

# 40<sup>th</sup> Board Meeting

## Office of the Inspector General Operational Progress Report (January – September 2018)

GF/B40/05

14-15 November 2018, Geneva

### **Board Information**

Purpose of the paper: to update the Board on the activities of the Office of the Inspector General's activities in 2018 to date, and on the workplan and budget for 2019.

# Board Summary

## Context

OIG engagements in 2018 have found that the processes and systems underlying the implementation of Global Fund grants are generally working well. Substantial results have been achieved across all three diseases, in particular on the coverage of services. 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. What do OIG 2018 engagements reveal about Global Fund processes and systems?
- B. How is the OIG audit plan performing?
- C. How is the OIG investigation plan performing?
- D. What does the 2019 OIG workplan consist of?

## Conclusions

- A. OIG work in 2018 reveals that substantial results have been achieved across all three diseases, in particular on the coverage of services. Antiretroviral treatment coverage has significantly increased and similar progress has been made in reducing the malaria burden. Enhanced financial controls have led to fewer large cases of fraud and unsupported transactions, and the Global Fund has made strides in assisting countries to transition away from Global Fund financing. Finding missing TB cases remains a significant programmatic challenge.
- B. The OIG audit plan completion KPI is on track to meet the 80% target by year end. All internal audits and 12 out of 13 country assignments are either in progress or have been completed.
- C. For investigations, 62% of the expected cases load has met the plan completion KPI, and an additional 33% of the case load is at the drafting stage. 17 investigations have closed this year, resulting in eight published reports.
- D. The OIG work plan for 2019 comprises 19 audits, 12 investigations reports and 4 advisory engagements.

## Input Sought

Following the Audit and Finance Committee's recommendation, the Board is asked to approve the inclusion of the OIG's 2019 operating expenses budget in the 2019 Operating Expenses Budget of the Global Fund. This progress update is provided for Board oversight purposes.

## Input Received

At its October 2018 meeting, the Audit & Finance Committee approved the OIG 2019 work plan, operating expenses budget and Key Performance Indicators.

## I. Executive summary

Our engagements in 2018 to date have found that the Global Fund partnership has achieved substantial results across all the three diseases, with material increases in particular on the coverage of services. Despite grant funds going to some of the most challenging operating environments in the world, our work in 2018 so far continues to show that the enhancements of financial controls in Global Fund programs over the years has significantly contributed to a decrease in large cases of fraud and unsupported transactions, and has helped achieve substantial impact in communities most in need.

At the Secretariat, major initiatives to improve grant management and risk management processes are underway. The Secretariat is sustaining its efforts to enhance core business systems. The implementation of the Grant Operating System (GOS) has continued in 2018 and is expected to be completed by end of 2019. A risk appetite framework has been approved by the Board and is currently being operationalized by the Secretariat. Human Resources have successfully rolled out an integrated human resource management system – WorkDay – which consolidates multiple, parallel HR systems. Finally, several vacancies at the senior management level have been filled this year, with the onboarding of a new Executive Director and the recruitment of several new members of the Management Executive Committee.

Despite these achievements, the Global Fund still faces a number of challenges in its fight against HIV/AIDS, tuberculosis and malaria. At the country level, finding missing TB cases and improving the quality of services remain significant challenges to the mission. The process of gradually transitioning countries at a more advanced stage of the development continuum has been formalized and is being implemented in several countries. However, this transition process is complex, presenting many challenges that are country-owned and, to a significant degree, beyond the Secretariat's direct control.

Section III of this report provides early indications and a brief overview of these emerging and significant strategic themes, which will be fully developed in the OIG Annual Report to be presented to the AFC and the Board at their first meeting in 2019.

At the operational level, as of 31 August 2018, the OIG audit plan completion KPI stands at 42%, which is on track to meet the 80% target by year end, with a further 30% of the planned reports currently at the drafting stage. For investigations, 62% of the expected cases load has met the plan completion KPI, and an additional 33% of the expected case load is at the drafting stage. Progress against our 2018 KPIs is presented in Section VI.

This report also presents, in Section VIII, for the AFC's approval, the proposed OIG work plan for 2019 comprising 23 audits and 12 investigations reports, out of 29 investigation cases, as well as the corresponding proposed budget and KPIs.

### Work Program Completion

- Nine audits and one advisory engagement completed YTD, 5 of which are carry-overs from the 2017 work plan
- 17 investigations closed this year, resulting in eight published reports (from investigations opened in previous years) and nine closure memos
- Current active pipeline includes 11 audits, 2 advisory reviews and 17 investigations (23 complaint-led and 4 proactive)
- 41 Agreed Management Actions (AMAs) have been validated and closed, compared to 50 during same period in 2017
- 27 new AMAs from reports published YTD, compared to 54 in the same period in 2017
- More information about AMAs in separate report GF/AFCo8/06

### Delivery efficiency

- Audit engagements in 2018 YTD were completed on average 43 days behind schedule, compared to an average of 8 days overdue in 2017 and 24 days overdue in 2016. This trend is explained in section IV
- OIG investigations received 140 allegations between 1 January and 31 August 2018, a 4% increase on the same period in 2017. Of the 140 allegations, Secretariat referrals have decreased by 63% from 2017 (from 38 to 14) while allegations from anonymous whistle-blowers have increased by 89% (from 19 to 36)

### Staffing and resources

- At the end of August 2018, the OIG had 42 employees out of a budgeted headcount of 52, with 10 open vacancies (four in audit, five in investigations, one front office). Context is provided in Section VII
- At end-August 2018, the OIG had a budget underspend of US\$1.91m (-18.1%) against the YTD 2018 Operating Expenses Budget, due mostly to staff cost savings as a result of current vacancies

## II. Significant strategic themes

### 1. Global Fund grants are achieving substantial impact

While the OIG does not perform programmatic evaluations or opine on the appropriateness of the selected interventions, it can assert that the processes and systems underlying the implementation of the grants are generally working and that the Global Fund partnership has achieved substantial results across all the three diseases in all countries reviewed so far in 2018.

Significant progress continues across the three diseases

Antiretroviral treatment coverage has significantly increased, resulting in declining AIDS-related deaths in several countries.

For example, AIDS-related deaths fell by 52% between 2000 and 2016 in **Myanmar**, and there has been a 22% reduction in **Vietnam**'s HIV burden since 2007. **Ukraine**'s AIDS-related deaths almost halved from 14,000 in 2010 to 7,900 in 2015, and the program has achieved viral suppression in 78% of people on ARV treatment, making them less likely to transmit HIV to others.

Similar progress has been made in reducing the malaria burden, with some countries making gradual but significant progress towards elimination. **Myanmar** registered a 64% decline in malaria cases between 2014 and 2017 and saw a significant decline in malaria-related deaths from 1,707 in 2005 to just 30 in 2017. **Viet Nam**, like Myanmar, is entering the pre-elimination phase for malaria: related deaths are in single digits. In **Niger**, a challenging operating environment, there was a 30% decrease in malaria related deaths between 2010 and 2015, mainly due to the anti-malaria medicines and 4.5 million bed-nets provided by the Global Fund.

TB programs continue to have satisfactory treatment success rates in most of the countries reviewed by the OIG. **Myanmar and Viet Nam**'s TB treatment success rates have remained relatively stable at 87% and 91% respectively. Both countries are piloting a short-course treatment for MDR-TB which is expected to further improve treatment success rates when fully implemented.

These are significant and hard-fought achievements which should be celebrated. However, supported programs have not been as successful in addressing some recurrent challenges in the quality of services provided. In the long run, these challenges constitute a risk to the Global Fund's aim of sustaining the gains already achieved.

Progress against the three diseases could be further enhanced by improving quality of care

OIG reviews found that HIV diagnosis is not consistently performed in line with national guidelines, which could result in misclassification of patients; for example, in **Myanmar**, 38% of the facilities visited by the OIG did not test in accordance with approved HIV testing guidelines. HIV coverage for Key Affected Populations also remains inadequate in some countries; for example, less than 45% of people who inject drugs that were reached by prevention programs in **Myanmar** were tested for HIV, despite an extremely high prevalence among this population. In **Niger**, despite half of new infections coming from mother-to-child transmission, only 32% of pregnant women who had a pre-natal consultation and 50% of new mothers who had a post-natal consultation were tested for

HIV, against a target of 100%. Retention of patients on Anti-Retroviral Treatment also remains a key challenge in **Niger**, with about 40% of the patients initiated on treatment being lost to follow-up in six of the ten visited sites, against a national target of 5%.

Finding missing TB cases remains a significant programmatic challenge and is addressed separately in Sub-section 2 below.

## 2. Finding the missing TB cases

The World Health Organization's 2017 global TB report indicates that the disease burden has remained unacceptably high and that progress is not fast enough to reach existing targets.

TB is the number one killer among the three diseases and requires more attention.

Among the three diseases, TB is now the leading cause of death worldwide, ranking above HIV/AIDS. The 2017 WHO report indicates that finding new cases remains a huge challenge, as only 61% of estimated TB cases have been detected. Although OIG audits continue to see improvement in TB treatment

success rates, most high burden countries face significant challenges finding the missing TB and multi drug resistance (MDR) cases, as seen in our **Ukraine, Bangladesh and Tanzania** audits.

The first country-wide survey conducted since 2014 in **Ukraine** revealed that MDR-TB cases were detected in 24% of new patients and 58% of previously treated patients, indicating that a large proportion of cases are detected late. Preliminary findings from **Bangladesh's** latest TB prevalence survey showed a detection rate of 62% and 53% of estimated incidence and prevalence cases respectively, with a large proportion of cases detected at advanced stages of the disease. The proportion of children among all cases in 2015/2016 was 4.1%, substantially lower than the international average of around 10%. In **Tanzania**, a similar picture exists: the estimated TB case detection rate ranges between 42% and 54% (below the Millennium Development Goals target of 70%). Undetected cases may contribute to increased morbidity and mortality.

Despite significant investments in these activities, TB case detection is hindered by limitations in active case finding in health facilities and communities, gaps in planning and use of diagnostic machines and low private sector engagement in TB screening.

Active case finding and private sector participation are important in finding missing TB cases

Despite these challenges, some countries are using innovative methods to find missing cases. In **Viet Nam**, where the tuberculosis burden remains high and where an estimated 81% of people living with tuberculosis have been diagnosed, a pilot program for active case finding has resulted in an increased tuberculosis detection rate.

## 3. Managing Transition from the Global Fund and changing implementation arrangements

The Global Fund Board approved the Sustainability, Transition and Co-financing (STC) policy in April 2016. Our country audits, as well as the audit of **Transition Management Processes**, show that the Global Fund has made strides in assisting countries to transition away from Global Fund financing.

Successful transition requires focused engagement by all stakeholders

The OIG transition management audit indicate that transition is not primarily a Global Fund process; rather, it is a country-led process supported by the Global Fund, and therefore successful transition requires careful management of a number of legal, political and cultural challenges. While the Global Fund

continues to play an advocacy role in most transitioning countries, these challenges are primarily country-owned and beyond the Secretariat's direct control. Furthermore, as Global Fund investments gradually decrease and eventually end in line with the Board-approved eligibility policy, the Global Fund's leverage and ability to influence also declines. Successful transition requires focused engagement on the part of all stakeholders, including governments, the Global Fund Secretariat, the Board, partners, donors and civil society organizations. Countries with transitioning components are at different maturity levels, and there is a need to leverage existing, non-financial mechanisms, other than grant funding, to support countries post transition.

The **Transition Management Processes** audit concluded that the Secretariat has enhanced its existing governance mechanisms and instituted new ones to support implementation of the policy. The Secretariat has tailored and enhanced key processes underlying transition including early planning. However, improvement is needed in Global Fund monitoring of grant components in transition. The standard grant indicators alone are not sufficient for measuring the performance of transition-specific activities and for obtaining reasonable assurance on the outcome of these strategically important components.

Some non-transitioning countries are proactively taking over activities previously financed by the Global Fund and its partners. These are welcome trends that are consistent with the principle of country ownership and which are likely to enhance sustainability if well executed. However, there are significant risks associated with such changes that have not always been assessed and mitigated. The government of **Vietnam** is in the process of integrating treatment services for HIV into the National Health Insurance reimbursement scheme starting in 2019; however, there has been limited assessment of the related risks which include poor insurance coverage and increased drop-out rates amongst poorer and stigmatized populations. Global Fund grants in **Ukraine** are also undergoing major changes as the Ministry of Health has begun to assume roles previously executed by civil society organizations; however, the risks associated with patients' rights and access to services for key populations are not being adequately managed. In **Myanmar**, plans to transition treatment of patients on antiretroviral therapy from Non-Governmental Organizations to government providers have not yet addressed the risks associated with service delivery and supply chain capability.

#### 4. Continued focus on improving financial controls

Our audits in 2018 so far continue to highlight previously reported trends towards improvements in Global Fund processes and controls to manage financial and fiduciary risks. In response to previously identified fraud vulnerabilities, the Secretariat has rightly focused on managing and mitigating fiduciary risks. Our audits in several countries have confirmed the effectiveness of those safeguards.

Financial risk has generally been well mitigated across the portfolio.

For example, despite the high intrinsic risks associated with material amounts of cash payments at provincial and district levels in **Vietnam**, the overall financial controls over Global Fund grants in that country have proved effective and the programs have generally experienced good absorption rates while maintaining effective fiduciary oversight.

Likewise, in Niger, following the 2014 OIG investigations that identified major financial irregularities, the Global Fund Secretariat instituted several safeguards to better manage grant funds. These measures have significantly mitigated financial risks, and the 2018 audit found no significant issues related to the use of funds, irregularities or financial mismanagement.

The OIG's investigative work is evolving along with the fraud landscape. In 2014-15, 80% of investigation reports dealt with instances of procurement fraud. Procurement fraud now accounts for 20% of prohibited practices investigated. 33% of investigations concern training related frauds, 20% are supply chain related issues, 7% of the caseload relates to instances of embezzlement, 7% to data manipulation and 13% to other schemes such as salary kickbacks and school fee related frauds.

### III. Progress on OIG 2018 work plan

#### 1. Audit plan

There are no changes to the audit planning presented at the AFC07 meeting and progress on the 2018 audit plan remains on track: all internal audits and 12 out of 13 country assignments are either in progress or have been completed.

Some delays in assignment completion due to the availability of key stakeholders which were accommodated to ensure that the quality of reports did not suffer; however, this will not affect the completion of the work plan. As discussed in the July 2018 AFC, we are currently undertaking an advisory review of Grant Implementation in West and Central Africa at the request of the Executive Director, focusing on challenges and opportunities for maximizing impact.

Figure 1 Status of 2018 Work Plan year to date - percentage

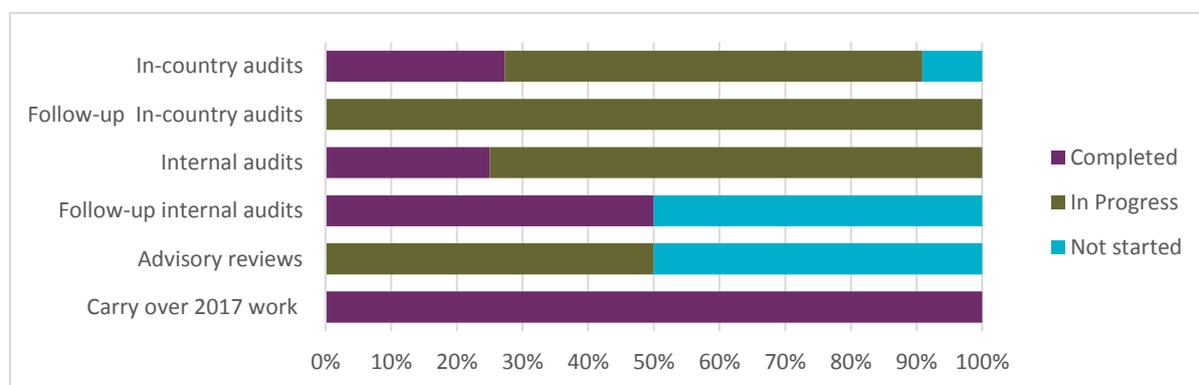


Table 1 Status of 2018 audit work plan year to date – absolute numbers

Audit engagements	In-country audits	Follow-up in country audits	Internal audits	Follow-up internal audits	Advisory reviews	Carry over 2017 work	Total:
Completed	3	0	1	1	0	5	10
In Progress	7	2	3	0	2	0	14
Not started	1	0	0	1	2	0	4
<b>Total:</b>	<b>11</b>	<b>2</b>	<b>4</b>	<b>2</b>	<b>4</b>	<b>5</b>	<b>28</b>

#### 2. Investigation plan

##### Performance by numbers

##### *Allegations*

**140**

When the OIG receives an allegation of potential wrongdoing, the screening officer records all the data then determines if what is reported falls within the OIG mandate and if the details are sufficient to assess the potential impact of the reported wrongdoing. The investigation unit projected an intake of 180 allegations received in 2018. As of 31 August 2018, we had received **140 allegations** (143 allegations during the same period in 2017).

### *2018 open assessments*

**32**

Once the screening officer has gathered all the basic information concerning the allegations, an investigator may carry out further assessment. He/she will conduct preliminary inquiries to determine if the impact of the wrongdoing necessitates a full investigation.

The investigator then recommends whether an investigation should be opened or whether it should be closed without further OIG involvement, or referred to a different body. The Senior Management Team reviews the recommendation and approves, as appropriate. **32 assessments have been opened in 2018 and two have been closed.**

### *Complaint-led investigations*

**17**

When the OIG opens an investigation, it is likely that a mission in country will take place. The OIG's aims in conducting investigations are to:

- Assess the extent of any loss or damage to the Global Fund
- Determine responsibility for any loss or damage, including identities and nature
- Determine extent of any involvement by participants (either external or internal)
- Stop any further loss or damage
- Recover funds or assets or take other corrective action
- Recommend measures that will prevent any future loss or damage

Of the **17 investigations currently open**, six were opened in 2018 and 11 remain open from previous years. We are confident that at least 11 of these investigations will result in a published report.

### *Closed investigations*

**17**

**17 investigations** have been closed this year, resulting in **eight published reports** (from investigations opened in previous years) and **nine closure memos** (eight from previous years and one from 2018). Investigations are closed when the OIG cannot substantiate the allegations, if it can demonstrate the allegation was unfounded, or if the materiality of the issue is such that a full investigative response is not warranted compared to other remedial and preventative actions available.

### *Proactive investigations*

**5**

The 2018 work plan target was to conduct **5 proactive or thematic** investigations to prevent or disrupt fraud.

One proactive investigation report has been published and four other proactive investigations are in progress, two of which are expected to be combined in a single thematic report.

### *Oversight assessments*

**12**

When an implementing partner informs the OIG of suspected low-level wrongdoing, and the entity has proven investigative capacity, the OIG may choose to oversee the implementer's investigation. When the OIG has reviewed the implementer's investigation approach and findings and is satisfied that the implementing partner has taken adequate risk mitigation measures, the OIG formally closes the matter. Similarly, if the Secretariat advises the OIG they are commissioning the Local Fund Agent to follow-up on a potential fraud risk, the OIG will open an oversight assessment to track the progress and

outcomes. In 2018 to date, the OIG has opened **twelve oversight assessments**; we have closed two assessments and ten are ongoing.

*Investigations current case load (from reported incidents in 2017-2018)*

The investigation unit is currently processing 24 assessments, six assessments are pending allocation and we are advancing 17 investigations. Assessments and investigations not completed at year end will be carried over and completed in 2019.

Analysis of 2018 data

*Sources of allegations*

The OIG routinely receives allegations from Secretariat employees. Reporting issues through normal business processes are not generally considered whistle-blowing and the OIG regards Secretariat informants as “Reporters”. Reporters represent 35% of the total reports received, 39% come from whistleblowers who are comfortable sharing their details with the OIG and 25% from whistle-blowers who prefer to remain anonymous.

**Example of an oversight assessment:** An implementer reports that they have identified red flags related to fuel expenditures during an internal audit of their country office. The losses which occurred specifically in Global Fund program funds is not known at this point, but the potential value at risk is \$120,000. As the implementer has known investigative capacity, the OIG opens an oversight assessment; the investigator contacts the implementer, discusses the investigation plan, and ensures that the implementer employs logical, reasonable and practical investigative steps to ascertain the fraud. The purpose of the implementer’s investigation is to determine the validity, depth and breadth of the potential scheme and its overall impact on funders, including the Global Fund. At the conclusion of the investigation, the OIG reviews the mitigation measures proposed by the implementer to determine if they are sufficient to address and minimize similar instances from occurring in the future.

Table 2 Number and source of reports to the OIG YTD

Reporter type	#
Confidential Whistle-blower	55
Reporter	47
Anonymous Whistle-blower	36
Other	2
<b>Total</b>	<b>140</b>

From January–August 2018 wrongdoing was reported to be happening in 52 countries.

Figure 2 Geographic spread of wrongdoing Jan-Aug 2018



**OIG received reports** from Afghanistan, Angola, Armenia, Bangladesh, Belarus, Benin, Cambodia, Cameroon, Chad, Colombia, Democratic Republic of the Congo, Ecuador, Eritrea, Ethiopia, Fiji, Gambia, Georgia, Ghana, Guatemala, India, Indonesia, Ivory Coast, Jamaica, Kazakhstan, Kenya,, Kosovo, Kyrgyzstan, Lao Peoples Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Mali, Morocco, Mozambique, Myanmar, Namibia, Nepal, Niger, Nigeria, Pakistan, Philippines, Sierra Leone, South Africa, Sri Lanka, Sudan, Swaziland, Tanzania, Uganda, Ukraine, Zambia, Zimbabwe.

Table 3 Number and type of allegations screened-in

#	%	Allegations pursued by the OIG
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21	26%	Fraudulent Practices
19	23%	Abusive Practices
16	19%	Collusive Practices
12	15%	Other
10	12%	Corrupt Practices
4	5%	Human rights violations
<b>82*</b>	<b>100%</b>	<b>Total</b>

\*Some reports received will result from multiple allegations

Over 50% of the allegations received and followed up by the OIG relate to fraudulent and abusive practices<sup>1</sup>, which includes misrepresentation or manipulation of any information arising from Global Fund Activities. Such information may include proposals, plans, evaluations, invoices, signatures, performance data, epidemiological data, reports, and implementer's audits. Examples of abusive practices include theft, misappropriation, embezzlement, waste or improper use of property, either committed intentionally, or through reckless disregard.

#### *Allegation resolution*

The OIG has opened assessments/investigations on 24% of the allegations it received in 2018. It has retained 34% of allegations for information (these reports may not have met materiality and impact criteria but are retained for analysis on an ongoing basis). When the OIG receives allegations concerning programmatic or low-level fraud the OIG will refer them to the Secretariat for their consideration/risk mitigation. This is the outcome of 26% of allegations received.

Table 4 Number and type of outcome of screened-in allegations

#	%	Allegation Resolution
40	29%	Retained for information
35	25%	Referral to Secretariat for information/action
30	21%	Open for OIG assessment/investigation
16	11%	No further action
13	9%	Currently undergoing screening
4	3%	Merge with an existing Case
1	1%	Referral to external agency
1	1%	Referral to OIG Audit
<b>140</b>	<b>100%</b>	<b>Total</b>

#### *Investigations are driving impact and influencing change*

The impact of OIG investigations often goes beyond the dollar value of the monetary recovery, which may be limited in some cases. The most significant impact in many investigation cases is the resulting improvements made in internal control processes, risk management activities or governance over grant funds. During 2018, the OIG will publish the findings of 15 investigations. Impactful investigations contain findings likely to affect Global Fund strategic/grant objectives. The root cause identification and Agreed Management Action discussions will materially influence effective fraud risk mitigation at Secretariat or Implementer level.

Table 5 Outcome and impact of conclusive cases finalized in 2018

Country	Issue investigated	Status	Impact
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<sup>1</sup> The Global Fund Policy to Combat Fraud and Corruption 15 November 2017

<b>Papua New Guinea</b>	Embezzlement	Reported	Recovery US\$176k. The PR is now changing how accounting data flows between headquarter and country level systems to facilitate timely assurance of grant expenditures.
<b>Zambia</b>	Theft	Reported	Recovery US\$1.06m. Improvement in stock management controls following employee theft from warehouse.
<b>Georgia</b>	Procurement	Reported	The Secretariat is clarifying its Quality Assurance mandate, including the necessary activities, roles and responsibilities.
<b>Eswatini</b>	Mobile money fraud	Reported	Recovery US\$27k. Standard Operating Procedures developed to guide in the management of mobile money systems
<b>Nigeria</b>	Kick back	Reported	Recovery US\$64k. Report findings shared directly with implementers (Principal Recipients and sub-recipients) to prevent other schemes and encourage speaking out.
<b>CAR</b>	Theft	Reported	Recovery US\$198k. Supply chain reinforced and measures taken to reduce demand for prescription medicines in illicit markets.
<b>Bangladesh</b>	Fraud Training	Reported	Recovery US\$110k. Introduction of regular spot checks on financial management controls and on programmatic activities and expenditures.
<b>Kenya</b>	Per diem fraud	Reported	Recovery US\$51k. Better compliance by PR with its internal controls to guarantee that all training per diems are justified.
<b>Pakistan</b>	Bed net theft	In the pipeline for report	
<b>Guinea</b>	Data falsification	As above	
<b>DRC</b>	Procurement	As above	
<b>Haiti</b>	Per diem fraud	As above	
<b>Multiple (proactive)</b>	Training	As above	
<b>Mozambique</b>	Fraud	As above	
<b>Multiple (proactive)</b>	School fees	As above	

### 3. Report finalization schedule

Figure 3 Estimated completion of OIG engagements in 2018-2019



Key: **Completed**; \*2017 audit work plan

## IV. High-level summary of OIG reports released or published in January-September 2018

The colored boxes show the number of objectives covered and how they were rated (cf. ratings chart at the bottom of this table). Thematic reviews, investigations, and most advisory engagements do not have ratings. Investigations closed by case closure memos are not included.

	Investigation in the Central African Republic	GF-OIG-18-001
	Medicines financed by the Global Fund worth approximately US\$200,000 leaked or were stolen from the Central African Republic supply chain in 2016-2017. OIG investigators found small quantities of medicines available in illicit markets in the capital Bangui, suggesting a systemic problem. The OIG concluded that they had been diverted from the supply chain due to weak control processes and market demand. The Global Fund is currently assessing new implementing partners to take over stock management and distribution in the country. It will also take steps to recover the lost funds.	
	Investigation in Bangladesh	GF-OIG-18-002
	The OIG found over US\$110,000 of non-compliant expenditures at the National Tuberculosis Control Program (NTP), a recipient of Global Fund grants in Bangladesh. NTP staff falsified mostly training-related documents between July 2015 and September 2016. The fraudulent activities were made possible by breaches of financial management standard operating procedures and procurement rules that were overlooked by NTP senior management. The Global Fund is seeking to recover the full amount as well as ensuring that NTP puts in place stronger financial management controls.	
	Audit of Grants to Ukraine	GF-OIG-18-003
	Ukraine has made progress in accelerating the end of HIV and tuberculosis as epidemics. AIDS-related deaths have halved since 2010; the price of antiretroviral drugs to treat HIV have been brought down thanks to concerted efforts by civil society; and the government has increased its financial commitment for HIV and tuberculosis programs. However, significant numbers of people diagnosed with HIV are still lost to treatment; approximately 9,000 people with HIV have not started treatment yet due to a shortage of drugs; multidrug resistant tuberculosis success rates are low; and there is limited visibility on how the government will transition out of Global Fund grants over the next two years.	
	Investigation in Kenya	GF-OIG-18-004
	An OIG investigation found approximately US\$63,000 of non-compliant expenditures mainly related to cash advances for activities organized by the Kenyan national tuberculosis program. The Global Fund has since instructed the program to put in place stronger oversight measures and reduce cash advances.	
	Follow-up Audit of Grants in Nigeria	GF-OIG-18-005
	This audit follows up on 2015 engagements that had identified significant deficiencies in portfolio management, implementation arrangements, financial controls, supply chain, and data quality. Two years on, the auditors found major improvements thanks to corrective measures put in place by the Secretariat after the 2015 audit. Some of the measures have mitigated the risks while others still need more time to take effect. There are also gaps in some of the measures, which need to be addressed. The government has refunded US\$5.8 million identified as recoverable amounts in previous OIG audits and investigations.	

	Follow-Up Audit in Tanzania	GF-OIG-18-006
<p>The Secretariat and stakeholders in Tanzania have made significant efforts to mitigate the risks that the OIG identified when it last audited the country in 2015. This includes improvements in supply chain management leading to fewer medicine stock-outs, and stronger grant implementation arrangements. Nevertheless, the auditors found expired HIV drugs worth approximately US\$9 million; significant proportions of people living with HIV lost to follow up within one year of starting treatment; and gaps in governance and oversight.</p>		
	Investigation in Zambia	GF-OIG-18-007
<p>An OIG investigation identified significant unexplained stock losses of US\$1,064,788 of Global Fund-financed pharmaceutical and non-pharmaceutical health products at Zambia Medical Stores Limited between 2014 and 2016. The Global Fund and Medical Stores Limited (MSL) have responded to the findings with strong remedial and preventive measures.</p>		
	In-Country Cash Management Advisory Review	GF-OIG-18-008
<p>At the request of the CFO, the OIG completed an advisory review of in-country cash balances and in-country cash management processes, to assist the Secretariat in optimizing these processes thereby reducing the significant in-country cash balances that have existed since 2014.</p>		
	Data Management at the Global Fund	GF-OIG-18-009
<p>The Secretariat has taken several steps in recent years to improve data management. These include an integrated system to manage financial data, with effective controls and automated reporting capabilities for analysis and decision-making. Similar controls have also been established to manage the accuracy and completeness of data related to country allocations. While good practices are in place in these key areas, the organization still needs an overarching strategy for data management.</p>		
	Proactive Investigation of Procurements of Non-Compliant HIV Rapid Diagnostic Testing Kits	GF-OIG-18-010
<p>An OIG proactive investigation found that some Global Fund Principal Recipients had bought HIV rapid diagnostic test (RDT) kits that were non-compliant with the Global Fund's policies for health products. The Global Fund had not detected some of these purchases. The investigation found that four Principal Recipients in three countries bought non-compliant HIV RDT kits valued at US\$230,268.</p>		
	Investigation in Papua New Guinea	GF-OIG-18-011
<p>An OIG investigation found that weaknesses in the accounting processes of a Principal Recipient, Population Services International (PSI) had given rise to fraudulent and non-compliant expenditures in a malaria grant totaling US\$551,608. PSI subsequently strengthened its financial controls in its Papua New Guinea office. The investigation also found additional non-compliant expenditures in the same grant of US\$175,818.</p>		
	Investigation in Nigeria	GF-OIG-18-012
<p>The OIG found that for 14 months, senior management at TB Network, a sub-recipient in Nigeria, had misappropriated salaries and allowances totaling US\$54,471. Staff had to pay into a sustainability scheme, however TB Network management and its National Secretary received almost half of the funds collected. Unauthorized salary payments were also made</p>		

to five employees, who then paid the majority of funds they had received into the scheme. TB Network also generated unauthorized income from sub-letting its office space.

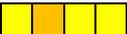
	Audit of Grants in Myanmar	GF-OIG-18-013
<p>While Myanmar has made significant progress in its efforts to fight the three diseases and to widen health care coverage, concerns exist around sustainability, resources and service quality. Plans to transition HIV treatment services to government do not yet address critical supply chain and human resource issues. Key populations are not being effectively reached with services and there are limitations in assurance and oversight by the Principal Recipients, Country Coordinating Mechanism and Local Fund Agent.</p>		

	Audit of Grants in Viet Nam	GF-OIG-18-014
<p>Viet Nam has made significant progress in reducing the burden of HIV, tuberculosis and malaria, and towards universal health coverage and sustainable domestic health financing. With HIV and tuberculosis treatment being integrated into the country's health insurance program, some patients risk not being able to access affordable and quality care due to enrollment difficulties and increased loss-to-follow-up related to the transition process. Procurement and supply chain management systems will also need to adapt to fit the new implementation structure.</p>		

	Investigation in Eswatini	GF-OIG-18-015
<p>The OIG discovered that a staff member at a Sub-recipient, the Family Life Association of Swaziland (FLAS), improperly diverted US\$26,701 from FLAS's mobile money account to his own account and to other unauthorized accounts. These fraudulent activities were possible because of insufficient management supervision, monitoring and controls. The Principal Recipient has since taken over management of FLAS's mobile money account and now has full responsibility for all transfers associated with Global Fund programs.</p>		

	Audit of Grants in Niger	GF-OIG-18-016
<p>The quality of the three programs has improved over the last two years, mainly on outreach of services and commodities, resulting in declining mortality rates for malaria and HIV. However, fundamental gaps in the quantification, forecasting and stock monitoring processes still result in disruption of services, and the coverage, quality and coordination of supervision activities require improvements. Expanded assurances and controls over grant funds have significantly mitigated the financial risks in the malaria and HIV programs.</p>		

	Audit of Transition Management Processes	GF-OIG-18-017
<p>Since the Sustainability, Transition and Co-financing (STC) policy was approved in April 2016, the Global Fund Secretariat has enhanced existing governance mechanisms and instituted new ones to support its implementation. The Secretariat has also tailored and enhanced key processes underlying transition including early planning. However, the need remains to leverage existing mechanisms to support countries post transition and improve Global Fund monitoring of transition grants.</p>		

	Follow-Up Audit on Procurement Processes	GF-OIG-18-018
<p>There have been material improvements since the previous OIG audit in 2015. New indirect procurement regulations and procedures have been designed, and there is better management and oversight of Procurement Service Agents and other suppliers, and of direct procurements. Data for reporting on key performance indicators has also improved. However, the 2006 decision to directly source all Multi Drug Resistant TB drugs from the Global Drug Facility, a pooled procurement mechanism, needs to be reassessed.</p>		

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

## V. Progress on the OIG's 2018 KPIs

Table 6 Progress on 2018 KPIs

Theme	Performance objective	Progress to date
<b>A. To deliver an efficient and effective service</b>	A.1 80% of reports as per the work plans issued in draft by year end (stage 4 of the Stakeholder Engagement Model for audits, stage 6 of the Stakeholder Engagement Model for investigations)	As of 31 August, based on the 2018 workplan, the Audit unit was at 42%. The Investigations unit was at 62% for the same period. Both are anticipated to reach the 80% target by year end.
	A.2 Costs managed within approved budget	At the end of August 2018, the OIG had a budget underspend of US\$1,910k (-18.12%) against the 2018 Operating Expenses Budget, out of which US\$1,334k are attributed to vacancies. Please refer to Section VII. 2. of this report.
<b>B. To foster confidence by being accountable and transparent</b>	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	Self-assessment to be conducted in Q4 2018. As of 31 August, all engagements followed all SEM stages, ensuring due process. 11% of the audits published in 2018 met or surpassed the SEM timelines. 15% of the investigation cases closed in 2018 met or surpassed the SEM timelines.
	B.2 Triennial external quality assurance review to confirm, once every 3 years, that the quality of assessment processes, work papers, reports, and interaction with key stakeholders adheres to professional standards and guidelines	An external quality assurance review took place in 2017. The next one will take place in 2020.
	B.3 Annual assurance statement on governance, risk management and controls at the Global Fund	2018 Annual Report will be issued in Q1 2019.
<b>C. To ensure impact in our work</b>	C.1 Agreed actions tracked, reported on monthly and validated within 30 days of Secretariat reported "Completed" date. Reports of slippage on agreed actions escalated.	As of 31 August, 100% of the Agreed Management Actions reported as implemented by the Secretariat in 2018 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%. 10 surveys conducted for the 10 audit reports issued this 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.	Scheduled for Q4 2018.

<b>D. To recruit and retain the best people and foster a culture of trust and teamwork</b>	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.	27% of Agreed Management Actions were implemented by the Secretariat by their due date between 1 July 2016 and 30 June 2018
	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.	It is projected that by Q4 of 2018 the 2016, 2017 and 2018 workplans will have covered: <ul style="list-style-type: none"> <li>• 82% of the HIV burden, 87% of malaria burden and 72% of the tuberculosis burden</li> <li>• 76% of the country allocation amounts</li> <li>• 37% of the countries rated as high risk</li> </ul>
	C.6 At least four advisory or consulting engagements requested by management and/or governance bodies during the annual work program cycle.	Two advisories are currently under way: LLIN Net Mass Campaigns and Grant implementation in West and Central Africa.  Two other advisories on Human Rights and Catalytic Investments are scheduled to begin in Q4.
	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. 31% of staff had completed a minimum of 20 hours of formal training as of 31 August 2018.

## VI. Headcount and budget

### 1. Headcount

At the end of August 2018, the OIG had 42 employees out of a budgeted headcount of 52.

Table 7 Headcount and vacancies as of 31 August 2018

Unit	Headcount 1 Jan 2018	Hires	Departures	Headcount 31 August	Budget (Following restructure)	Vacancies
Front Office	9	3*	2	10	11	1
Audit	18	2	2	18	23	5
Inv	20	0	6*	14	18	4
<b>Total</b>	<b>47</b>	<b>5</b>	<b>10</b>	<b>42</b>	<b>52</b>	<b>10</b>

\*includes one lateral move from Investigations to Front Office (Professional Services Unit)

There is one vacancy in Professional Services Unit (PSU), the front office of the OIG: The Head of the Unit has been selected and will join in October.

In Audit, one auditor vacancy was filled in May and another in August. There are now five vacancies, among which two auditors will join in October. A vacant audit manager position will be filled internally at the end of the year. The recruitment process for two remaining advisory roles is underway and should be completed by the end of Q4.

In Investigations, there are four vacancies (one senior investigator and three investigators), which are expected to be filled during the last quarter of 2018/first quarter of 2019.

### 2. Budget

At the end of August 2018, the OIG had a budget underspend of US\$1,910k (-18.1%) against the 2018 Operating Expenses Budget.

Table 8 OIG Operational Budget in thousands of US\$

	2018 Budget	YTD Budget	YTD Actuals	YTD Variance Budget vs Actuals	
Salaries	11,050	7,341	6,007	-1334	-18%
Professional fees	2,199	1,324	1,256	-68	-5%
Travel	1,807	1163	930	-233	-20%
Meetings	78	52	27	-25	-48%
Communications	107	71	66	-5	-7%
Office Infrastructure	661	592	347	-245	-41%
<b>Total</b>	<b>15,902</b>	<b>10,543</b>	<b>8,633</b>	<b>-1910</b>	<b>-18%</b>

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 five vacancies, four of which were filled between May and August. The OIG restructure also generated additional vacancies and 10 positions remained to be filled at the end of August. We are working diligently with our colleagues in the Human Resources Department to complete all ongoing recruitment processes.
- **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 Q4,

and an overspent is forecasted for the end of year, offsetting part of the underspent in salaries.

- **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: licences and support for the knowledge management project and for the audit software are both set to be purchased or renewed in Q4. In addition, five months’ rent/facilities costs were originally budgeted before the final move date to the new building was confirmed. Only four months were needed, resulting in 61k savings.

## VII. Looking ahead:

### 1. Work Plan for 2019 at a glance

Table 9 Engagements to be completed or initiated in 2019

	Country audits	Internal audits	Advisory engagements	Complaint-led investigations	Proactive investigations	Investigations carried over from 2018
Totals	13	6	4	19	4	6

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 2019 planning and risk assessment 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 2019 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:

1. *Materiality and likelihood of risk*: How much money is allocated to each country? What are the risks that might compromise grant objectives and how likely are they?
2. *Mitigating factors*: What might reduce the risks in the countries? For example, is there a Fiscal Agent in place or other safeguards? How effective is the Local Fund Agent?
3. *Qualitative factors*: When was the last time the country was audited? What does Global Fund management think?

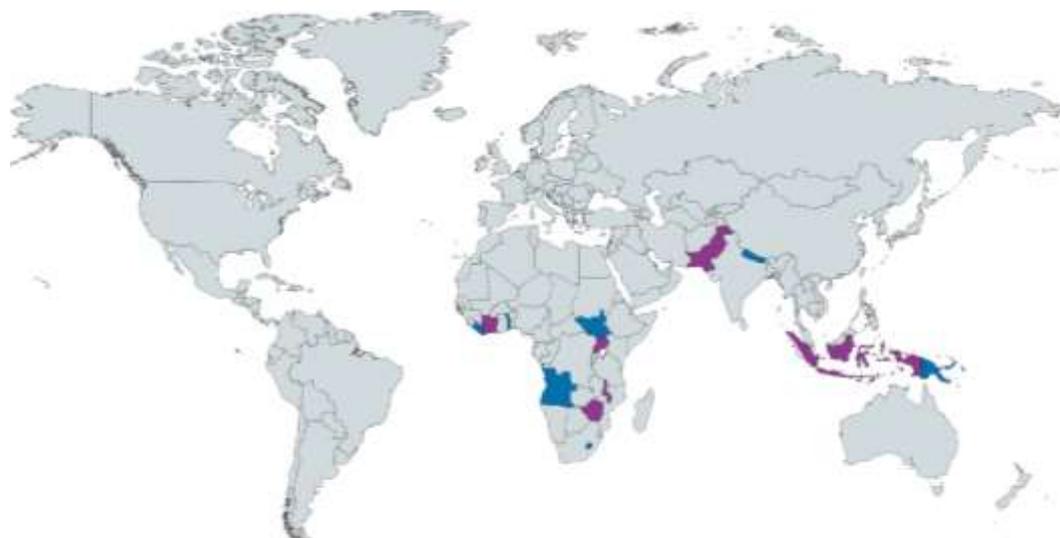
Figure 4 Risk-based methodology for choosing which countries to audit



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

- An emphasis on countries from the High Impact and Core countries, in line with the Global Fund's approach to differentiation;
- At least one country with an extreme disease burden in each of the three diseases;
- At least one country with a majority of financing from the Global Fund for each of the three diseases.

Figure 5 2019 OIG Audit Plan covers 13 countries and 24% of 2017-2019 allocation



### Country audits, allocation

#### High-impact portfolios

- Zimbabwe, US\$484m
- Uganda, US\$465m
- Malawi, US\$450m
- Indonesia, US\$248m
- Côte d'Ivoire, US\$213m
- Pakistan US\$204m

#### Core portfolios

- South Sudan, US\$87m
- Liberia, US\$66m
- Lesotho US\$66m
- Togo US\$65m
- Angola US\$58m
- Papua New Guinea US\$43m
- Nepal US\$42m

At the completion of the 2019 audit plan, OIG expects our country audits over the three-year cycle (i.e. 2017-2019) to have cumulatively covered 37 countries, accounting for 75% of the total grant funding for the 2017-19 allocation cycle. These countries account for 76%, 74%, and 46% of the disease burdens for HIV, Malaria, and TB, respectively.

### 3. Other audit engagements

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

#### Cross-cutting reviews (3)

1. **Ethics framework:** this audit will assess the adequacy and effectiveness of the Secretariat's framework for managing ethical issues at the Secretariat and country implementation levels.
2. **Project and Change Management:** this review will assess the effectiveness of the Secretariat's project management framework including project selection, structures for decision making, implementation and monitoring during the life cycle.
3. **Value for Money study of Technical Assistance and Capacity Building support:** this review will provide insights on the efficiency, economy and effectiveness of the provision of technical assistance and capacity building activities in grants.

### Focused reviews (3)

4. **Grant Operating System:** this audit will assess the adequacy and effectiveness of the recently-implemented Grant Operating System in meeting business needs, including the related IT architecture.
5. **Management of Special Initiatives implemented by Partners:** this audit will assess the effectiveness of the Secretariat's processes for managing the Special Initiatives implemented by Partners.
6. **Global Health Campus.** This review will provide assurance over the delivery of the new Health Campus, as well as the adequacy and effectiveness of the processes to manage the related shared services. Execution of this review will be closely coordinated with GAVI.

### Advisory engagements (4)

In line with its strategy to provide advice and strategic insights that enhance effectiveness, efficiency and economy in both Global Fund operations and grant programs, the OIG has enhanced its approach for performing advisory reviews. These enhancements include recruiting skilled resources, 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, however potential areas already under consideration are:

- Debt-to-Health
- Utilization of Gen-Ex Machines (deferred from 2018)

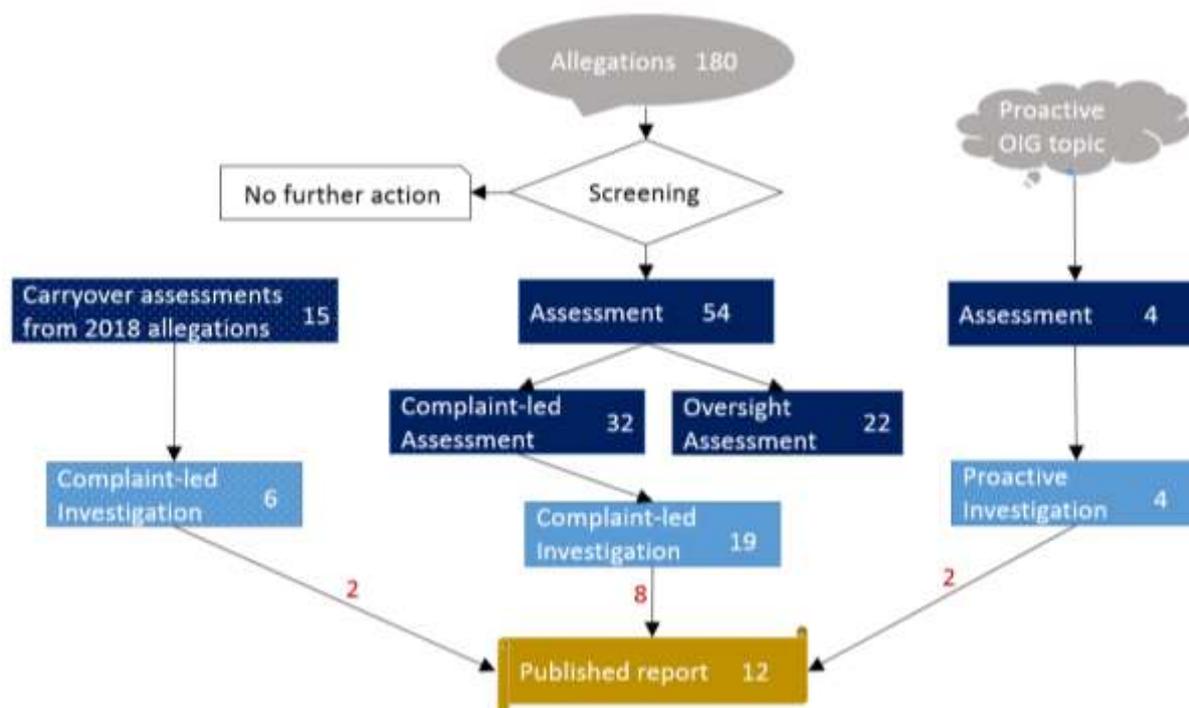
## 4. Investigations

The work of the OIG investigations team focuses on identifying, and reducing the harmful effects of, wrongdoing. Agreed management actions are laid out in our investigation reports to address any outstanding risks or issues. The primary objective of our activities is to establish facts and to ensure any confirmed prohibited practices do not reoccur.

In addition to its investigative work, the OIG contributes to fraud awareness training based on the Global Fund's fraud and corruption policy. There are two primary target audiences of the "I Speak Out Now" campaign: The Secretariat and implementers. Raising awareness is important to strengthen the prevention and early detection of fraud. While the OIG remains fully independent in its investigative function, it actively contributes to Secretariat initiatives to counter fraud and corruption and to ensure that donor funds are being used for their intended purposes. In a context where fraud cases are increasingly transnational, the OIG is also strengthening cooperation with its international partners.

The 2019 work plan mirrors the work processes within the investigation unit.

Figure 6 Assessments and investigations opened in 2018, likely to continue into 2019



### Investigative activities

**15**

Each year the investigation unit carries over work started in the previous year. We predict **15 assessments** will remain open from 2018 and will be completed in early 2019; eight complaint-led assessments and seven oversight assessments.

**6**

Similarly, we predict that **six investigations** opened in 2017/18 will continue into 2019. On 31 December 2018, we will confirm the number of assessments and investigations and report to the Audit and Finance committee accordingly.

### Allegation screenings

**180**

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 **180 allegations** reported to the OIG within a 12-month period. The OIG bases this prediction on historical data. We anticipate a conversion rate of 30% from screening to assessment.

Assumption: The number of 2019 allegations will be in line with previous years.

### Oversight assessments (minimal OIG intervention)

**22**

At a conversion rate of 30%, 180 allegations to the OIG investigations team will result in an estimated **54 assessments**. We estimate 22 of these will be oversight assessments and 32 complaint-led assessments. We may open an oversight assessment when an implementer advises us that they have initiated an investigation into a low-level issue. Likewise, we may open an oversight assessment when advised by the Secretariat that they have commissioned LFA work to gather information

concerning a potential fraud issue. 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 involvement of the OIG, i.e. when a seemingly low level-issue becomes something more critical.

#### *Complaint-led assessments*

**32**

OIG investigators carry out assessments, which come to them through the screening process. The investigator will conduct further desk-based research to determine the fraud risk level and potential impact. They typically take six weeks. The OIG predicts that **32 such complaint-led assessments** will be processed in 2019.

*Assumption:* 30% conversion rate of screening reports to complaint-led/oversight assessments.

#### *Complaint-led investigations*

**19**

Once the investigator has concluded the complaint-led assessment period, if deemed appropriate an in-country mission will follow and the investigation team will collect the primary evidence (interviews and documentation) necessary to make a determination of fraud/abuse. In 2019, we predict **19 such investigations** will result from the complaint-led assessment stage.

*Assumption:* 60% conversion rate from assessment to investigation.

#### *Proactive investigations*

**4**

Supplementing our complaint-led investigations, we will actively leverage intelligence in order to identify, prevent or disrupt wrongdoing through proactive investigations. In 2019, we intend to open **four proactive investigations**, one of which will be data analytics driven. Each proactive investigation will include implementer training on identifying fraud and abuse using the assets developed by the 'I Speak Out Now!' campaign.

*Assumption:* Proactive investigations will produce a published report within twelve months.

#### *Published reports*

**12**

Following a complaint-led investigation, the OIG investigation unit publishes all substantiated findings of fraud and other categories of wrongdoing. In 2019, 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.

*Assumption:* 80% of complaint-led investigations will result in a published report.

#### Investigations resourcing

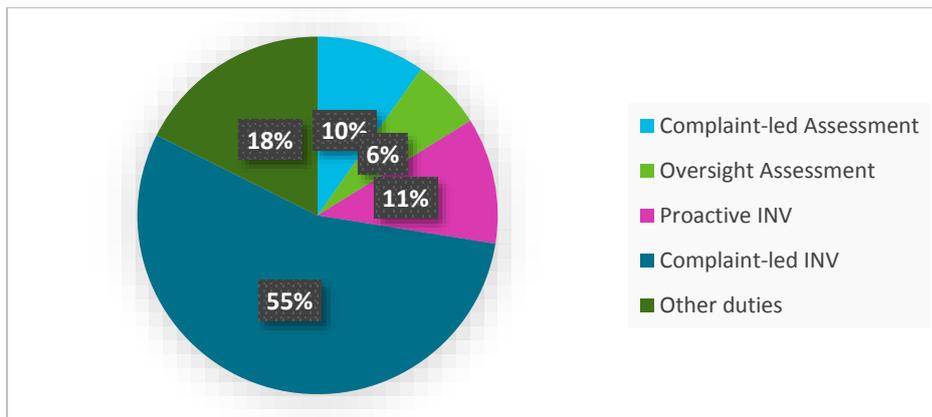
In 2019, the level of effort expended by the unit on its various activities will be as follows:

Overall effort per activities	
55%	Complaint-led investigations
11%	Proactive investigations
10%	Complaint-led assessments
6%	Oversight assessments
18%	Other duties

Resources	
2	Managers
4	Senior investigators
7	Investigators
2	Investigation analysts
1	Screening analyst
1	Computer forensic specialist
US\$182,000	Professional fees

As an illustrative example, for an investigator, the typical split of effort would be as follows:

Figure 7 Level of effort proportions for an Investigator



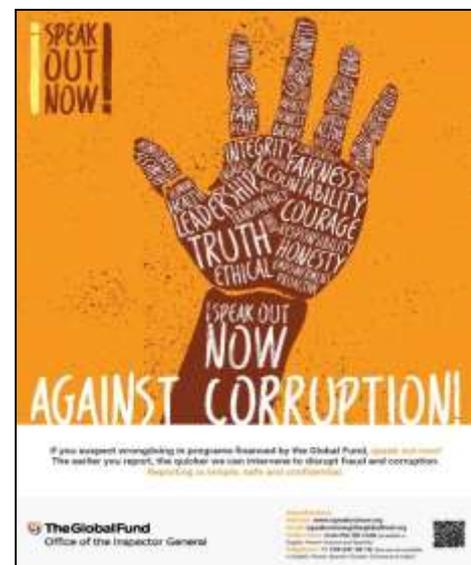
## 5. Counter-fraud Prevention

In its 2016 report<sup>2</sup> on “Fraud prevention, detection and response in United Nations system organizations” the Joint Investigations acknowledged that “a trained anti-fraud workforce is the best ally in fighting fraud”. By implementing an effective fraud awareness program, the Global Fund can harness the efforts of the Secretariat and implementers’ staff in its anti-fraud activities and can significantly reduce the cost of fraud within the organization.

Over a three year period, the OIG has developed a mature “I Speak Out Now” counter fraud program.

The OIG will continue to send quarterly fraud bulletins to over 3,000 implementers and Secretariat staff raising awareness about recently investigated schemes and effective fraud mitigation activities/processes.

Figure 8 I Speak Out Now leaflet cover



<sup>2</sup> [https://www.unjuu.org/sites/www.unjuu.org/files/.../JIU\\_REP\\_2016\\_4\\_English.pdf](https://www.unjuu.org/sites/www.unjuu.org/files/.../JIU_REP_2016_4_English.pdf)

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

## 6. Proposed operating budget for 2019

To support the 2019 work plan, the OIG proposes the following budget at US\$15.59 million, which is a 2% reduction compared to the 2018 budget of US\$15.9 million.

Table 10 Proposed 2019 budget versus 2018 budget and 2018 full-year forecast. All amounts in US\$ thousands.

	2018 Budget	2018 FY Forecast	2019 Budget	2018-2019 Variance	2019 PSU	2019 Audit	2019 Investigation
Professional Fees	\$2,199	\$2,335	\$2,406	9%	\$619	\$1,564	\$223
Travel	\$1,808	\$1,917	\$1,758	-3%	\$98	\$1,389	\$271
Meetings	\$76	\$78	\$76	0%	\$20	\$29	\$27
Communications	\$107	\$174	\$129	21%	\$129		
Office Infrastructure	\$662	\$600	\$266	-60%	\$266		
<b>Sub-Total</b>	<b>\$4,852</b>	<b>\$5,104</b>	<b>\$4,635</b>	<b>-4%</b>	<b>\$1,132</b>	<b>\$2,982</b>	<b>\$521</b>
<b>Staff Costs</b>	<b>\$11,050</b>	<b>\$9,468</b>	<b>\$10,957</b>	<b>-1%</b>	<b>\$2,878</b>	<b>\$4,603</b>	<b>\$3,476</b>
<b>Total Operating expenditure</b>	<b>\$15,902</b>	<b>\$14,572</b>	<b>\$15,592</b>	<b>-2%</b>	<b>\$4,010</b>	<b>\$7,585</b>	<b>\$3,997</b>

Professional fees and communications up; staff costs, travel and infrastructure are all down.

### (i) Staff Costs (-1%)

The OIG staff headcount remains stable at 52, the same as in 2018. OIG is currently staffed at 81%, 10 vacancies remaining to be filled. Vacancies during the year resulted in staff cost savings for 2018, as did lower-than-budgeted insurance premiums.

### (ii) Professional fees (+9%)

Increase in 2019 due to the knowledge management project and a different country mix for audits.

### (iii) Travel (-3%)

The number of investigation missions requiring travel has been revised downwards for 2019.

### (iv) Office Infrastructure (-57%)

Reduction following the move to the new Health Campus where all rental/building charged are centrally managed. Some recurring IT costs budgeted in 2018 will be covered by the IT department in 2019.

## 7. Key Performance Indicators for 2019

The OIG is proposing to retain for 2019 the KPIs that were approved by the Audit and Finance Committee in GF/AFC05/DP04, as well as the three Impact KPI selected by the Inspector General pursuant to this decision point.

Table 11 Proposed 2019 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

## Annex 1 – Summary of Committee Input

*The Audit and Finance Committee recommended Board Approval of proposed the 2019 OIG workplan, budget and KPIs, and sought clarification on a number of points.*

- 1. Referring to the 2% budget decrease in 2019, with respect to 2018, the AFC asked what the OIG budget would look like if the costs now absorbed by the Secretariat (notably facility costs) were excluded. The OIG clarified the proposed 2019 OIG budget is flat, excluding facility costs.*
- 2. The AFC asked how the OIG proposed to achieve its 2018 and 2019 work plan given its current reduced headcount. The OIG explained all audit vacancies will be filled by end-2018, including the two positions recruited to fulfil Advisory engagements.*
- 3. With respect to the proposed 2019 OIG work plan, The AFC asked why no OIG audits were planned for Focus countries. The OIG noted that audits mostly look at high-impact, high-risk, high-value countries. Nevertheless, a thematic report on focus countries will be published shortly.*
- 4. The AFC asked whether the the OIG was concerned about the decreasing number of allegations being received. The OIG stated it is primarily interested in the quality, as opposed to the quantity, of allegations, and on increasing the conversion rate of allegations into investigations, and of investigations into reports.*
- 5. The AFC requested information on the new Head of Professional Services Unit role. The Inspector General explained that the job function is not new, while the role has been elevated to allow for a focus on longer-term strategic initiatives.*