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NEW APPROACH AT THE OIG MEANS FEWER COUNTRY AUDITS AND MORE AUDITS OF SECRETARIAT PROCESSES

The OIG's audit unit has adopted a new approach that involves less reliance on compliance through country audits and more emphasis on (a) internal audits of Board and Secretariat business processes and (b) "ex-ante audit" input on developing processes. (An ex-ante audit is one that is conducted while a process is being planned.)

The OIG said that the new approach is "designed to answer high-level questions of value to the Board."

This information was included in the OIG progress report released during the Global Fund Board meeting on 20-21 November.

The shift in emphasis resulted in a restructuring of the audit team. Seven staffers left in 2014. Recruitment to fill the resulting vacancies took longer than expected, which meant that for much of the year the audit unit functioned at less than 50% of its approved head count.

In addition, some internal audits of existing Secretariat processes had to be postponed because sufficient data was not yet available, and some country audits had to be cancelled due to security concerns. Audits of grants in Guinea and Liberia have been indefinitely postponed due to the Ebola epidemic.

As a result of the staffing constraints and the postponements, the audit unit will issue 11 reports in 2014 instead of the 21 originally planned; six audit reports are anticipated before the end of 2014, according to outgoing Inspector General Martin O'Malley.

Regarding country audits, so far this year reports have been issued on Guinea-Bissau and Myanmar. The

OIG plans to release additional reports on Ecuador, Rwanda, Ethiopia, Sudan and Kenya. With respect to internal audits, a report on governance has been released, and three other reports are planned: on sourcing, on financial controls and on IT controls. (The OIG informed Aidsplan that although the fieldwork for all of the above audits will be completed in 2014, some of the reports may not be issued until the first quarter of 2015.)

The audit unit's 2015 workplan includes internal audits on the effectiveness of country coordinating mechanisms and the "robustness" of the current allocation methodology for the new funding model (NFM). It also includes four internal audits: on Global Fund strategy and impact, on grant-making under the NFM, on key performance indicators and on internal controls.

Ten country audits are planned for 2015: in Ghana and Nigeria (both in the Grant Management Division's High Impact Africa 1 region); in Tanzania and Uganda (both in High Impact Africa 2); in Pakistan and Indonesia (both in High Impact Asia); and in Honduras, Uzbekistan, Chad and South Sudan.

The audit unit expects to spend 20% of its time on ex-ante audit work. Examples of this work are involvement in the Grant Approvals Committee and the Risk and Assurance Committee; and participation in the design of new initiatives such as the results-based financing pilots and Procurement for Impact.

Investigations unit

The OIG said that it has almost cleared the backlog of "legacy" cases – i.e. cases dating back to 2009-2012. In 2013, 156 cases were closed; another 45 cases were closed in 2014 (up to 28 October). Some of the closures were the results of investigations being carried out and reports issued; other cases were closed by memos when the OIG determined that a full investigation was not warranted.

The OIG said that it started 2014 with 60 active investigations (half of which were classed as "legacy") and that it expects to finish the year with 44 investigations underway.

Complaint reporting continues to rise. To date in 2014, 122 complaints have been received, up 50% from same period last year. Despite the increase, the OIG said, all complaints are now screened and responded to within 48 hours. The OIG is working with the Secretariat to integrate human rights violations complaints into current complaint handling procedures.

For 2015, the OIG predicts that it will start 35 new investigations, 20 of which it expects will be completed in 2015.

In 2015, for the first time, the Investigations Unit plans to undertake proactive interventions to complement its reactive investigations of allegations of fraud and abuse. The OIG told Aidsplan that this will likely involve undertaking country missions to assess any weaknesses that present a potential risk of fraud and abuse. For example, the OIG said, procurement is an area that carries a high risk of collusion and possible fraud. Using data from previous investigations and audits, the OIG will help country teams identify weak points or certain recipient profiles that raise red flags.

The 2015 workplan also calls for whistle-blowing communications and whistle-blower protections to be enhanced; and for fraud awareness materials to be developed for a campaign targeting internal and external stakeholders.

The OIG is also expanding its reach to investigate and consider alleged human rights abuses, predicated on the development of a stronger outreach arm and the establishment of more rigorous but accessible procedures.

Other items

“Agreed management actions (AMAs)” have replaced recommendations in OIG audit and investigation reports. Instead of simply issuing a report with recommendations, the OIG now discusses proposed recommendations with the Secretariat before the reports are finalized. The OIG and the Secretariat usually come to an agreement concerning what actions are appropriate to address the recommendations; these actions are then included in the final reports.

The OIG is tracking the implementation of the AMAs. It said that good progress has been achieved in the last several months. “Open” AMAs (i.e. ones that have not yet been fully implemented) have dropped from 136 in July to 86 in October.

The OIG said that over the last year, it has been tracking five key control issues arising from previous audits and investigations: combined assurance; accountability framework; recoveries; grant closures; and document retention and record keeping. At this point, detailed follow-up work has been completed on two of the five areas. Good progress has been made concerning combined assurance, the OIG said, but progress regarding recoveries has been slow (see separate article on recoveries).

The OIG Progress Report, January to October 2014 (GF-B32-06) and OIG Status Update on Agreed Management Actions (GF-B32-07) are available at www.theglobalfund.org/en/board/meetings/thirtysecond

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