

Audit and Finance Committee Report

The Office of the Inspector General 2021 Annual Report

Including an Annual Opinion
on Governance, Risk Management
and Internal Controls



What is the Office of the Inspector General?

- We **safeguard** the Global Fund's assets, investments, reputation and sustainability
- We critically assess the organization's **risk management, governance and internal controls**
- We investigate alleged **fraud, abuse, theft, corruption, sexual exploitation & abuse, and human rights violations** within Global Fund programs
- We **agree management actions** to ensure the organization is taking the right measures and managing risks effectively in the fight against AIDS, Tuberculosis and Malaria
- We report to the Global Fund Board through the Audit and Finance Committee



43

staff



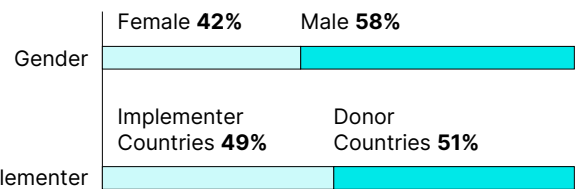
23

nationalities



33

languages spoken



Our staff have an average of **17 years** professional experience in a wide range of professional experience including public accounting and assurance, risk management, health, law and law enforcement. We have worked in development banks, United Nations Agencies, government departments, public and private companies, NGOs and anti-corruption organizations.

Our professional qualifications include 15 certified internal auditors, 11 chartered accountants, 5 certified fraud examiners, 5 MBAs, 3 lawyers and 2 staff with master degrees in public health.

Learn about fraud, abuse and human rights violations

Our e-learning site, www.ispeakoutnow.org, contains a wealth of **case studies, animated videos and quizzes** about the different kinds of wrongdoing which Global Fund grants are exposed to, as well as a practical **toolkit** to help grant implementers fight fraud and corruption.

How to contact us

If you suspect wrongdoing connected with Global Fund grants, **please tell us**. Reporting to the Office of the Inspector General is **secure and safe**, and we will keep your identity **confidential**.

Email: hotline@theglobalfund.org

Online form: www.ispeakoutnow.org

Free Telephone Reporting Service: **+1 704 541 6918**

Our reporting channels are available in English, French, Spanish, Russian, Chinese, and Arabic.

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I. Foreword



Tracy Staines (she/her)
Inspector General

Grant programs are continuing to deliver significant impact.

When the Global Fund was founded in 2002, HIV/AIDS, TB and malaria were spiraling out of control. Incredible progress has been made since: health programs supported by the Global Fund partnership have saved 44 million lives, and AIDS, TB and malaria deaths have fallen by 46%.

COVID fundamentally changed our world. Extraordinary global procurement and supply chain issues, tightening fiscal spaces and incredible demands on healthcare workers have strained program activities, impacting the communities who depend on them. Yet, the OIG's work in 2021 shows that despite the Global Fund's operating model being tested to its limits, the organization has shown that grant programs continue to deliver significant impact in the fight to end AIDS, tuberculosis and malaria as epidemics.

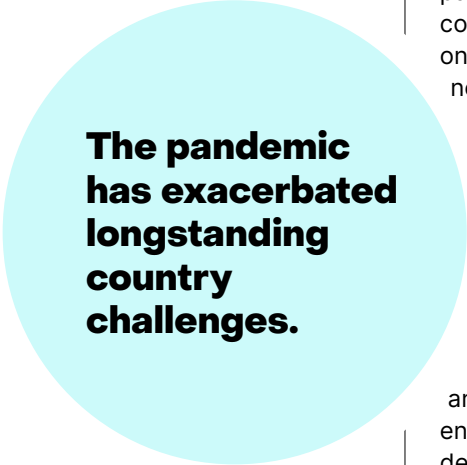
What lessons can the Global Fund learn from the pandemic?

COVID has taught us a great deal about the Global Fund's agility and adaptability to respond quickly in a crisis, as well as highlighting its limitations and challenges.

The Global Fund, through the remarkable leadership shown by the United States and other donors, was able to mobilize over US\$4 billion of additional funding to support low- and middle-income countries to rapidly expand testing, and ensure health workers are adequately protected. Adapting a new rapid mechanism to approve this scale of funding was not easy. It took concerted efforts by the Secretariat and the Board, whose own activities have been severely disrupted. Procurements of health commodities, especially using the Global Fund's own Pooled Procurement Mechanism and including new products such as oxygen, have increased exponentially – a significant undertaking considering the global procurement and supply chain pressures faced in 2021.

In stepping up to tackle another pandemic, the Global Fund and its implementing partners didn't get everything right first time. But the mark of an effective organization is how you learn from setbacks and adapt.

The pandemic reminded us that **communities remain at the heart of our success and are too often the most affected in a health crisis.** COVID impacted disease treatment and prevention, with core community activities, notably those targeting vulnerable populations, facing widespread disruption. Yet OIG work in 2021 found many examples of resilient communities and health systems, who successfully adapted to ensure the continued provision of life-saving services (detailed in Section III of this report).



The pandemic has exacerbated longstanding country challenges.

We have learnt a lot about **striking a careful balance between competing priorities**. For example, engaging partners, key populations and communities, and building consensus on funding priorities represents a non-negotiable aspect of the Global Fund model, but doing so takes time. And in an emergency context, time is critical.

We have learned that **the Global Fund is able to manage and adapt under pressure**. OIG country audits showed that despite disruptions, programs continued, and implementers and partners ensured life-saving treatment was delivered. Secretariat staff innovated and persevered through pandemic disruptions, creating new structures, frameworks and operational plans to design, adapt, monitor and oversee the increasing grant portfolio. Country Teams have been able to adapt their ways of work, albeit not without challenges, continuing to support implementers remotely. Assurance providers (including the OIG) were not immune from disruption, and oversight activities needed to be continuously revised and adapted (read more about OIGs response in Section IV).

We have been reminded that **good quality and timely country-level data is critical in fighting disease**. In responding to the fast-moving crisis, we realized that our systems are not as agile as we would like. At times, the Global Fund's three-year grant lifecycle has proven an uncomfortable fit in terms of monitoring and reporting on the emergency response mechanism. We don't have all the data needed to evidence impact, which can make it difficult to spot and fix issues quickly.

COVID has also exacerbated longstanding, persistent problems at the country level. Our work in 2021 found delays in getting health products to those who need them, and in implementing grant activities on time. Timely absorption, perennially a challenge in the first year of implementation, has been slower than expected for C19RM. We have also seen a rise in the reporting of wrongdoing, reminding us that the risks of fraud and corruption are ever-present. We explain these issues and their underlying root causes in Section III.

Tackling COVID has required the Global Fund to deprioritize "non-core" key activities such as risk oversight, ethics activities and Agreed Management Actions. When we emerge from the pandemic, **getting back on track will require tackling an ever-growing list of tasks**. Failure to address key issues could risk us falling behind donor expectations.

Where do we go from here?

In addition to the issues laid out in Section III, translating the Global Fund's new strategy into life-saving impact will require the organization to address a number of key challenges. These include implementing activities on time, further differentiating processes without compromising on robustness or inclusivity, evolving our risk management processes, and ensuring accountability across the Partnership.

As the Global Fund heads into its Seventh Replenishment, it faces one of the most arduous fiscal and political landscapes in its history. The OIG's work in 2021 suggests that despite the tumultuous last few years, the organization's ability to partner with country level implementers, to evolve and strengthen its operating model, and to deliver impact, remains strong. **The Global Fund works, and remains one of the best investments in global health.**

II. Annual Opinion on Governance, Risk Management and Internal Controls

The Office of the Inspector General provides the Global Fund with independent and objective assurance over the design, effectiveness and quality of controls or processes in place to manage the key risks impacting programs and operations. In line with its charter, the OIG issues an annual opinion on the effectiveness of the governance, risk management and internal controls, based on its engagements, including audits, investigations and follow-up of agreed management actions.

In formulating its opinion, the OIG considered: the results of its activities; work performed by the external auditor of the Global Fund; the work of second-line internal functions such as the Ethics Office and Risk Management Department; and information from Board and Management Executive Committee meetings. The risk-based engagements performed by the OIG in 2021 and the above information provide a basis to support the annual opinion, in the context of the inherent limitation in the methodology as highlighted below.

Methodology: OIG audit engagements are risk based, and do not cover every business process, organizational unit or country supported by the Global Fund. Audits are selected based on a comprehensive risk assessment and prioritized use of audit resources. In addition, each audit is supported by an engagement level risk assessment which is performed to ensure a focus on the most important residual risks. For Investigations, when identified and reported, all allegations and complaints of fraud and abuse are triaged through a case intake process and assessed for materiality, credibility and verifiability. Those meeting all three criteria are generally investigated by the OIG, which focuses its activities on high priority wrongdoing and misconduct. All OIG activities are conducted in accordance with its charter and applicable international professional standards.

There has been no interference in determining the scope of activities, or the work performed by the OIG, or the communication of the results from its work during the period under review. The OIG has adequate resources to effectively discharge its mandate.

The OIG was able to complete a comprehensive workplan to inform its opinion despite the continuation of COVID-19 disruptions during the year recognizing the following limitations:

- **Assurance activities:** The pandemic required OIG to work predominantly in a remote setting. In these cases, country audits and investigations of wrongdoing and misconduct in Global Fund programs were supported by local professionals to obtain relevant and reliable evidence, under OIG supervision. During the second half of 2021, OIG staff were able to conduct in-country missions to support audits (5 countries) and investigations (2 countries).
- **Volatile risk landscape:** Country systems are having to respond to the pandemic while ensuring program continuity, recovery and risk management activities. COVID-19 has contributed to the Secretariat elevating its overall risk appetite as approved by the Board in November 2021.
- **Fluctuations in standard management processes:** Standard risk mitigation and assurance processes at the corporate and country level continue to be adapted due to the changing risk and operating environment.

Opinion

Nothing came to the OIG's attention in 2021 that indicates material weaknesses in the Global Fund's governance, risk management or control processes which would significantly compromise the overall achievement of its strategic and operational objectives.

Without modifying our opinion, the OIG draws the attention of the Board, the Audit and Finance Committee and executive management to the strategic themes emerging from OIG's 2021 engagements, presented in the following section. These issues and the ongoing global disruptions from the pandemic require consideration, to ensure the organization can effectively and efficiently achieve its strategic objectives.

III. 2021 in Review

1. Programs continue to deliver impact, but are hampered by pandemic disruptions and pre-existing challenges

HIV, tuberculosis and malaria activities have all been impacted by a combination of COVID disruptions, strained health systems and unresolved pre-pandemic challenges. While most countries managed to adapt their service delivery models, longstanding programmatic issues such as missing TB cases and linking HIV patients to care have been exacerbated by movement restrictions and the closure of health facilities. Key and vulnerable population and community activities particularly affected. As a result, the numbers of patients being tested, treated, and followed up remained lower in 2021 than before the pandemic.

COVID-19, in combination with other pre-existing challenges, is having a devastating impact on the fight against HIV, TB and malaria: the Global Fund's 2021 Results Report¹ revealed that key programmatic results had declined for the first time in the organization's history. OIG's work during 2021 shed light on key problem areas, and the varying extent to which program activities have been curtailed or derailed by the pandemic as well as pre-existing challenges.



HIV: access barriers are hindering prevention, treatment and follow-up

Across the world, measures to control the pandemic's spread have contributed to access barriers between HIV program implementers and their target clients. These barriers, coupled with pre-pandemic persistent issues, have hampered further progress.

In **Mozambique**, lockdown measures halted community activities and impacted programs. Key population groups were unable to access community centers, and people living with HIV could not access treatment centers during the pandemic, until Q3 2020 when services resumed and the programs began to recover. In **Kenya**, testing volumes fell by 33% between March and April 2020. Community testing numbers decreased by 47%, from 1.1 million people tested in 2019 to 630,000 in 2020. In **South Africa**, there has been a significant decrease in the

Pandemic control measures have created barriers between programs and clients.

numbers of patients visiting facilities, being tested, and being initiated on treatment due to COVID-related lockdowns.

In the **Philippines**, key population and vulnerable groups have been unable to access clinics, health facilities and other prevention interventions, partly due to restrictions on social gatherings and internal movement. Implementers had no access to prisons for 401 days, and HIV prevention interventions delivered through community health workers have been severely impacted. The annual rate of new infections, which had been increasing in the past 10 years, more than doubled (from 10% to 21%) between 2019 and 2020.

In **Cameroon**, in contrast, the pandemic has had less impact on grant implementation, generally disrupting only community-based interventions. Coverage of People Living with HIV under antiretroviral treatment reached 69% in 2020, exceeding the target set before the pandemic. The HIV programs in **Nigeria** have also adapted and recovered from initial pandemic disruptions.

In addition to the pandemic, pre-existing issues are reducing the impact of HIV programs. **Mozambique** maintains 68% (against a target of 90%) of patients initiated on treatment up to 12 months, a problem previously reported by the OIG in 2016. With the third highest number of people living with HIV in the world, the inability to keep patients on treatment in Mozambique could reduce the overall outcome and impact of Global Fund investments in the country, and affect our global targets.

¹ Global Fund Results Report, www.theglobalfund.org/en/results

In **South Africa**, implementation of a biometric registration and reporting system to support interventions for adolescent girls and young women has been delayed by over a year. Grants are not effectively linking HIV patients to care, while weak mapping of hot spots for sex workers and adolescent girls and young women has contributed to low case detection. In **Nigeria**, service coverage to vulnerable populations, such as pregnant women and children under five, is stagnant or weak, due to limited scale-up and significant delays in the implementation of activities.



Tuberculosis: rise in missing cases due to pandemic and pre-existing challenges

Efforts to identify missing TB cases have been hampered by both pandemic disruptions and perennial country level challenges. Movement restrictions have reduced patient facility attendance, disrupted community-level contact tracing/case identification. Redirecting health facilities and health workers to COVID activities, and stigma related to symptom similarity between COVID-19 and TB have also disrupted TB programs. All of these challenges have impacted incidence, prevalence, mortality and morbidity rates, to different extents.

The **Philippines** developed and implemented comprehensive adaptation and catch-up plans for its TB and malaria programs to ensure continuity of services and mitigate the pandemic's effects. As a result, TB programs, which were severely impacted in the first half of 2020, started to stabilize from Q3.

In **Nigeria**, which has the highest TB burden in Africa, TB treatment coverage improved from 24% in 2018 to 40% in 2021. Private Public Mix, an initiative to engage the private sector in TB detection, treatment and prevention, is now active in 21 states. However, case notification is consistently low, with 73% of missing cases for drug sensitive TB and 89% for drug resistant TB. This is due to limited human resource capacity and resources, as well as limited access to GeneXpert machines. In **Ukraine**, TB case notification decreased by 32% between 2019 and 2020, due to COVID-19 pandemic disruptions such as health facility closures, and restrictions to movement and outreach work.

Pre-existing issues which continue to hurt programs and hinder case detection include limited implementation and use of GeneXpert machines, weaknesses in sputum transportation, and limited private sector involvement in case detection.

In **Kenya**, where TB is the leading infectious disease killer, about 40% of TB cases are missing due to delays in updating national screening guidelines and low use of GeneXpert machines. In **Mozambique**, continued limited engagement of the private sector in TB case detection, low use of available machines and challenges in transporting samples. **South Africa's** late recruitment of sub-recipients and engagement with provinces significantly delayed the implementation of key TB interventions, affecting the detection of TB cases and linkage to treatment, and contributing to the 40% of missing TB cases in the country.

Adapting to COVID

In **Mozambique**, the malaria Principal Recipient successfully implemented a net campaign by adjusting registration and distributing nets door to door, providing PPE to the community health workers who distributed the nets.

In the **Philippines**, the malaria Principal Recipient leveraged Shell Corporation's transport facilities to deliver PPE and program supplies when other options were unavailable.

In **Nigeria**, disease services have been integrated with COVID-19 interventions, e.g. through combined testing for TB/ malaria and COVID-19. Drug dispensing has been adapted to provide drugs for longer periods and via home deliveries. C19RM procurements such as mobile x-ray units are being used to strengthen disease programs.



Malaria – bed net distribution strategy adapted

Based on currently available data, malaria programs appear to have been the least impacted by the pandemic. Although this is encouraging, it remains a significant killer of children under 5 and therefore challenges should not be underestimated. Movement restrictions hindered campaigns to distribute long-lasting insecticide-treated nets (LLINs). In **Nigeria**, the number of nets routinely distributed to at-risk populations such as pregnant women fell by 15% from 2019 to 2020, likely impacted by the pandemic. In **Kenya**, only 1.5% (194,960 of 12.9 million) of the targeted number of Global Fund-financed LLINs were distributed in 2020, after the country adopted a pilot approach to door-to-door distribution, deliberately delaying the 2020 mass campaign due to pandemic-related concerns.

In contrast, the malaria grant in the **Philippines** recovered from COVID disruptions quickly, with key activities including LLIN distribution and indoor residual spraying continuing as usual.

The pandemic has also been a catalyst for positive change

COVID has caused millions of deaths worldwide, and generated massive disruption. OIG country audits in 2021 noted a number of successful adaptations to program implementation, and several countries have started working on catch-up plans to address the results gaps occasioned by the pandemic.



The Board, in November 2021, approved revision of the risk appetite for TB program quality from high to a very high risk, and the expected date of reaching its target of moderate risk was extended to June 2025. Risk appetite of the HIV and malaria programs have been maintained at high and expected to reach a moderate level by June 2024.

Looking ahead, the Global Fund and its implementers will need to remain vigilant and continuously adapt programs, paying special attention to activities targeting the most vulnerable populations and addressing previously identified persistent challenges.

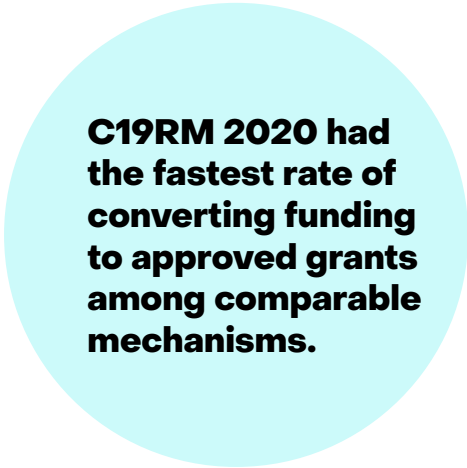
2. The evolving COVID-19 Response Mechanism (C19RM) demonstrates the unique benefits and binding constraints in the Global Fund model

C19RM has significantly scaled up the Global Fund's pandemic response, disbursing large amounts of funding to countries quickly; this was only possible through massive and coordinated effort from the entire partnership. The mechanism's processes for approval, monitoring, oversight and management are now better designed and more inclusive than they were in 2020. C19RM's evolution and operation exposes the limitations of the Global Fund's traditional three-year grant model, and the necessary trade-offs required of an emergency response mechanism. National procurement challenges combined with global supply chain constraints have led to lower than optimal use of funds in many countries.

In 2020, the Global Fund launched a new funding stream, the COVID-19 Response Mechanism (C19RM), to mitigate the pandemic's impact on HIV, TB and malaria programs, and to initiate urgent improvements in health and community systems. By December 2021, C19RM 2020 and 2021 have awarded or recommended for Board approval over US\$4 billion to over 123 applicants. **C19RM 2020 had the fastest rate of converting funding to approved grants among comparable mechanisms. This has been maintained under C19RM 2021.**

C19RM's processes for approval, oversight and management are better designed and more inclusive than they were in 2020. Key evolutions include:

- A longer time horizon to approve requests and complete implementation (until end-December 2023) allowing countries to adapt programs to the evolving pandemic.
- A more comprehensive allocation model, including COVID-19 specific qualitative adjustment considerations.
- A tiered review process that differentiates between emergency and non-emergency requests, enabling quick approval of resources for countries with urgent needs
- Increased engagement with Country Coordinating Mechanisms, Civil Society Organizations and Key and Vulnerable Populations.
- Enhanced technical review processes.



C19RM 2020 had the fastest rate of converting funding to approved grants among comparable mechanisms.

The trade-offs and constraints of an emergency response mechanism

Country ownership and multi-stakeholder partnerships, both principles at the heart of the Global Fund model, create some inherent trade-offs for C19RM:

- *Speed of response vs. robustness:* in an emergency response context, funding requests need to be prepared, reviewed and approved quickly. Yet there also needs to be adequate information and sufficient controls to sustain funding decisions.
- *Speed of approving applications vs. stakeholder engagement:* collaboration with global and in-country partners is essential in adapting funding requests to local settings and to the needs of vulnerable groups, but requires time and resources that may be unavailable in an emergency setting.

In addition to the above trade-offs, C19RM is also affected by inherent binding constraints:

- *Use of country systems:* in-country systems, particularly in countries with weak data collection and reporting capacity, struggle to adapt to the need for rapid reporting of results. Using new and parallel systems generates quicker results but risks weakening existing national systems. The Global Fund has continued to use national systems in line with the country ownership principle, but this causes tension between the need for timely data and what national systems are designed to provide.
- *Constraints on technical guidance:* ideally, decisions on investment and the use of resources should align with guidance from Technical Partners. In a pandemic, such decisions often have to be made when such guidance is not yet ready.

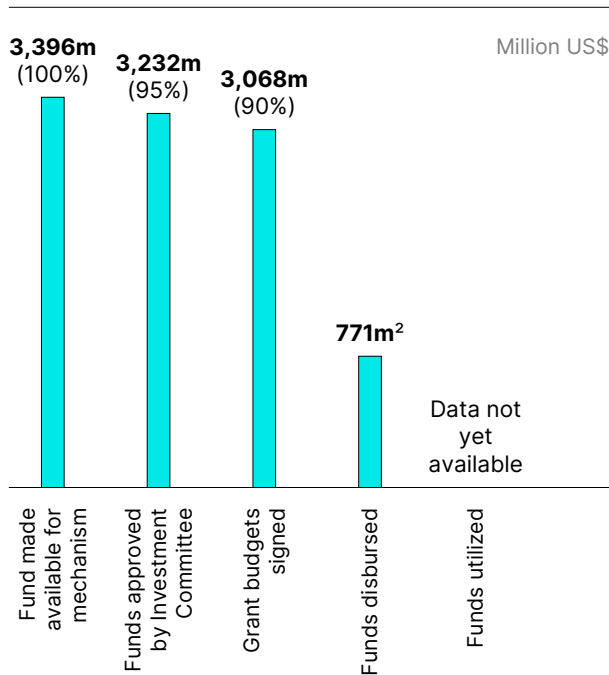
Country-level procurement challenges and global supply chain constraints have led to low absorption of funds

All C19RM 2020 funds have been signed into grants and disbursed to countries. Likewise, about 95% of C19RM 2021 funding had been approved by the Investment Committee as of February 2022.

Unlike core grants, where grant making activities usually start a year *ahead* of the implementation period, the funding application and review processes for C19RM started *during* the implementation period, immediately reducing the time to design and execute interventions.

About 67% of funds under C19RM are earmarked for procurement activities, which usually experience delays under grants during the first year of implementation because of lengthy procurement and contracting processes. In addition, the pandemic's burden on implementing countries affects their capacity to absorb C19RM funds. For example, the increasing workload for implementers of having C19RM activities on top of HIV, TB or malaria activities can also delay implementation. Limited global availability of pandemic-related commodities has delayed ordering and procurements.

Figure 1. Status of C19RM 2021 as of February 2022



2 Disbursements are measured against cumulative budget of the period and not the whole grant/award amount. Source: Finance & Administration department.

3 absorption rates are based on preliminary reports and not verified expenditure.

While the funding request and approval process is functioning well at Secretariat level, converting initial requests into orders is taking much longer; in OIG's sampled countries, it takes on average 78 days between receiving the initial request and issuing the first Purchase Order.

Our 2021 audits found wide variations in use of C19RM 2020 resources:³ countries with stronger underlying health and supply chain systems fared better than those with underlying or perennial operational issues.

For the **Philippines** and **South Africa**, 89% and 87% respectively of C19RM funds and grant flexibilities had been spent by June 2021. However, pandemic disruptions and pre-existing challenges severely affected the absorption of funds in **Nigeria**, where only 57% of C19RM 2020 funds had been spent by the same date, as well as in **Mozambique** (35%), **Kenya** (53%) and **Cameroon** (49%).

The underlying drivers for low utilization are complex:

- In **Nigeria**, there has been slow onboarding of implementing partners, while the National Agency for the Control of AIDS has insufficient capacity to manage C19RM in addition to the HIV and Resilient & Sustainable Systems for Health grants. As a result, only 23% of commodities procured and received had been distributed as of 30 September 2021.
- In **Kenya**, inefficient in-country processes mean that it took on average 349 days between the Ministry of Health procuring commodities and their final delivery. As mentioned in Section III.1, community-based TB activities have been heavily disrupted due to the non-availability of Personal Protective Equipment (PPE).
- In **Cameroon**, delayed contracting of vendors meant that 36% of planned procurements had still not been delivered at the grant-end period, including PPE for outreach workers and vulnerable populations, and medical equipment for COVID-19 healthcare centers.
- In **Mozambique**, the reported number of persons infected by COVID-19 was 50% below the estimated case load used for the funding request contributing to the 35% absorption rate.

The monitoring and oversight approach is well designed and is being implemented

Since 2020, a Risk & Control Matrix, Monitoring & Evaluation framework and Local Fund Agent (LFA) assurance have strengthened Global Fund oversight of C19RM investments. There is now regular reporting to the Board and weekly reporting to the Management Executive Committee. The reports cover the evolution of the pandemic in implementing countries, status of funding approvals, disbursements and procurement activities. Downstream monitoring activities such as Supply Chain & Health Services Spot Checks and Pulse checks commenced in 2022, and the Secretariat began reporting these results to the Board in February 2022.

Initial lessons learned from the monitoring activities include the difficulty in meeting the Secretariat's ambitious timelines for data collection compared to what country systems are able to deliver, and challenges regarding manual data processing which are prone to human error. The Secretariat will need to further evaluate the causes of implementation bottle-necks identified from the preliminary downstream monitoring activities to inform mitigation actions.

While the Secretariat has defined KPIs in relation to the timely procurement of commodities and absorption for C19RM, there are no similar KPIs or measures to monitor and track activities at implementer level.

What next for C19RM?

The main emphasis in 2021 was on approving funding requests while defining processes to support implementation and oversight. As C19RM transitions to focus more on implementation, its underlying processes, systems and tools will need to continue to evolve and improve. For example, there are no processes to support effective cross-portfolio management of investments, or to respond to future savings or significant changes in initial approval assumptions. While the Secretariat has defined roles and responsibilities for approving the conditions, management actions and legal requirements underlying C19RM funds, there is a lack of visibility on their overall tracking and monitoring.

Looking forward, C19RM will need to be agile enough to respond to changes in epidemiological data, country needs, technological advancements, and supply chain dynamics. Structural limitations of the current model, mandated by various past governance decisions, impact the mechanisms' agility and speed in acute emergency situations. Should the Global Fund need to sustain the same or similar mechanism in the longer term or respond to acute emergencies in the future, adapting the current operating model would need significant and careful assessment.

C19RM's processes, systems and tools need to further evolve.

3. Supply chain issues, both pandemic-related and pre-existing, are disrupting programs

In-country supply chain risk is high: scaling up efforts over the past five years, pandemic disruptions, and the resulting strain on global supply chains having weakened national systems. While the Global Fund moved quickly to minimize disruptions and collaborate with partners to secure the continued availability of health products, the organization's visibility over in-country health product availability remains limited. OIG audits in 2021 noted fragmented in-country supply chains, delayed procurements, weak inventory management and ineffective controls. Addressing these issues will require coordinated and continuous investment, as well as effective collaboration with partners.

Defeating HIV, tuberculosis and malaria depends on delivering high-quality health products to communities, health centers and patients; consequently, 53% of Global Fund investments in HIV, TB and malaria go towards procurement and supply chain-related activities. These activities account for 67% of C19RM investments. Roughly half of procurements for medicines and health products are managed through the Global Fund's centralized procurement mechanism, which is efficient, effective and considerably reduces procurement risk. However, significant recurring and persistent challenges are disrupting downstream supply chain activities.

Pandemic disruptions, including to global supply chains, have put great strain on weakened national systems, many of which were already struggling to scale up HIV, TB and malaria programs. The organization has limited or less control over downstream supply chain activities, where significant recurring and persistent challenges have been exacerbated by the pandemic. Our 2021 audits reveal that in-country supply chain risk is high, and on an increasing trend which is aligned with the Secretariat's risk rating trajectory for the past three years.

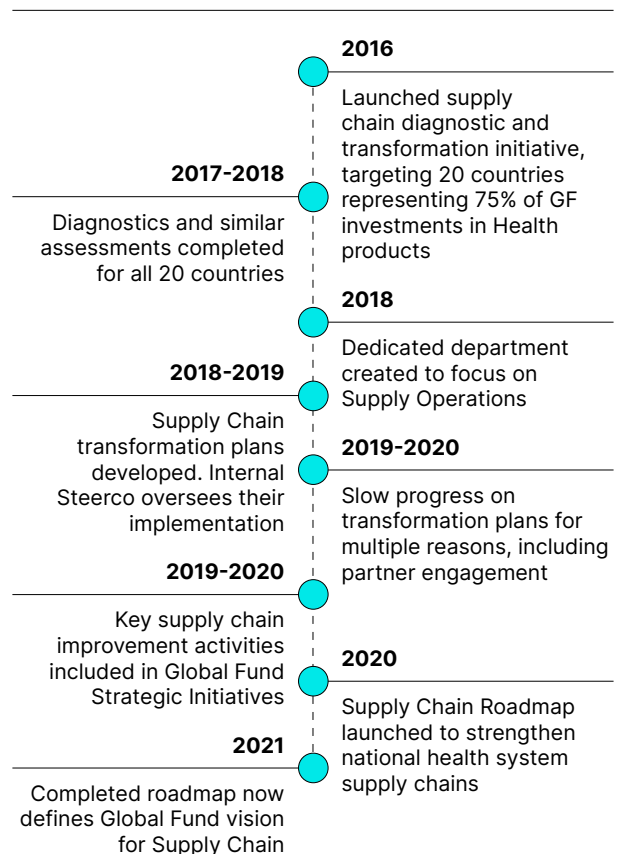
Since 2016, the Global Fund has launched a number of initiatives to address supply chain risks (see Figure 2 below) but the risk nevertheless remains high, with no expectation that this will decrease significantly in the short-term.



The Board has approved a high-risk appetite for in-country supply chain and an ambitious target to achieve a 'moderate' risk level by June 2024.

The organization is currently revising its monitoring approaches to produce a more holistic view of in-country supply chains and invested approximately US\$231 million in health product management systems strengthening in the 2020 – 2022 allocation cycle. Four new Procurement and Supply Chain Management metrics will be monitored to contribute to Principal Recipient performance ratings. The Secretariat will also assess the capacity and needs of countries' Logistics Management Information Systems and support them in improving the reporting rate and accuracy of data.

Figure 2. Global Fund initiatives to address supply chain risks, 2016-2021



Our audit of **Procurement and Supply Chain during the COVID-19 pandemic** found an ongoing lack of effective Global Fund monitoring of drug and commodity inventories, an issue highlighted in our 2019 Annual Report. Global Fund visibility over in-country health product availability remains limited in coverage, quality, and depth of information. The organization performs remote on-shelf availability checks at health facilities and gains insight into product availability through Principal Recipients' progress update/disbursement requests and Local Fund Agent review; however, the effectiveness of this approach is hampered by inherent design limitations, ongoing COVID disruptions and a siloed approach to using and maintaining data.

In **Kenya**, significant delays in procurement, weak inventory management and ineffective controls are seriously compromising grant objectives. Malaria commodity procurements take 406 days on average, HIV 278 days, and TB 348 days, due to poor procurement planning and coordination between the Ministry of Health, National programs and the Kenya Medical Supplies Authority (KEMSA). KEMSA's inventory controls are inadequate, and there is no robust system to monitor, track and report commodities delivered to health facilities.

In **Nigeria**, supply chain systems remain parallel and fragmented, leading to inefficiencies. There is a lack of accurate and reliable data. A third-party provider managing the HIV and malaria supply chains has implemented controls to transfer data between the central warehouse and contractors, and storage practices have improved. However, weak IT controls, sub-optimal oversight of storage, and major inventory inaccuracies prevail. Poor oversight and monitoring of service providers increases the risk of loss and diversion of commodities, as illustrated by our March 2021 [investigation report](#) of wrongdoing in Nigeria, where a distribution contractor defrauded Global Fund-supported programs of US\$3 million by systematically inflating invoices.

Supporting supply chains during the pandemic

The Global Fund moved quickly to minimize disruptions and secure the continued availability of health products, engaging its suppliers and procurement agents, and strengthening its technical partnerships with IFRC, USAID/PMI, UNICEF and others.

The organization coordinated with partners to harmonize and prioritize orders from the same suppliers, and introduced flexibilities which allow suppliers to ship commodities while awaiting Quality Assurance results. In May 2021, the Pooled Procurement Mechanism expanded to include Personal Protective Equipment and COVID-19 diagnostics.

Mozambique's supply chain is similarly fragmented, managed by multiple stakeholders with diluted accountability and ownership. There is poor warehouse management, inadequate inventory controls and a lack of controls over logistics data, leading to stock-outs and expiries at all levels, and a lack of traceability of commodities. There have been some improvements however, notably through using third-party logistics providers for last-mile delivery. Order processing times at the central medical store have been reduced from three months to within the 30-day target, and a new logistics management tool which aggregates data from central and province/district level should aid with order requests and distribution.

In-country supply chain risk will remain high for the foreseeable future.

In **Cameroon**, recurring stock-outs, inadequate coordination, storage capacity and inventory management have dogged the supply chain for years. While the central medical store's capacity has been extended thanks to Global Fund support, regional warehouses and health facilities lack sufficient storage to keep health products in suitable conditions.

In **South Africa**, the National Department of Health has no system to account for funded COVID-19 commodities distributed by provincial warehouses, making it difficult to monitor distribution and ensure commodities are reaching their intended beneficiaries.

Supply chain issues reflect the weaknesses inherent in national systems, which differ significantly between countries. Addressing them will require coordinated and continuous investment by countries, Global Fund and partners. The Global Fund has spent the last five years trialing different approaches, some of which have worked well and others less so. Given the material investments in health products, the worsening risk profile and the significant programmatic impact, the Secretariat needs to reaffirm its approach to in-country supply chain issues, looking closely at mandates, resources and the respective accountabilities of Secretariat teams (Grant Management Division and Supply Operations), country stakeholders, and partners.

Global Fund visibility over in-country health product availability remains limited in coverage, quality, and depth of information.

4. Increasing fraud risks affecting Global Fund programs

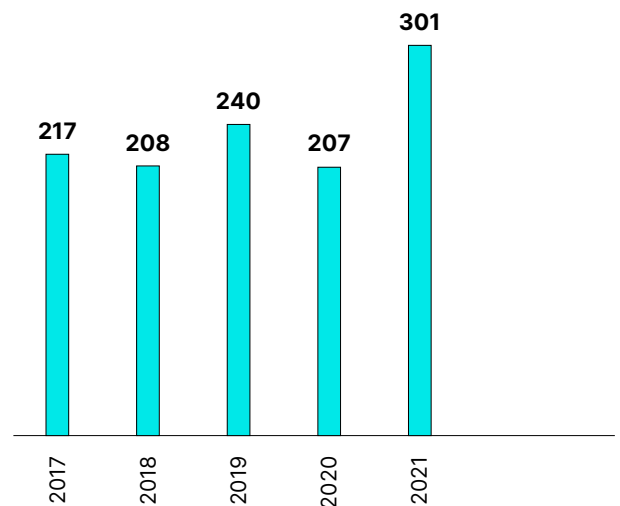
The pandemic has led to a rise in both fraud risk and reports of wrongdoing to the OIG, with a notable increase in reports of sexual exploitation and abuse, and of human rights violations. Opportunistic fraud is more prevalent than systemic wrongdoing, and we have seen a rise in sub-recipient and supplier-level misconduct. The Global Fund needs to monitor and adapt mitigation measures to the evolving fraud risk landscape.

Increased reporting of potential wrongdoing

OIG has seen a sharp increase in reports of wrongdoing to the OIG: 301 in 2021, the highest number in the past five years and a 45% increase over 2020, with specific increases in reporting of sexual exploitation and abuse (SEA), human rights violations and theft/diversion of Global Fund funded commodities. Of particular note:

- Reporting of SEA wrongdoing has increased from four in 2020 to 17 in 2021. In March 2021, the OIG published an [investigation report](#) exposing a systemic culture of sexual abuse and exploitation at a grant sub-sub-recipient in Ghana. This report highlighted the need for the Global Fund to create a policy framework and implementation to deal with SEA and related matters, and underscored the importance of having available and accessible reporting lines for victims.
- Similarly, human rights violations reported to the OIG have increased, reaching 10 cases in 2021 (the highest in the last five years).
- Most C19RM 2021 procurements are channeled through the Global Fund's Pooled Procurement Mechanism, limiting the opportunity for local procurement fraud. However, the risk of other abusive practices, such as theft and diversion, has increased.

Figure 3. Screening Reports opened



- As of February 2022, there had not been a significant increase in reporting of misuse of COVID-19 funds. However, there is often a lag in reporting during emergency situations. In 2021, we received five allegations relating to COVID funds, the majority involving prohibited practices in connection with procurements. As a result, we opened cases into: collusion and coercive practices in a tender process for oxygen-generating plants; corruption in emergency COVID-19 procurement of portable oxygen concentrators; and falsified quality assurance certificates in a local procurement of surgical masks.
- Given the increase in both inherent risks and funding levels, the OIG will open a proactive case focusing on procurement irregularities, product quality and overpricing concerns targeting COVID-19 commodities.



In November 2021, the Board approved a revised risk appetite level for Grant Related Fraud and Fiduciary Risks from 'moderate' to 'high' with the expectation of returning to a moderate risk level by end of 2022.

Opportunistic fraud more prevalent than systemic wrongdoing

Our work in 2021 demonstrates how wrongdoing can occur at all levels: from irregular financial transactions made by a [former governance](#) official to [misappropriation](#) of program funds by a sub-sub-recipient. The Global Fund will need to remain vigilant in strengthening and maintaining internal controls throughout its programs and ensuring strong oversight mechanisms throughout the delivery chain.

Cases usually start off with perpetrators opportunistically exploiting or abusing weak controls or processes. Typical schemes include forced salary kickbacks, procurement irregularities including contract steering, product theft, invoice fraud and overcharging and travel expenses fraud.

Left unchecked, opportunistic ‘quick wins’ can become more systemic, involving multiple perpetrators and creating significant losses for programs. Some examples from recent OIG reports appear on this page. Our investigation of grants in [Liberia](#), [published in April 2022](#), found evidence of fraudulent practices and misappropriation for multiple Principal Recipient activities and procurements. We found non-compliant expenditures and/or prohibited practices in 92% of payment vouchers reviewed. The total value of the non-compliant expenditures was US\$1.15 million, of which we recommend recovery of US\$1.0 million. We found evidence of wrongdoing as far back as 2015.

With the pandemic creating multiple opportunities for low-level fraud to take place, grant implementers, assurance providers, Country Coordinating Mechanisms, and Secretariat staff all play a key role in the detection and disruption of potential fraud and corruption. Addressing fraud risk as a cross-functional issue will require changes in the Secretariat’s fraud risk assessment process, especially in early identification and reporting of fraud risk activities.

We can’t eradicate opportunistic fraud – we can however stop it becoming systemic.

Systemic fraud examples in recent OIG reports

2021 – Nigeria

GF-OIG-21-002

Non-compliant expenditures: US\$3.43 million
Proposed recoverable amount: US\$3.16 million
Start of wrongdoing: August 2017
OIG alerted to wrongdoing: April 2019
Source of alert: Referral from Secretariat

2020 – Sierra Leone

GF-OIG-20-011

Non-compliant expenditures: US\$2.33 million
Proposed recoverable amount: US\$0.95 million
Start of wrongdoing: July 2016
OIG alerted to wrongdoing: August 2018
Source of alert: Referral from OIG Audit

2019 – Democratic Republic of Congo

GF-OIG-19-006

Non-compliant expenditures: US\$23.7 million
Proposed recoverable amount: US\$7.39 million
Start of wrongdoing: Jan 2015
OIG alerted to wrongdoing: May 2017
Source of alert: PR self-reported

Increase of supplier related fraud cases

Wrongdoing can occur at all stages of the sourcing and management of health products. Since 2018, there has been a four-fold increase in the number of cases opened relating to potential supplier misconduct.

In 2021, we [reported](#) on a manufacturer and supplier of Long-Lasting Insecticidal Nets, who had been using unapproved manufacturing methods and had falsified data to cover up the non-conformity. The manufacturer failed to control product quality of over 52 million nets costing US\$106 million.

Improvement is required in Secretariat fraud risk monitoring

Given the evolving fraud landscape, periodic monitoring is critical in adapting mitigation measures to emerging risks. Some routine Global Fund risk monitoring activities were deprioritized due to the pandemic, such as Risk Department monitoring of implementation of key mitigation measures.

The Global Fund has not yet developed or approved a formal fraud risk monitoring approach which ensures that anti-fraud measures are monitored and evaluated in a structured and consistent manner, and that captures key findings, underlying causes and related mitigation actions at enterprise level. For instance, the Secretariat does not have central level visibility on fraud activities identified by assurance providers or referred to them by the OIG.

Going forward, robust mechanisms to monitor the organization's fraud risk program will be key to further maturing; these include identifying key trends and responding to risks, instituting key mitigation measures and referring cases to the OIG for investigation, where appropriate. This is particularly key as the impact of wrongdoing can cause significant reputational harm and loss of donor confidence, as well as preventing much-needed funds from reaching beneficiaries.

Robust mechanisms to monitor the organization's fraud risk program will be key.

5. Looking ahead: how to increase the Global Fund’s impact

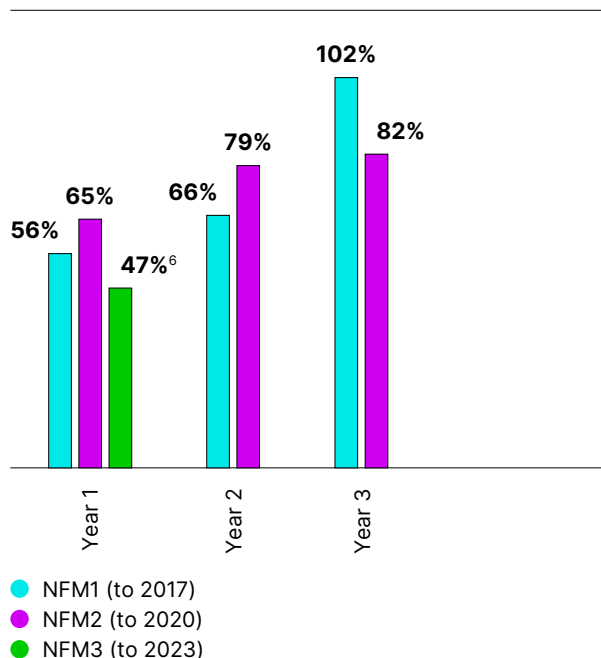
The Global Fund will not achieve its ambitious 2023–2028 Strategy without addressing a number of key challenges, including the timely implementation of grant activities, the need to differentiate the operating model and processes, and adapting its risk management practices to a volatile environment. Managing ethics and integrity risks, and driving accountability across the Global Fund partnership, will equally be critical.

As one of the biggest funders of worldwide health programs, the Global Fund plays a major role in fighting global epidemics: the organization has signed grants amounting to US\$12.8 billion for over 100 countries in the current funding cycle, and mobilized and approved over US\$4 billion in additional pandemic-related support. The true test of the Global Fund’s success is not only in the amount of money it raises, however, but the impact of funding on the lives of people living with disease. The 2021 Results Report shows that progress against HIV, TB and malaria has reversed for the first time in the organization’s history. In order to recover, sustain and increase impact over the next five years, a number of key challenges will need to be tackled.

Implementing activities on time

Funding must be used promptly. In our 2020 Annual Report we highlighted that absorption of funds in the first year of grant implementation is typically low, due to delayed selection of sub-recipients and limited definition of activities during grant making. The pandemic has only exacerbated this problem. About 47% of available resources for the first six months have been spent under the HIV, TB and malaria grants in 2021 (see Figure 4). Absorption rates typically increase in subsequent years,⁴ but programmatic challenges may make it difficult to catch up, impacting overall grant performance. Absorption of C19RM funds has also been challenging, as mentioned in Section III.2.

Figure 4. Indicative absorption (%) by year of allocation cycle⁵



Differentiating processes, increasing focus on impact

The Global Fund’s operating model will need to adapt to its new strategy and to the next funding cycle. The over 100 countries which the organization supports each have different levels of funding, disease burden and risks. Our advisory review of the [Global Fund’s Technical Review Panel](#) found that it invests roughly the same effort on each funding request, no matter its size, complexity, or past performance. This undifferentiated approach means that resources are not utilized efficiently, limiting the impact of grants.

Likewise, Global Fund internal processes could be significantly differentiated in order to free up resources for major portfolios. Since we flagged this issue in our 2018 [Audit of Grant Oversight in Focused Portfolios](#), differentiation attempts by the Secretariat have not yielded significantly better results. In 2021, the Secretariat launched a project to refine internal processes and differentiate how Focus portfolios are managed. Its success will depend on the Board and the Secretariat aligning on expectations on a differentiated approach.

⁴ In-country cumulative absorption for NFM 1 and NFM2 reached 86% and 88% respectively at their closure period.

⁵ Sources: Periodic expenditure and budget recorded in Global Fund systems.

⁶ NFM3 year 1 only includes 6 months of expenditure, i.e. as of June 2021.

An agile approach to risk management

The Global Fund will need to continuously monitor emerging risks and threats, adapting its risk management practices to a volatile operating environment. While the organization has processes, systems and tools to support risk management, there is inconsistent risk identification, and implementation of mitigation and related assurance activities across portfolios. The increasing volatility in the operating context and decision to deprioritize certain risk oversight activities at Secretariat and implementer levels – including risk mitigation measures – have contributed to risks materializing. Our country audits have found that while risks are often well-known, changing portfolio risk profiles are not being updated on time, and mitigation measures are not being effectively implemented. For example:

- In **Mozambique**, supply chain related risks were not identified and actively addressed by the Secretariat and implementers, and there was limited follow-up on risks identified by assurance providers.
- **Kenya's** procurement and supply chain has worsened since our 2018 audit and is now ineffective. While the Secretariat understands the root causes for the deterioration, mitigation measures either do not address the risks or are not being properly implemented.
- In **Nigeria**, Secretariat risk mitigation measures in engaging a third party provider to manage the HIV and malaria supply chain have not materially managed the key risks.

Managing ethical and integrity risks

The Global Fund's ability to manage ethics and integrity risks is critically important. Within the organization, however, there is still limited alignment on ownership and accountability for ethics and integrity issues.

In 2021, the Global Fund strengthened its response to sexual exploitation, abuse and harassment (SEAH) risks, developing a framework for the prevention of SEAH. A cadre of Ethics Office staff now work specifically on SEAH prevention and detection, partnering with other stakeholders. A steering committee oversees the framework's implementation, and the Secretariat has conducted SEAH training for relevant staff.

Pandemic disruptions have slowed progress on managing country level risks, however. To catch up, the Secretariat needs to focus on implementing the SEAH framework, especially in high-risk environments; this includes assessing the inherent risk of SEAH in programs, instituting preventive measures, and routinely monitoring programs to ensure risks are responded to promptly. The Secretariat is yet to commence a portfolio-level assessment of SEAH risks, an action which was due in September 2021.

While the Secretariat developed and deployed an integrity due diligence (IDD) approach for most counterparties in 2019, it is yet to agree on an approach for IDD checks and related controls for staff of Principal Recipients, sub-recipients and their suppliers, where material risks exist. The related Agreed Management Action from our 2019 *Ethics and Integrity Audit* is now long outstanding.

If the management of ethics and integrity risks is not embedded into core operational processes, the Global Fund risks falling behind its peers, and being exposed to significant reputational damage and loss of donor confidence.

Driving coordination and accountability across the Partnership

Achieving impact depends on collaboration between multiple stakeholders, including governments, technical partners, development partners, donors, and civil society. With many critical activities, such as technical treatment guidance, changes in treatment regimen and partner-funded interventions, falling outside the Global Fund's direct control, coordination and accountability between the various actors is vital.

Coordination and accountability across the partnership is critical in ending HIV, TB and malaria as epidemics.

In **Nigeria**, an “HIV alignment agreement” between the Government of Nigeria, PEPFAR and the Global Fund defines roles and responsibilities, and is contributing to improved coordination and reduced risk of duplication. In **Kenya**, in contrast, a lack of effective coordination between partners is contributing to stock-outs of HIV and malaria commodities.

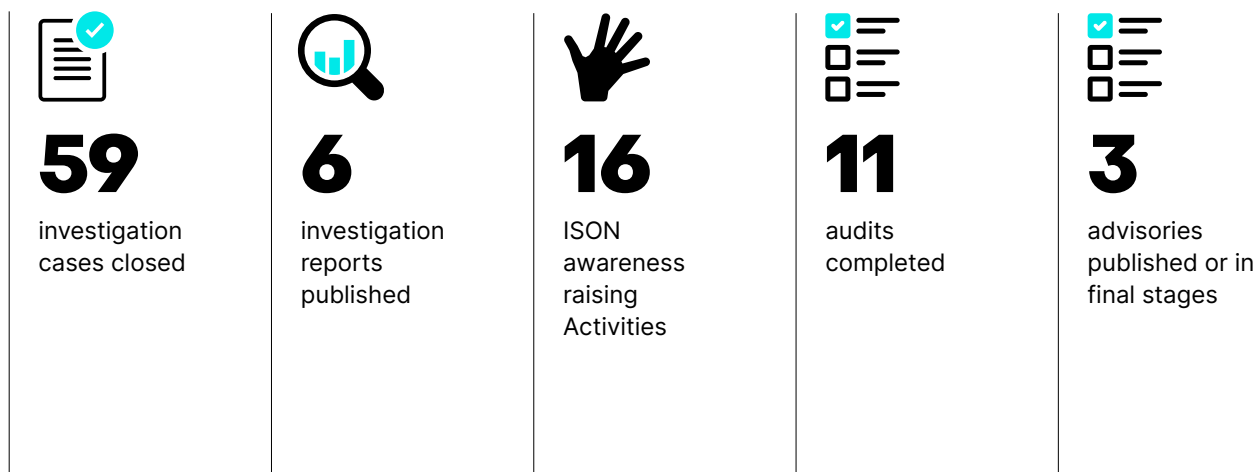
Changes in treatment regimen can lead to significant expiries if not well coordinated between technical partners, Global Fund and grant implementers. In **Mozambique**, regimen transition were not well-planned or managed which contributed to US\$7.7 million worth of expired HIV, TB and Malaria commodities between 2019 – 2021, with an additional US\$7.6 million of HIV commodities expected to expire in 2022. The Secretariat has established a committee to manage regimen transitions, oversee the transition process and develop improved operational guidance but will require concerted and deliberate coordination with technical partners.

Developing mechanisms to ensure accountability across the whole partnership will be critical to achieving the 2023-2028 strategy. The Secretariat plans to develop a structured approach to both in-country and global level accountability in May 2022. In relation to Domestic Financing for Health, for instance, this will require engaging with partners and governments to ensure adequate resources are allocated for health programs. An OIG advisory review that is currently being finalized has identified opportunities for the Global Fund to increase the efficiency and effectiveness of DFH, including by using civil society organizations as advocates.

OIG audits, investigations and advisory reviews will provide further insight into each of these key areas in 2022.

IV. Inside OIG

1. Performance Against 2021 workplan – oversight continued despite pandemic disruptions (results as of 31 March 2022)



The disruptive and volatile operating landscape has required us to continually adapt our working practices. With the ability to travel curtailed, we collaborated with Supreme Audit Institutions, and leveraged technology and local consultants in performing in-country activities. As travel restrictions began to ease in H2 2021, we were able to perform five audits and two investigations in country.

Investigations

Throughout 2021, Global Fund programs were at increased risk of fraud and abuse as pandemic-related disruptions further strained controls, oversight and assurance practices.

In 2021, we received 301 allegations of potential wrongdoing, 45% up from the 207 received in 2020, and the highest amount in the last five years. Allegations covered a wide range of wrongdoing, with theft and fraudulent practice most commonly reported.

The OIG published six investigation reports in 2021 (summaries are in Annex 3), compared to two in 2020 and three in 2019. These covered:

- In Pakistan, a supplier failed to control the quality of over 52 million Long-Lasting Insecticidal Nets, resulting in sub-standard products being purchased with US\$106 million of grant funds.
- In Nigeria, a supply chain sub-contractor defrauded grant programs of US\$3 million via invoice fraud.
- In Ghana, a grant sub-recipient fostered a culture of sexual and financial exploitation, demanding sex acts and money as a condition of access to grant funded benefits.
- In Pakistan, an implementer engaged in anti-competitive and collusive practices and failed to properly mitigate conflicts of interest in supplier selection.
- In Malawi, staff at an HIV grant sub-sub-recipient engaged in opportunistic fraudulent activity.
- In Namibia, Principal Recipient staff diverted US\$90k of daily subsistence allowances from their intended recipients over 18 months.

10 new investigation cases were opened, plus **73** assessments, respectively representing 79% and 162% compared to our initial predictions. In-country evidence collection was performed by the OIG and OIG contractors in **10** countries: Lesotho, Sierra Leone, Kenya, Nigeria, Guinea, Tanzania, Liberia, Côte d'Ivoire, Democratic Republic of Congo and India.

59 cases were closed during 2021, compared to 54 predicted, with six resulting in published investigation reports. Cases concluded by OIG in 2021 identified **US\$116.8 million⁷ in non-compliant amounts and US\$5.1 million of potential recoveries** to the Global Fund. Three Agreed Management Actions (AMAs) were raised for supplier misconduct to be referred to the Sanctions Panel, and two of these AMAs have been closed.

We routinely share our findings with the Global Fund Secretariat via Closure Memoranda, documenting our conclusions on whether an allegation was unfounded, inconclusive or had already resulted in a proportionate response. In 2021 we issued **53** closure memoranda. Approximately half of the cases closed substantiated wrongdoing.

Due to the significant increase in allegation reporting, we did not meet the target on proactive investigations and outreach activities: **one** of a targeted two proactive cases was finalized, and **16** of 18 planned outreach activities were conducted.

Oversight Activities

To allow the most efficient use of OIG resources, when an implementing partner has proven investigative capacity, we can opt to 'oversee' the implementer's investigation rather than launching our own investigation. Although these cases tend to involve smaller amounts and opportunistic wrongdoing, the intelligence gathered casts valuable

light on fraud and abuse risks involving grant funds. OIG resources are also freed up to oversee more impactful investigations.

In 2021, the OIG opened **42** new oversight assessments, a 40% increase from 2020. We closed **27** oversight cases and a further **45** are ongoing. 2021 oversight cases covered issues including sexual exploitation and abuse, stolen and diverted commodities, data fraud and salary kickbacks. They resulted in US\$2.4 million in non-compliant expenses and US\$302K recoverable amounts. See Annex 4 for details of selected material oversight cases.

Audit and Advisory – resumption of country-level assurance

As travel restrictions eased, OIG staff were able to conduct in-country missions for five audits. We visited Health Facilities and Medical Warehouses, and met directly with stakeholders such as Civil Society, Governments and audit partners.

7 country audits and **4** internal audits from the 2021 workplan were issued as per Stage 4 of our Stakeholder Engagement Model as of March 2022.⁸ Two country audits were not completed (Ethiopia and Central African Republic) due to pandemic-related disruptions and security challenges, but will be reconsidered during our continuous risk assessment process in 2022.

3 advisory reviews were issued in draft as of March 2022, including **1** published during 2021, [Evolving the Technical Review Panel Model](#). As reported to the AFC in October 2021, the Advisory on Internal Justice Mechanisms was paused until 2022, in agreement with the Executive Director, until the new Head of Human Resources is onboarded.



Nigeria – the OIG audit team meeting with the Country Coordinating Mechanism.

⁷ US\$106 million related to one case.

⁸ As of 31st December 2021, 10 out of 13 (77%) of audits as per the work plans were issued in draft (stage 4 of the Stakeholder Engagement Model). See Annex 2 – Key Performance Indicators for more details.

2. External Engagement – maintaining contact with peers and partners

The pandemic may have hindered our ability to interact with peers and stakeholders in person, but 2021 was nevertheless a packed year for external engagement and outreach. We presented findings from our oversight work and exchanged insight with peers at events organized by the World Bank, United Nations Representatives of Internal Audit Services, GAVI, Aidspace, AFROSAI-E and World Vision, among others. Other notable highlights included:

- Inspector General Tracy Staines, presenting the keynote address at the Gartner Aligned Assurance event, on how oversight functions work with assurance providers
- The launch of the MIPA (Integrity Professionals Association) with the Inspector General as an expert panel member
- OIG and Secretariat colleagues presenting a webinar for staff at Nigeria's National Agency for the Control of Aids on how to prevent and detect fraud and wrongdoing

The OIG interacted with key Global Fund stakeholders, including presenting to Local Fund Agents on key themes from audit and investigation work, to Secretariat staff on gender equity, and to the Risk department lessons learnt from our recent work. We also liaised with the External Auditor and with the Technical Evaluation Reference Group to maximize the impact of third-line assurance activities and to prevent overlaps.

Strengthening our collaboration with Supreme Audit Institutions (SAIs)

Having capable and independent assurance providers at country level has never been more important. A focus for the OIG in recent years has been on strengthening ties and on working in collaboration with SAIs, who play a key role in public accountability. In 2021, we participated in a World Bank and US Government-led event on strengthening accountability through key partnerships, where we presented our approach to collaborating with SAIs. The OIG participated in several meetings with AFROSAI-E and CREFIAP (umbrella bodies for English and French-speaking SAIs in Africa respectively). We are continuously liaising with both bodies to ensure more SAIs are involved in our work and that we can learn from each other.

During 2021, 18 staff from the Auditors General of South Africa, Kenya and Nigeria supported OIG audits in their respective countries, the highest number of SAI staff OIG has worked with in a calendar year since 2017.

Raising awareness of sexual exploitation and abuse

In 2021, we launched a series of webinars for grant implementers and partners, highlighting the potentially devastating impact of sexual exploitation and abuse (SEA). In October, OIG staff and Secretariat colleagues briefed grant implementers from Ethiopia, Kenya, Mozambique, South Africa, Tanzania, Uganda, Zambia, Zanzibar and Zimbabwe on how SEA threatens Global Fund programs and beneficiaries. OIG Head of Investigations Katie Hodson explained the Global Fund's focus and approach to tackling SEA, while colleagues provided practical advice on preventing and responding to wrongdoing, including reporting and detection strategies and an overview of the investigative and victim/survivor support process. The session used case studies to discuss how implementers can identify SEA and mitigate its impact, and how to ensure vulnerable populations can report SEA safely.

A second webinar followed in December for grant implementers in Ghana, Nigeria, Gambia, Sierra Leone and Liberia, 150 people participated in the October and December events, and more are planned for 2022. The OIG has also produced [a short video](#) explaining how SEA threatens Global Fund programs.

Also during 2021, our Inspector General and Head of Investigations presented the OIG investigations approach on SEA matters as well as the findings from our investigation into [sexual exploitation and abuse](#) in Ghana to members of the UK Parliament's International Development Committee.

We are focused on building ties with Supreme Audit Institutions.

3. Quality Assurance and Stakeholder Feedback

The OIG carries out an annual self-assessment in line with international standards. This is supplemented by a triennial external assessment, surpassing the international standard which requires the external assessment every five years. The latest external assessment took place at the end of 2021 by IFACI Certification, an independent firm appointed in consultation with the Audit and Finance Committee.

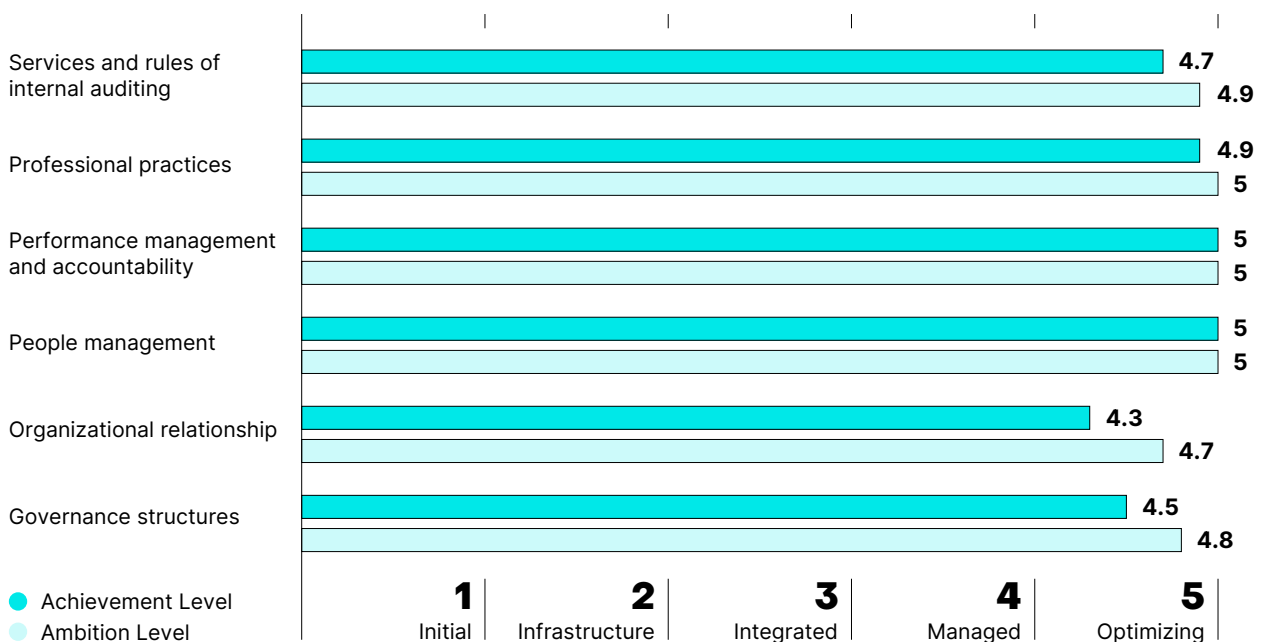
The External Assessment report is published in full on the OIG website and is summarized below:

The **Investigations Unit** received the highest rating of “generally conforms” with the Uniform Guidelines for Investigations of the Conference of International Investigators. The assessment highlighted that the function is “managed and staffed by a highly professional, well-resourced team who perform their duties in a sophisticated, rigorous, robust manner”, and that “Investigations are handled with the required sensitivity that they deserve”.

The **Audit Unit** received the highest possible overall rating of “generally conforms” in line with the International Standards for the Professional Practice of Internal Auditing. The external assessors concluded that the Audit Unit’s overall maturity is “optimizing” - the highest possible level, based on the Institute of Internal Auditors’ [Ambition Model](#) which assesses progress across six key areas (governance structures, services and rule of internal auditing, professional practices, performance management and accountability, people management and organizational relationship).

A key request from the review was to benchmark the OIG against leading practice. Accordingly, the assessment identified areas for the OIG to improve, including amending its charter to formalize existing practices and improving the internal process around agreeing management actions. This includes a specific point on the OIG charter which is considered “partial non-conformance” by the assessors. The OIG has developed an action plan to address these areas.

Figure 5. OIG Audit Achievement vs Ambition levels

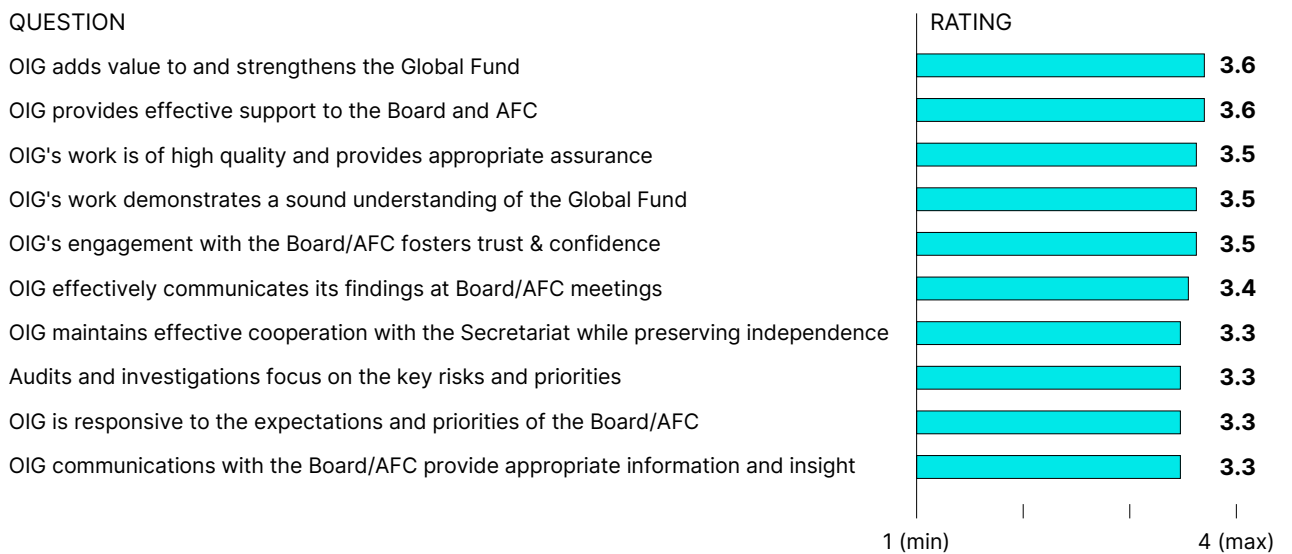


Stakeholder Feedback

Board and Committee feedback

Each year, Board and Audit and Finance Committee members are asked to evaluate the quality, scope and impact of the OIG's work. In 2021, their responses generated an average satisfaction rating of 3.4 out of 4, on a scale of 1 to 4, compared to 3.4 in 2020, 3.5 in 2019 and 2018, 3.45 in 2017, and 3.3 in 2016. Full results are in the chart below.

Figure 6. Stakeholder feedback



4. OIG Strategy 2022-2027

During 2021, the OIG developed an ambitious six-year strategy to complement the overall vision set out by the Inspector General, that of **a world-class OIG which drives impact through assurance and trusted advice**. The strategy takes into account the evolving global health and organizational landscape (e.g. threats to achieving progress against the three diseases and a constrained funding environment) and is designed to support the Global Fund Board in achieving its desired impact and mission..

In 2022, the OIG will begin implementing the Strategy, focusing on four key areas:



Maintaining core assurance with a sharpened focus on risk & impact

- Ensuring quality-assured deliverables
- Dynamic assessments focused on mission risks
- Considering risks of not doing something
- Focusing on beneficiaries



Maintaining key stakeholder relationships and demonstrate ROI

- Objective, balanced perspective
- Acknowledging complexity and binding constraints
- Deepening “analytic content” of Board reports
- Embedding focus on value for money and efficiency



Evolving our definition of impact

- OIG-wide approach to key impact issues
- Maximizing impact through strategic solutions and anticipating “the next big issue”
- Confronting derailers such as human rights abuses
- Impactful investigations to enhance programs



Nurturing a high-performing OIG team

- Inspiring high performing culture by encouraging accountability and healthy challenge
- Providing talent pipeline to broader organization
- Engendering a healthy, safe work environment
- Maintain, refocus and rebuild the strong team

5. OIG 2022 Workplan: a sharpened focus on risk and impact

Investigations Unit Workplan

The Investigations workplan concentrates on generating intelligence through screening and assessments, focusing on high-impact activities while sharing insight with the Secretariat to prevent, interrupt and disrupt wrongdoing in Global Fund programs.

Screen

220+

Reports

Close

60

Cases

Publish

8

Investigation Reports

Conduct

10

Complaint-Led Investigations

Produce

40

Assessments

Run

15

Outreach Sessions

Conduct

3

Proactive Investigations

The Investigations workplan combines concluding cases carried forward from 2021, screening and assessing new allegations, and investigating cases. Despite the increase seen in 2021, we are not certain that the rise is indicative of a permanent shift, so have used a five-year average as the basis for our prediction for screening reports.

In 2022 we will update the www.ispeakoutnow.org website, our core platform to educate about fraud and abuse and to encourage reporting. We will develop our outreach to implementers and assurance providers through 15 webinars and training sessions on how to prevent and detect wrongdoing.

Audit Unit Workplan

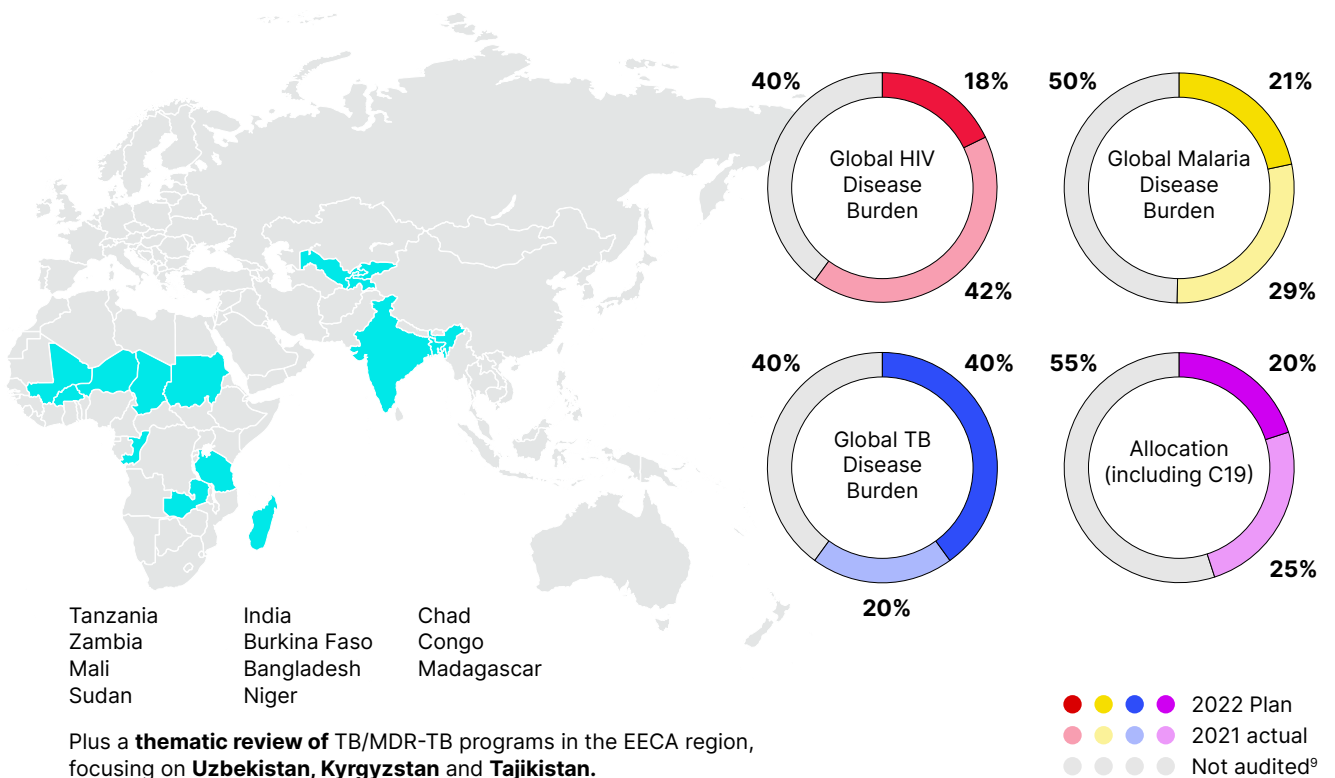
Audit efforts will focus on providing mission-driven assurance, value-for-money and advisory reviews.

The OIG takes a risk-based approach to determining where we can provide most impact. The rise in pandemic-related risks at implementer level, coupled with our inability to travel in 2020 and early 2021, has meant that 2022 will focus largely on country level risks; accordingly we will perform 12 country audits in 2022, up from seven in 2021. The pandemic forced us to develop and adopt remote assurance techniques such as virtual platforms and remote interviewing. The efficiencies generated by this approach allow us to increase the number of planned audits despite the expected continued disruptions from the pandemic in 2022.

Our work plan will remain dynamic, with risk and priorities being continuously reassessed and adapted to the changing operating environment of Global Fund grants.



Figure 7. 2022 Country Audits Coverage



Plus a **thematic review of TB/MDR-TB programs in the EECA region, focusing on Uzbekistan, Kyrgyzstan and Tajikistan.**

9 Includes countries outwith the Global Fund portfolio, accounting for approx 1% of total disease burden across HIV, TB, Malaria.

In addition, three **internal audits** will provide assurance on Global Fund Secretariat processes:

- The Global Fund’s approach to grant monitoring
- In-country data and data systems
- The Country Coordinating Mechanism model and approach

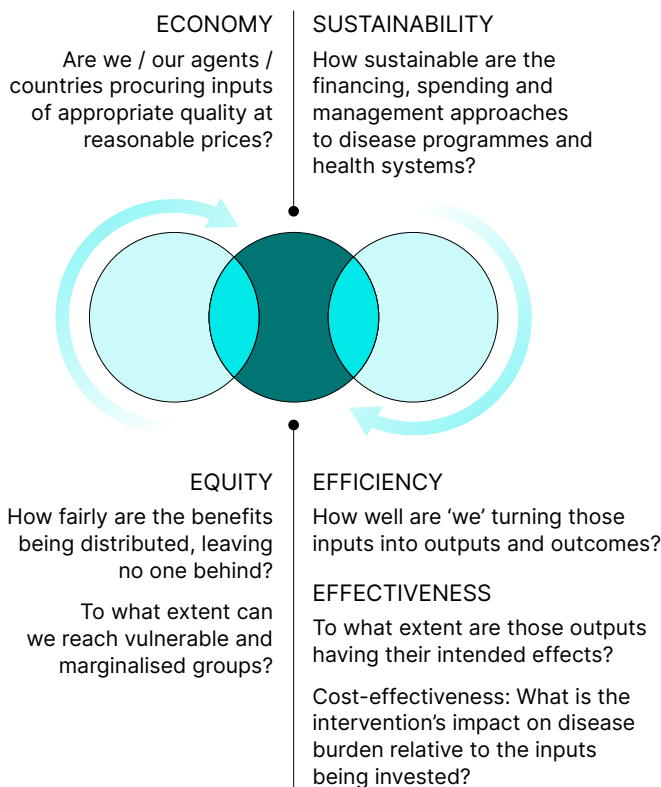
We will collaborate with the Technical Evaluation Reference Group during the *In-Country Data and Data Systems* audit to provide a comprehensive and cohesive assurance to the Board and to avoid overlaps.

We anticipate performing three **advisory reviews** in 2022, including a review of *Internal Justice Mechanisms* (deferred from 2021) and *Evolution of Local Fund Agent approaches for country-level assurance*, where we will explore how to maximize the value-add of LFA assurance.

Value for Money review

In 2022, we will produce our first Value for Money review, assessing the extent to which Global Fund investments are generating the intended results along five key dimensions as defined in the Global Fund’s Value for Money Framework, shown below. Our review will focus on *Global Fund investments in health and laboratory-related equipment*, which represent US\$861 million in the current funding cycle.

VfM = 4Es + S



Professional Services Unit Workplan

Underpinning and enabling the delivery of the OIG’s 2022 workplan will be the Professional Services Unit, who will seek to drive OIG impact, integration and quality through strategic insight, making smart use of advanced technology and analytics capabilities.



Analytics and Insight

PSU will work to increase the OIGs ability to leverage data and analytics in its day-to-day work. This includes investing in systems and tools that enables continuous and proactive risk monitoring that translates into impactful assurance and intelligence-led investigations.



Quality Assurance

PSU will refine and enhance the OIGs quality assurance program. This will go above compliance with international standards and continuous improvement, and also focus on business process reviews to improve OIG effectiveness, efficiency and agility to respond to key risks and organizational issues.



Maximizing OIG’s performance and impact

PSU will steward the implementation of the OIG strategy, including enhancing the framework to measure OIG’s performance and impact.



Outreach and stakeholder engagement

PSU will lead and coordinate OIG inputs to key organizational initiatives as well as collaboration with external stakeholders, and developing relations with Supreme Audit Institutions.

Annex 1: Staffing and Budget

Staffing

As of end-December 2021, the OIG had 43 employees (42FTEs) out of a budgeted headcount of 52[^].

FTE and vacancies as of 31 December 2021

UNIT	FTEs 31 DECEMBER	BUDGET [^]	VACANCIES
PSU	11	11	0
Inv	13	18	5
Audit	18	23	5
Total	42	52	10

The vacancies in 2021 have not had a material impact on the OIG's capacity and ability to deliver its mandate, as temporary professional resources have been hired to fill gaps and deliver on the OIG's workplan.

Six internal promotions to fill previous vacant roles contributed to the vacancies at the end of the year. All vacant positions have been advertised and an active recruitment process is underway.

[^] As highlighted in the OIG Progress Update to the AFC in October 2021 and November Board, to support our 2022-2027 strategy, we are converting professional fees to staff positions in 2022, increasing overall headcount from 52 to 57 without increasing our overall budget.

Budget

At the end of December 2021, the OIG had a YTD underspend of US\$2,201k (-15%) based on budget exchange rate.[^]

OIG Operational Budget in thousands of US\$

UNIT	2021 BUDGET	DECEMBER YTD ACTUALS [^]	YTD VARIANCE VS ACTUALS	BUDGET VS ACTUALS
Workforce*	10,538	9,278	-1,260	-12%
Professional fees	2,779	2,726	-53	-2%
Travel	1,218	431	-787	-65%
Meetings	50	20	-30	-60%
Communications	92	76	-16	-17%
Office Infrastructure	217	166	-51	-24%
Depreciation	4	0	-4	nm
Total	14,898	12,697	-2,201	-15%

[^] In accordance with the Secretariat's practice of preparing financial reports based on budgeted exchange rates. Using actual exchange rate results in a variance underspend of 11%.
nm = not material.

* Workforce actuals includes staff salaries and individual consultants' engaged to support OIG's work due to vacancies.

- Workforce expenses had the largest variance with an underspend of US\$1,260K. This is largely attributed to the staff vacancies during the year, as mentioned above.
- A US\$787k underspend on travel was primarily due to COVID-19 travel restrictions which impacted country missions during the first half of the year.
- Variances under Professional Fees, Meetings and Communications and Office Infrastructure are minimal.

Annex 2:

Performance Against Key Performance Indicators

THEME	PERFORMANCE OBJECTIVE	PROGRESS TO DATE
A To deliver an efficient and effective service	A.1 Investigations 80% of reports as per the work plans issued in draft by year end (stage 6 of the SEM).	Investigations <ul style="list-style-type: none"> • 133% of reports had reached stage 6 of the SEM or been closed. Eight cases have been closed compared to six anticipated in the workplan. Three additional finalized cases were not anticipated in our original projection, and one anticipated case is yet to be finalized.
	<ul style="list-style-type: none"> • Produce 100% screening outcomes for all reports received within 30 days up to 31 December 2021. 	<ul style="list-style-type: none"> • 68% (185 out of 272) of screening outcomes approved within the 30-day deadline. This target was not achieved due to a 45% increase in allegations reported in 2021 resulting in additional time required to process the additional allegations. However, 97% of the screening outcomes that were designated as “High” priority were closed within the 30-day deadline at an average of 25.9 days.
	<ul style="list-style-type: none"> • By 31 December 2021, close 90% of high priority investigations carried over from previous year(s). 	<ul style="list-style-type: none"> • 70% (7 out of 10) of high-priority investigations (Stage 3 and above) carried over from previous year have been completed. Two of the three remaining cases were impacted by pandemic travel restrictions resulting in the OIG having to delay the investigation fieldwork.
	<ul style="list-style-type: none"> • By 30 June 2021, close 90% assessments carried over from previous year(s). 	<ul style="list-style-type: none"> • 60% (6 out of 10) of OIG-led assessments carried over from previous year were completed or progressed to later investigative stages by the KPI date of 30 June 2021, however all 10 had been closed by Dec 2021. This target was affected by challenges in collecting country-level evidence through a remote approach.
	<ul style="list-style-type: none"> • Complete 80% of ISON training activities. 	<ul style="list-style-type: none"> • 89% (16 out of 18) of ISON training activities have been completed.
B To foster confidence by being accountable and transparent	A.1 Audit <ul style="list-style-type: none"> • 80% of reports as per the work plans issued in draft by year end (stage 4 of the Stakeholder Engagement Model “SEM”), as a proportion of all engagements in the work plan. 	Audit <ul style="list-style-type: none"> • 10 of 13 audits (77%) issued in draft by end of 2021, increasing to 11 (85%) by March 2022. The two remaining audits were cancelled in Q4 2021 due to in-country security concerns (Ethiopia and the Central African Republic). • Two of four (50%) Advisory reports had been issued in draft by end of 2021 increasing to three (75%) as of March 2022. The remaining review has been deferred to 2022 at the request of the sponsor.
	A.2 Cost management Costs managed within 10% of the approved budget.	<ul style="list-style-type: none"> • As of 31st December 2021, the OIG had a budget underspend of US\$2,201k (-15%) in 2021. This is mainly attributed to staff vacancies and travel restrictions from the COVID-19 pandemic. Please refer to Annex 1 of this report.
	B.1 Quality Self-Assessment 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.	<ul style="list-style-type: none"> • No self-assessment was required this year due to the triennial external quality assessment conducted in Q4 of 2021. See B.2 below. • All audits and investigations engagements have undergone independent internal quality assurance reviews and have followed the SEM. <p>Please note: COVID disruptions and travel restrictions have impacted our ability to fully comply with SEM timelines.</p>
B.2 External Quality Assessment 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.	<p>The External Quality Assurance Review was carried out in 2021. Both the audit and investigations functions fully comply with the relevant industry standards. See Section IV.3 for details.</p>	
B.3 Annual assurance statement Annual assurance statement on governance, risk management and controls at the Global Fund.	<p>Completed. The statement is included as Section II of this report.</p>	

THEME	PERFORMANCE OBJECTIVE	PROGRESS TO DATE
C To ensure impact in our work	C.1 Tracking of AMAs 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 31st December, 100% 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 Client engagement surveys are conducted for at least 90% of audit engagements completed during the year.	At 100% . OIG sent surveys for all audit reports from its 2020 and 2021 workplan. The overall score received was 3.5 on a scale of 1 (poor) to 4 (good).
	C.3 Board and Committee satisfaction Conduct annual stakeholder satisfaction survey, including all AFC and Board members (or alternates), and achieve an overall satisfaction score of 80% or better.	The OIG received a 96% satisfaction rate (98% in 2020) from the Board and Audit and Finance Committee in the survey carried out in January 2022.
	C.4 Implementation of AMAs Sixty Percent (60%) of Agreed-Management Actions are remediated by the Secretariat, by their due date, over a rolling period of eight (8) quarters.	20% of AMAs were implemented by the Secretariat by their due date between January 2020 and 31 December 2021, partly due to competing priorities occasioned by the pandemic.
	C.5 Audit plan coverage Achieve following coverage targets over a three-year audit cycle: <ul style="list-style-type: none"> • 60% of the disease burdens (for each of the three diseases) • 60% of the country allocation amounts • 30% of the countries classified as High Risk. 	At the end of 2021, we have covered the following for the 2019-2021 cycle: <ul style="list-style-type: none"> • 63% of the HIV burden, 59% of malaria burden and 44% of the tuberculosis burden. • 54% of total country allocation amounts (including C19RM). • 32% of countries designated as 'High' and 'Very high risk' Shortfalls were primarily driven by the OIG inability to perform country audits in 2020, due to pandemic-related travel restrictions.
	C.6 At least four (4) advisory engagements during the annual work program cycle.	Two advisory reports were issued as of 31 December 2021, increasing to three as of March 2022. The remaining advisory was deferred to 2022 upon request of the sponsor.
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. 95% of staff had completed a minimum of 20 hours of formal training as of 31 December 2021

Annex 3:

OIG Reports Released or Published in 2021

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. Reports are available in full at www.theglobalfund.org/en/oig/reports/

INVESTIGATION INTO TANA NETTING GF-OIG-21-001

No rating TANA Netting failed to control the quality of over 52 million Long-Lasting Insecticidal Nets, resulting in sub-standard products being purchased with US\$106 million of grant funds. TANA used unapproved manufacturing methods to bind insecticide to the nets, and attempted to falsify data to cover up the non-conformity. TANA and its sister company HSNSD obstructed the OIG investigation and failed in their contractual obligation to produce manufacturing data and documentation. The investigation found Global Fund quality assurance mechanisms to be inadequate, and ineffective in identifying non-compliance.

INVESTIGATION INTO NIGERIAN SUPPLY CHAIN GF-OIG-21-002

No rating Zenith Carex, a sub-contractor of Chemonics International, defrauded grant programs of US\$3 million by systematically inflating invoices for distributing commodities to warehouses and health facilities. Chemonics staff missed key red flags when reviewing Zenith's invoices. Inadequate financial monitoring, combined with potential collusion between Chemonics and Zenith staff, allowed the fraud to remain undetected. Following this investigation, the Global Fund has strengthened the sustainability and cost effectiveness of its Nigerian supply chain.

AUDIT OF GLOBAL FUND INTERNAL FINANCIAL CONTROLS GF-OIG-21-003



The finance function has become a strategic enabler for the Global Fund, thanks to mature financial management processes, robust systems, effective controls and oversight, and adequate ownership over financial data. Performance is monitored regularly against KPIs, while controls for disbursements and payments of strategic initiatives and operating expenses are effective. Improvements are needed however in Annual Funding Decision, disbursement and forecasting processes. Processes to identify, mitigate and track key actions similarly need to improve, and procedures and guidelines require updating.

AUDIT OF GRANT CLOSURE PROCESSES GF-OIG-21-004



Grant closure processes have significantly improved since 2016. Operational policies, IT systems and tools have been enhanced, and controls, monitoring, and accountability strengthened. While the average grant closure time has reduced from 1,326 to 500 days, only 20% of grants are being closed within the required twelve months. Secretariat calculations of outstanding cash balances on grants due for closure are materially accurate, however differences for certain grants could not be resolved due to limited information on opening cash balances.

INVESTIGATION INTO MISCONDUCT AFFECTING GLOBAL FUND GRANTS GF-OIG-21-005

No rating Executives at the Ghana Network Association of People Living with HIV (NAP+) fostered a culture of sexual and financial exploitation, demanding sex acts and money as a condition of access to benefits. The grant Principal Recipient and sub-recipient failed to cascade down Code of Conduct and ethical obligations to NAP+. The Global Fund's governance policy framework in relation to protection from sexual exploitation and abuse and sexual harassment (SEAH) is inadequate. The organization operates without a meaningful framework to prevent, prohibit, detect, or respond to SEAH in its programs.

KEY: OIG 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

AUDIT OF GLOBAL FUND EMERGENCY PREPAREDNESS

GF-OIG-21-006



In response to COVID-19, the Global Fund Secretariat instituted measures to ensure business continuity and grant implementation. Disbursements to countries, governance activities and key human resource functions remained stable, despite the uncertainty caused by the crisis. The Secretariat should leverage lessons from its COVID-19 response to strengthen its emergency preparedness, adapting COVID-19 measures in developing a broader crisis response framework.

INVESTIGATION INTO GLOBAL FUND GRANT IN PAKISTAN

GF-OIG-21-007

No rating The Indus Hospital engaged in anti-competitive and collusive practices and failed to properly mitigate actual or apparent conflicts of interest in the selection of Interactive Research and Development as a supplier. The Indus Hospital also engaged Interactive Health Solution as an IT supplier following a procurement process compromised by anti-competitive, fraudulent and collusive practices. One root cause was that the safeguards proposed to mitigate conflicts of interest in the management of the grant proved not to be effective.

AUDIT OF COVID-19 RESPONSE MECHANISM

GF-OIG-21-008



C19RM's design was robust and inclusive, and clearly linked to the Global Fund's strategic objectives. Roles and targets were clearly defined, and key flexibilities, risk assessment and mitigation were incorporated into process operationalization. CCMs were mobilized to achieve stakeholder engagement and integration with national COVID-19 responses. The review and approval of funding requests was effective. C19RM's design could be enhanced in future to be more agile, envisaging ongoing, responsive adjustments to changes in COVID-19 cases, country needs, fund utilization, and data availability and reliability.

AUDIT OF CONTINUITY AND OVERSIGHT OF COUNTRY PROGRAMS DURING THE COVID-19 PANDEMIC

GF-OIG-21-009



The Global Fund took decisive, positive action to reduce the impact of COVID-19 on grant implementers and to facilitate program continuity, introducing measures such as grant flexibilities and new and redirected funding. Tuberculosis programs have suffered the most disruption, HIV treatment programs have generally continued with low-level interruption and Malaria programs have been least impacted by the pandemic. The Secretariat introduced new measures to monitor programs and increase engagement with implementers.

AUDIT OF KEY ORGANIZATIONAL CONTROLS

GF-OIG-21-010







Global Fund internal controls continue to mature. Controls for key business processes have been strengthened, and monitoring of Technical Review Panel recommendations is improving. The Secretariat has enhanced policies and controls for the grant-making process and strengthened mechanisms to allow investments to adjust to programmatic requirements. There is limited and inconsistent monitoring of prioritized business processes, policies and controls supporting implementation readiness are not yet embedded in the grant making process, and control gaps remain in market shaping processes.

INVESTIGATION INTO MISAPPROPRIATION OF FUNDS IN MALAWI HIV GRANT

GF-OIG-21-011

No rating Senior staff members at Chinansi Foundation, an implementer of Global Fund grants in Malawi, engaged in opportunistic fraudulent activity. US\$70,572 was misappropriated from a program supporting adolescent girls and young women. The staff submitted fabricated bank statements to conceal the wrongdoing. Additionally, there were non-compliant expenses amounting to US\$9,924, due to inadequate supporting documents and irregular procurement of vehicle hire services.

KEY: OIG 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

INVESTIGATION INTO DAILY SUBSISTENCE ALLOWANCE DIVERSION, NAMIBIA

GF-OIG-21-012

No rating Staff at the Ministry of Health and Social Services (MOHSS), a Principal Recipient for Global Fund grants in Namibia, diverted daily subsistence allowances from their intended recipients. US\$89,476 was misappropriated from program bank accounts over 18 months. Gaps in MOHSS internal controls, including submitting unsigned and undated lists of participants in editable electronic format, failing to verify payments against original participant lists, and reconcile with the bank confirmation letters, facilitated the wrongdoing.

AUDIT OF GLOBAL FUND GRANTS IN THE PHILIPPINES

GF-OIG-21-013



A comprehensive plan is needed to ensure HIV program gains are not eroded as a result of COVID-19 disruptions, while stronger TB & MDR-TB management is required to improve notification and treatment. There is a need for better linkage between HIV treatment and monitoring of treatment outcomes. Transition arrangements for the malaria program could be improved, to ensure the sustainability of key interventions.

ADVISORY REVIEW: EVOLVING THE TECHNICAL REVIEW PANEL MODEL

GF-OIG-21-014

No rating There is a need to re-assess the TRP's mandate and to strengthen its processes, governance, and oversight mechanisms. There is scope to leverage the benefits availing from transition to the New Funding Model and from increased stakeholder input in the funding request development process. The TRP does not differentiate sufficiently between portfolios. Recruitment and membership procedures could be adapted, to allow for a better split between serving and new members.

AUDIT OF GLOBAL FUND GRANTS IN CAMEROON

GF-OIG-21-015



Cameroon is achieving good progress in terms of prevention, diagnosis and treatment coverage for the three diseases. The COVID-19 pandemic has had limited impact on grant implementation, other than for HIV community-based interventions, thanks to timely Global Fund financial support. Most COVID-related activities, including the development of tools, communication and capacity building, were completed in a timely manner. In contrast, measures to ensure malaria care at community level remain insufficient.

AUDIT OF PROCUREMENT AND SUPPLY CHAIN DURING THE COVID-19 PANDEMIC

GF-OIG-21-016



The Global Fund has taken appropriate steps to reduce COVID-19's impact on procurement and to make sure that health products continue to be available for grant implementers. However, better quantification and forecasting are needed to improve delivery lead times and prevent delays. Performance reporting also needs to be revisited to ensure that the methodology used provides a more comprehensive picture of the cash savings made.

KEY: OIG 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

Annex 4:

Significant OIG Oversight Investigations in 2021

WRONGDOING TYPE	WHAT HAPPENED?	OUTCOME/ACTION
Product theft	A warehouse was looted and US\$2.3 million of inventory was lost, of which US\$458,463 was funded by the Global Fund. Another warehouse was also looted; US\$1.6 million in Global Fund funded mosquito bed nets were reported as stolen. <i>Total non-compliant amount: US\$2,058,463</i>	These events were acts of politically motivated unrest. Stakeholders are working with the Country Team to respond to the loss, including any insurance claims.
Procurement fraud	The Local Fund Agent found indications of bid splitting of a procurement of materials. This facilitated the purchase of items via Purchase Order, rather than open tender. Overpricing identified. <i>Total non-compliant amount: US\$50,446</i>	The LFA now reviews all procurements over US\$9,000.
	In another instance, the Local Fund Agent identified US\$247,956 in ineligible expenses in relation to a mass net campaign. This amount is a result of the use of an incorrect bale weight. After closer examination there was insufficient evidence of prohibited practices. <i>Total non-compliant amount US\$247,956</i>	Recovery is being pursued.
Product theft	Stolen GF-funded condoms were identified for sale in local markets. Health commodities were diverted and sub-recipients had inflated the number of covered beneficiaries, allowing sub-recipient employees to order more health commodities that were needed to enable the diversion. <i>Total non-compliant amount US\$34,390</i>	Health commodities are now barcoded to trace and track their deliveries to all SRs. The oversight action plan has been updated to increase the accountability and control. Independent verification of the populations served to prevent overestimations and false forecasting.
Expenses fraud	Sub-recipient staff engaged in a practice of overclaiming on fuel expenditures as well as submitting dubious supporting receipts. <i>Total non-compliant amount US\$23,386</i>	A financial and programmatic spot check of SRs has been commissioned.
Salary kickbacks	Credible evidence of salary kickbacks and nepotism (over one third of staff had a familial connection). <i>Total non-compliant amount US\$19,634</i>	All sub-recipient contracts to prohibit staff contributions. The PR is also required to define measures to strengthen oversight and governance at the sub-recipient level.
Product theft	Diversion of 207k GF condoms and 225k lubricants by sub-sub-recipients. <i>Total non-compliant amount US\$10,936</i>	There is an ongoing local law enforcement investigation. A standardized inventory management tools for daily tracking of health products at the SSR/CBO level has been developed.
Product theft	Weak warehouse controls led to the theft of 4,400 mosquito bed nets by an employee. <i>Total non-compliant amount US\$10,340</i>	Staff member required to repay the value of these nets and has been terminated.
Expenses fraud	Expense fraud committed by a staff member and the theft of payments intended for participants. <i>Total non-compliant amount US\$9,005</i>	Employee was terminated and misappropriated funds withheld from their pay. Risk-mitigating measures taken.
Embezzlement	Falsified bank statements used to cover a bank transfer of US\$5,000 to the personal bank account of an SR Finance Officer. The misappropriation involved collusion with the SR Project Director.	Employees were terminated and misappropriated funds have been returned. The internal controls of the PR were effective in identifying this misappropriation. Further risk mitigation measures taken.

In 2021 the OIG closed 27 oversight cases where wrongdoing was not substantiated. All loss amounts are pursued and recovered as necessary via the Secretariat.