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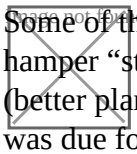
OIG AUDIT SHOWS COST SAVINGS FROM GLOBAL HEALTH CAMPUS PROJECT EXCEED EXPECTATIONS

The first audit by the Office of the Inspector General (OIG) of the Global Health Campus (GHC) concludes that the 'project' of sharing both costs and risks among several global health partners has been more effective than originally anticipated.

"Significant cost savings" have been realized, the audit report said, highlighting a decrease of 41% in the Global Fund's annual running costs at the new site, compared to its previous location. The OIG review estimated ongoing cost savings in the order of $43.5 million for the next ten years, which exceeds by $14.7 million the originally planned savings of $28.8 million. Another key achievement the OIG pointed out was strong contract and performance management of service providers to the campus.



Some of the risks identified in the OIG report include aspects of current management practices which hamper "structured oversight and decision-making", the lack of a completed Business Continuity Plan (better planning to ensure recovery of key business activities in the case of emergency or disaster) which was due for completion by the third quarter of 2019, and some "control weaknesses" in the management of assets.

The OIG report was published on 26 February 2020. It aimed to assess the adequacy and effectiveness of the Global Health Campus project's cost efficiencies and key risks, and related GHC management processes (including asset management, contract and performance management of suppliers, and business continuity planning).

The audit report rated the management of key risks related to the GHC project as ‘effective’, and the GHC management processes overall as ‘partially effective’.

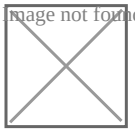
Context and scope of the audit

The Global Health Campus project was initiated after the Permanent Mission of Switzerland approached the Global Fund in 2008, proposing a plan to establish a ‘health campus’ building as a center for global health in Geneva. [The Board approved the project in 2009.] In 2010, Implenia Immobilier was selected as the contractor, Crédit Suisse was selected as the investor for the development, and construction began in November 2016. The Global Fund and Gavi signed a partnership agreement in 2017, agreeing to act as equal partners in the GHC project. This means that the Global Fund and Gavi are required to take joint decisions regarding the management of the GHC building. Decisions that have financial implications are taken by each organization separately, after discussion within the GHC Operations Committee, which is a joint entity.

The Global Fund is the primary lessee of the building. Current sub-lessees are the Gavi Alliance, Unitaid, Stop TB, and the RBM Partnership.

The OIG’s audit covered the GHC project and management processes over the period from January 2017 to June 2019. (Procurement related to the GHC will be covered by the OIG in a separate audit.) This audit included a review of the processes, procedures and systems relevant to the GHC project, as well as interviews with Global Fund Secretariat staff, and with representatives of Gavi and the other sub-tenants.

Figure 1: Global Health Campus stakeholders and partnerships



Main findings and Agreed Management Actions

The OIG described four main findings from its audit (see page 14 of the report for full details). The associated Agreed Management Actions (AMAs) follow each finding (the first finding has no associated AMA).

4.1 The GHC Project has achieved its cost savings and timeliness targets

The highlight of this finding by the OIG is the realization of greater financial savings than those projected in the initial business case for the move to the GHC, which was approved by the Global Fund Board. The 41% decrease in running costs per year has been driven mainly by savings in rental costs, and this is estimated to amount to $43.5 million for the next ten-year period (this is a net figure, including capital expenditures and incremental operating expenditures), which is greater than the $28.8 million originally laid out in the business case.

Other components of the $14.7-million additional savings included the Global Fund having avoided paying double rent (for the old and the new premises) over a two-month period (savings of $3.7 million), lower ‘exit’ costs than projected from the previous premises (savings of $4.4 million) and lower security and reception costs (savings of $2.7 million) as well as lower expenditures on furniture and IT (savings of $1.4 million).

This finding also lists a number of key factors that have contributed to “the timely and effective move to the new campus,” including:

- A project management team created to oversee the GHC project: Early in 2017, 15 months before the move, a project management structure was established to oversee the GHC project;
- A governance structure with a clear task and escalation process: The governance mechanism for the GHC was outlined by a Project Execution Plan, which delineated the roles and responsibilities of various related

committees and seven different GHC-related workstreams, including clarification of authority levels required for decision-making;
- Project risks management: A Risk Register tracked key risks, controls and mitigations for the GHC project; current GHC-related risks are being integrated into the Global Fund's corporate risks register.

No agreed management action required.

4.2 Authorities and responsibilities of GHC governance structures and stakeholders need to be clarified

The governance of the GHC has high level structures in place: an Operations Committee, led jointly by representatives of both the Global Fund and Gavi, provides governance and oversight on GHC management, and operational guidelines have been developed for specific workstreams. The membership and tasks of the Operations Committee are outlined in a draft governance framework document that still needs signoff.

The OIG report says that the operational responsibility matrix that divides responsibilities between the Global Fund and Gavi for facility-related areas "lacks the detail needed for effective operationalization". Also, the report says, Facility and IT guidance lacks detail on the roles and responsibilities of sub-tenants. The report also states that the "absence of structured arrangements has impacted oversight and decision-making" (one example of this is the lack of completion of the Business Continuity Plan – see Finding 4.3 below – and the IT Recovery Plan, originally scheduled to be completed before the end of 2018). Further, there is a lack of clarity on the annual budgeting process, and policies and processes for future building enhancement have not been developed.

AMA 1: Operational guidance will be enhanced to clarify the roles and responsibilities among various stakeholders (e.g. Gavi/Global Fund vs. sub-tenants), decision processes and thresholds. Key business processes will be developed in support of Governance Operational Committee functioning and decisions. (Owner: Chief Finance Officer; due date: 30 September 2020)

4.3 A Business Continuity Plan is required to ensure organizational ability to recover and continue key operations during an emergency or disaster.

This finding explains that the GHC Operations Committee initially decided to develop a Business Continuity Plan (BCP) for the shared GHC building (the Global Fund has not had a comprehensive BCP since its inception). Subsequently, plans and frameworks relating to some individual risks have been developed (a fire safety framework, a Global Fund-specific IT recovery plan, information security [ISO certification for which is in process]). In the meantime, the Global Fund's Administration department is still planning to develop a Global Fund-only BCP, instead of one for the whole GHC, as this is in line with the ISO 22301 standard, but this has not been communicated and reported back to the GHC Operations Committee for approval, the OIG says.

The Global Fund Organization Risk Register (ORR) considers a BCP to be a key mitigating action for internal operations risks; the ORR's target date for the completion of a BCP was September 2019.

AMA 2: The Secretariat will expand the scope of the Global Fund Disaster Recovery Plan and Business Continuity Plan to include Global Fund administration and IT matters, conduct related disaster recovery tests, and ensure that all physical security, facility and IT risks and inter-dependencies are coordinated and covered. The changes in scope for the BCO should be communicated to sub-tenants. (Owner: Chief Finance Officer; due date: 31 December 2020)

4.4 Further improvements needed in contract and asset management

The two sub-topics within this finding are:

- A key GHC contract does not have performance metrics or implications for quality of services: The Global Fund's contract with the building owner does not include performance indicators to monitor services, because

the building owner has not agreed to define these (claiming that market norms don't require them). The Global Fund has therefore assumed greater control in managing the building.

- Control weakness in asset management lead to risks of loss or misuse of assets: As a result of having had no fixed asset register for non-IT assets at the Global Fund's previous building, the Global Fund at the GHC has improved the management of GHC assets, including the finalization of a fixed asset register for facility assets in early 2019. The OIG's tests during the audit showed, however, that there were gaps in the assets register, which potentially increase the risk of asset misuse or misappropriation.

AMA 3: For performance and contract management, the Secretariat will set up performance metrics to measure supplier lead time in responding to GHC administration requests and incidents; for asset management, the Secretariat will undertake a comprehensive physical asset verification, including a reconciliation with the fixed asset register. (Owner: Chief Finance Officer; date due: 30 September 2020).

This audit report is called 'Global Health Campus Management Processes,' 26 February 2020 (GF-OIG-20-021).

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