



Independent observer  
of the Global Fund

## OIG SAYS THAT THE SECRETARIAT'S OPERATIONAL AND FINANCIAL CONTROLS ARE GENERALLY EFFECTIVE

The Office of the Inspector General has awarded the Global Fund Secretariat generally high marks with respect to compliance with key internal policies, particularly operational and financial controls. The OIG released a [report](#) on an audit into these functions on 4 March 2016.

The OIG said that the forecasting and budget controls, the cash and liquidity management controls, and the pre-disbursement financial controls over grant processes were all generally effective. It noted some weaknesses in post-disbursement controls and in implementing the COSO internal control framework, but said that the Secretariat had adequate plans in place to fully address the weaknesses.

Finally, the OIG said there are some more significant weaknesses in controls related to procurement, but said that the Secretariat also had plans in place to improve its performance in this area.

The COSO framework is an international standard for internal controls that has been adopted by the Board.

The OIG said that since 2012, following governance and control concerns flagged by the Board and the high-level panel report, The Global Fund has made significant efforts to enhance the internal control environment. These enhancements included the formalization of policies, procedures and controls particularly those related to financial management. Grant management processes have also been improved, the OIG said, with several monitoring and oversight tools – the Executive Grant Management Committee, the Semester Progress and Disbursement Report, and the Expenditure and Financial Report – introduced by the Secretariat to ensure that funds are used properly to meet the objectives of grants.

The Executive Grant Management Committee oversees grant management activities and the development of operational policies supporting these activities.

The Semester Progress and Disbursement Report is an evolution of the progress update and disbursement request form (PU/DR), which is a tool used by the Global Fund to review grant implementation progress; assign an overall grant rating; identify implementation issues and potential future risks; and elaborate risk mitigation measures and the process of committing grant funds to be disbursed.

The Expenditure and Financial Report provides financial information on grant implementation and tracks where the money is going and how it is being spent.

However, the OIG said that the process of improving the internal control environment “has been done in an ad hoc and fragmented manner, leaving key control gaps and exposing the Global Fund to potential misuse of funds.” These gaps have been flagged in previous OIG reports on audits of the Procurement and Supply Chain Management and the IT function, and in OIG investigations reports. (All of these reports are available on the OIG pages of the Global Fund website [here](#).)

“It is therefore critical for the organization to formalize an internal control framework as recommended by the Board in 2012,” the OIG said. “This will ensure that the organization has adequate and effective controls at the entity level as well as the process level.”

Although the key controls concerning the pooled procurement mechanism process were found to be adequate and effective, the OIG said, the controls for the delivery of PPM orders, which are the responsibility of the principal recipient, are inadequate. According to the OIG, there are currently no control measures in place to ensure that procurement orders and payments made to procurement service agents are accurate and that deliveries to PRs are complete.

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