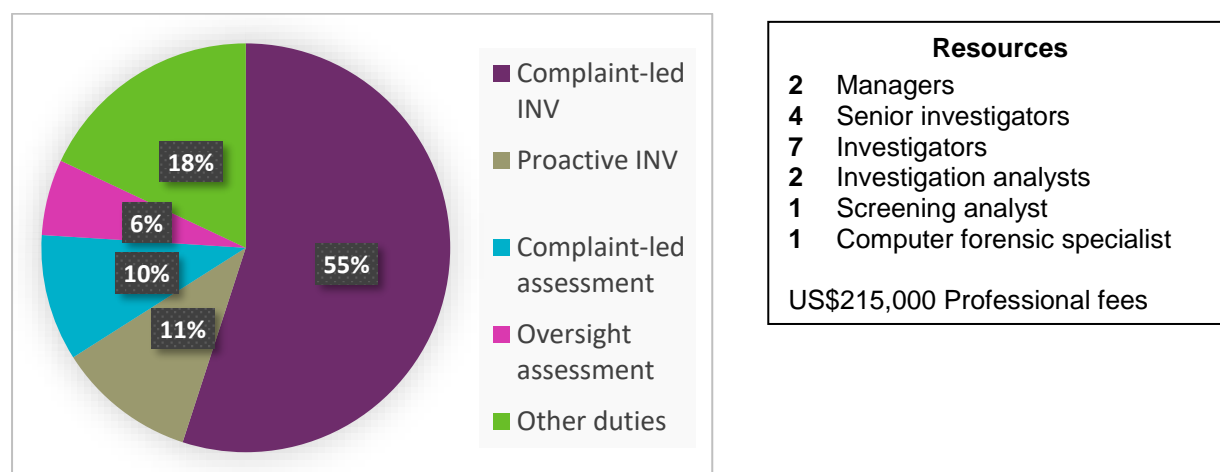
from investigations started both in 2019 and previous years. We will also publish the findings of **two proactive** investigations.

Investigations resourcing

Figure 7, Level of effort proportions for an Investigator

Pie chart legend:
- Complaint-led INV — 55%
- Proactive INV — 11%
- Complaint-led assessment — 10%
- Oversight assessment — 6%
- Other duties — 18%

Resources	
2	Managers
4	Senior investigators
7	Investigators
2	Investigation analysts
1	Screening analyst
1	Computer forensic specialist

US$215,000 Professional fees

6. Counter-fraud Prevention

Fraud prevention programs play a key role in fraud enforcement actions. Over a three-year period, the OIG has developed an effective fraud awareness program, "**I Speak Out Now**". The OIG sends quarterly fraud bulletins to implementers and Secretariat staff, raising awareness about recently investigated schemes and effective fraud mitigation activities/processes. By harnessing the efforts of Secretariat and implementer staff in our anti-fraud activities, we can significantly reduce the cost of fraud within the Global Fund.

The OIG has developed formal classroom training which we will continue to roll out in 2019, both on mission and to Secretariat staff. This includes:

- What fraud is and what it is not
- How fraud hurts employees
- Who perpetrates fraud
- How to identify fraud
- How to report fraud
- The consequences of dishonest acts

7. Professional Services Unit

PSU will implement two important projects in 2020: phase 2 of the **OIG IT systems and security integration,** and the development of **additional capabilities of the CKMS (Case and Knowledge Management System)**.

Historically, OIG and the Secretariat have had two distinct IT infrastructure and environment, as a result of security incidents and differing business needs. Over time, the separation evolved into two distinct, interconnected environments which were separately managed. Phase 1 of the **OIG IT Integration project** focused on aligning technology and bringing the two environments together, allowing OIG to fully leverage Global Fund shared resources while ensuring that OIG's business and security needs were understood, respected and enforced. OIG-specific security considerations have prompted the initiation of Phase 2 of the project, which is focused on service delivery and quality of service. OIG requires unique, real-time, remote connectivity and access needs to Geneva-based or web-based resources, in a context where the Global Fund has outsourced the entirety of its service delivery, maintenance and helpdesk resources to third party companies. As such, OIG has become an internal client, like any other division or

unit of the organization. Phase 2 will provide the framework for high quality service, real-time helpdesk assistance and investment prioritization, under the auspices of a Service Level Agreement.

With OIG's business needs evolving, particularly regarding business intelligence reporting capabilities, PSU will work with the corporate IT department to deliver an **updated version of the CKMS system**.

The development of a **typology database** is another development being considered for 2020. Historically, OIG Investigations findings have been documented in final reports and case closure memoranda in a manner that does not facilitate research or analysis. Audit findings and AMAs are tracked in TeamCentral, the main audit software, with no possibility to identify trends. As a complement to the Knowledge Management project under development, and in order to provide the data and evidence necessary to produce the OIG Annual Report, PSU will support the development of typology capabilities, either within the CKMS system or as a standalone database. Having a fit-for-purpose typology database will allow for searching, filtering and identification of trends and themes.

8. Proposed operating budget for 2020

To support the 2020 work plan, the OIG proposes the following budget at US$15.239 million, a 2% reduction on the 2019 budget of US$15.59 million which is mainly due to the impact of grade changes that affected a number of positions.

Table 10, Proposed 2020 budget versus 2019 budget and 2019 full-year forecast. All amounts in US$ thousands.

	2019 Budget	2019 FY Forecast	2020 Budget	2019-2020 Variance	2020 PSU	2020 Audit	2020 Investigation
Professional Fees	$2,406	$2,406	$2,436	1%	$562	$1,631	$242
Travel	$1,758	$1,758	$1,713	-3%	$98	$1,341	$274
Meetings	$76	$76	$76	0%	$20	$29	$27
Communications	$129	$129	$129	0%	$129		
Office Infrastructure	$266	$266	$289	9%	$289		
Sub-Total non-staff	$4,635	$4,635	$4,643	0%	$1,148	$3,001	$543
Staff Costs	$10,957	$10,160	$10,596	-3%	$2,803	$4,329	$3,465
Total Operating expenditure	$15,592	$14,795	$15,239	-2%	$3,901	$7,330	$4,008

Staff costs and Travel down; Office infrastructure up

Staff costs (-3%)

- Stable OIG approved headcount of 52 (same as 2019); OIG currently staffed at 92%, 4 vacancies remain and are planned to be filled in 2020. Vacancies during the year resulted in savings in staff costs which were forecasted in 2019.
- Staff costs are lower by 3%. This is mainly due to grade changes of vacancies to a lower level, which show their budget impact on a full calendar year.

Travel (-3%)

- Reduction in Travel mainly due to a different country mix for Audits in 2020 as well as the total number of country audits in the workplan.
- The main fees forecasted relate to the CKMS post-implementation review, maintenance, enhancements and internal capacity building, the mainstreaming of data analytics in targeted audit and investigations, the development of a VFM methodology for audit, and the second phase of OIG IT integration, focused on quality of service.

Office infrastructure (+9%)

- Mechanical increase resulting from the need to accrue for the CKMS licenses, system upgrade and new infrastructure acquisition, for both audit and investigations.

The OIG non-staff budget for 2020 is at a level similar to the envelope approved in 2019.

9. Key Performance Indicators for 2020

The OIG is proposing to retain for 2020 the KPIs that were approved for 2019.

Table 11, Proposed 2020 KPIs

	Performance objective
A. To deliver an efficient and effective service	A.1 80% of reports as per the work plans issued in draft by year end (stage 4 of the Stakeholder Engagement Model for audits, stage 6 of the Stakeholder Engagement Model for investigations)
	A.2 Costs managed within approved budget
B. To foster confidence by being accountable and transparent	B.1 Annual quality self-assessments completed to confirm ongoing conformance with requirements of Quality Assurance and Improvement Program (QAIP), including general conformance with the Stakeholder Engagements Models timelines
	B.2 Triennial external quality assurance review to confirm, once every 3 years, that the quality of assessment processes, work papers, reports, and interaction with key stakeholders adheres to professional standards and guidelines
	B.3 Annual assurance statement on governance, risk management and controls at the Global Fund
C. To ensure impact in our work	C.1 Agreed actions tracked, reported on monthly and validated within 30 days of Secretariat reported "Completed" date. Reports of slippage on agreed actions escalated.
	C.2 Client engagement surveys are conducted for at least 90% of audit engagements completed during the year
	C.3 Conduct annual stakeholder satisfaction survey, including all Audit Committee members and all Board members (or alternates), and achieve an overall satisfaction score of 80% or better.
	C.4 Sixty Percent (60%) of Agreed-Management Actions are remediated by the Secretariat, by their due date, over a rolling period of eight (8) quarters.
	C.5 Achieve following coverage targets over a three-year audit cycle: *75% of the disease burdens (for each of the three diseases), 75% of the country allocation amounts, and 35% of the countries classified as High Risk.
	C.6 At least four advisory or consulting engagements requested by management and/or governance bodies during the annual work program cycle.
D. To recruit and retain the best people and foster a culture of trust and teamwork	D.1. All employees have a development plan approved by their managers by end of Q1. At least 90% of staff will complete by year end a minimum of 20 hours of formal training