



Independent observer  
of the Global Fund

## OIG HIGHLIGHTS SUCCESSES AND CHALLENGES IN MEETING ITS OPERATIONAL OBJECTIVES IN 2016

Up until this point, the OIG is expected to deliver on its work plan within its given budget and has achieved progress regarding its Key Performance Indicators. So far this year, the OIG has published 24 audit and investigation reports, conducted fieldwork for an additional three audits from the 2016 work plan, closed 36 investigations, received 128 allegations of wrongdoing and opened another 29 new investigations and created 73 new Agreed Management Actions and closed another 91.

In 2015, the OIG identified a number of strategic themes, notably, “Optimising partnerships”, “Tackling procurement and supply chain challenges” and “Risk management and assurance framework” which it identified needed further progress in order for the Fund to achieve its mission. The OIG devoted one section of the progress report to progress on three strategic themes previously identified: (1) optimizing partnerships; (2) tackling procurement and supply chain challenges in a holistic manner; and (3) the risk management and assurance framework. This article summarizes what the OIG said about these themes. Aidspan plans to report on other aspects of the OIG report in future issues of GFO.

Optimizing partnerships

With regard to optimizing partnerships, in 2015, the OIG noted a lack of cooperation between government implementers and partners in a number of countries, including Pakistan, Tanzania, Nigeria, Sudan and Kenya. However, progress regarding enhanced collaboration between country actors has been noted. For example, the report states in the Democratic Republic of Congo (DRC) that despite its severely degraded infrastructure, fragile institutions and political instability, the Fund has stated that better alignment between country actors now exists, interventions have been scaled-up, supply chain systems redesigned, programmatic reporting has improved, and data is of a better quality.

In Zimbabwe, despite substantial economic problems, the country has successfully increased interventions across the three diseases with support from the Fund and its partners. The Fund cites a 30% increase in the number of people on antiretrovirals in 2014 and 2015, and says there is now almost universal diagnosis of malaria cases before treatment.

### Tackling procurement and supply chain challenges

With regard to tackling procurement and supply chain challenges, the report states a more holistic approach is in order. A supply chain study that explored different options for the future, a realignment of the work of Health Product and Medicine Specialists and the launch of a new supply chain strategy project along with the appointment of a Head of Supply Chain, were conducted which all contributed to progress in this area. OIG audits in 2016 continue to show a number of significant weaknesses in supply chain distribution and drug management, particularly at the local facility levels. In fact, in DRC, grant objectives run the risk of being seriously compromised because of supply chain issues.

In Malawi, where drug procurement represented more than 80% of expenditures in the period from 2009 to 2015, the Secretariat and Principal Recipients (PRs) in Malawi, put in place mechanisms to safeguard commodities. The report states that an audit of the effectiveness of in-country supply chain mechanisms in supporting grant implementation is currently underway in the country. The audit's objectives being to better understand the root causes of supply chain challenges at the country level and to assess whether in-country supply chain management processes are adequate and effective in ensuring that the necessary products are delivered in the right quantities, condition, place, time, and cost.

### Risk management and assurance framework improvement

The Global Fund has invested heavily in risk management and there has been progress in made in mitigating risk. Notably, a recent operational policy note provides guidance to Country Teams on how to embed risk management across the grant lifecycle. It is designed to help teams better identify, mitigate and monitor risks that may negatively affect the achievement of grant objectives. The Secretariat has announced that the Risk Department's engagement will be expanded incrementally covering both High Impact and Core countries as of January 2017.

In the report, the OIG stated its work in 2016 found weaknesses in risk management and assurance at the implementer level. In India, the Fund's second biggest portfolio in terms of allocation, the report admitted that mitigating actions have not adequately addressed outstanding issues. In Malawi, the work of a Fiscal Agent has contributed significantly to safeguarding Fund resources through better financial management. In DRC, the Fiscal Agent performs a control function despite having been engaged to help build up skills and resources at the Ministry of Health. The OIG is currently auditing risk management at the Global Fund and expects to issue an audit report this year.

The information in this article comes from the Board paper GF/B36/11, presented at the 36<sup>th</sup> meeting of the Global Fund Board on 16-17 November 2016 in Montreux, Switzerland. All OIG reports available at this address: <http://www.theglobalfund.org/en/oig/reports/>

