



Independent observer  
of the Global Fund

## The Global Fund has made some progress in establishing ethics- and integrity-related structures and processes, OIG says

In the first audit by the Office of the Inspector General of ethics and integrity (risks, structures, and processes) at the Global Fund, the OIG assessed the adequacy and effectiveness of the Ethics and Integrity Framework across Global Fund structures and processes, within the Secretariat, governance bodies, and its operations, including those beyond the Secretariat, such as relationships with implementers and suppliers.

In a comment to the GFO by email, the OIG pointed out that this was not just a 'functional' audit, and added:

"This audit considered a broad range of risks with an ethical component, including organizational culture, corruption, conflicts of interest, interpersonal misconduct, regulatory breaches and activities that may undermine the Global Fund's mission, as well as other risks such as misuse of social media. The audit covered the adequacy and effectiveness of the Ethics and Integrity Framework across Global Fund structures and processes within governance bodies, the Secretariat and operations including implementers and suppliers. The audit covered not only the Ethics Office but the entire Global Fund Secretariat, including the front-line business units, the risk management functions, and independent oversight functions, all of which play an important role in managing and overseeing ethics. As such, the findings extend beyond the role played by the Ethics Office."

The audit report, published on 19 September 2019, gives ratings for the audit's three specific objectives: (1) the governance and oversight of the Ethics and Integrity Framework (EIF), rated as 'partially effective'; (2) the structures, policies and codes of conduct to operationalize it, rated as 'partially effective'; and (3) the processes and controls for identification, mitigation and monitoring of ethical issues, rated as 'needing

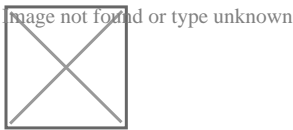
significant improvement’.

Specific issues highlighted by the OIG related to “under-developed” metrics for the Ethics and Governance Committee (EGC) to assess progress in implementing key components of the framework, the out-of-sync development of various related policies and codes of conduct (developed at different times over a period of years, and in isolation from each other), and a “relatively unstructured” approach to implementing the Policy to Combat Fraud and Corruption (PCFC). The OIG said that while ethics and integrity risks are “reasonably managed” at the Board and Secretariat level, significant improvement is needed in addressing issues relating to suppliers and implementers.

In addition to the ratings given for the audit’s three objectives, to assess the overall progress the Fund has made in managing ethics and integrity, the OIG used a five-principle, five-point framework developed by the Ethics and Compliance Initiative to assess the maturity of ethics and compliance programs. Across the five principles, the Fund was rated at levels 2 and 3 (the scale ascends from least developed at level 1 to most advanced at level 5; see details below under Main Findings, in 4.1).

### Key achievements

The OIG highlighted the fact that structures and frameworks – including the appointment in 2016 of an Ethics Officer who has the ability to escalate issues directly to the EGC when necessary – have been designed to support oversight and management of ethics and integrity risks, including its [Ethics and Integrity Framework](#) (see Figure 1 below for a visual representation of the ‘landscape’ described in the framework). In addition, the OIG said, there has been improvement in the management of conflicts of interest since 2015, and the Ethics Office is continually leading initiatives to support implementation of the framework, including the Integrity Due Diligence (IDD) framework developed in 2018, and the rollout of a Code of Conduct for Country Coordinating Mechanism (CCM) members, which is currently underway.

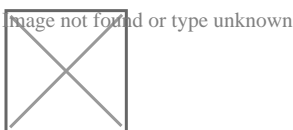


Source: Global Fund Secretariat

### Background and context for Ethics at the Global Fund

The Global Fund formally established its Ethics Office in May 2016; until then matters relating to ethics and integrity had been handled by the Global Fund’s Legal team. A [Policy on Ethics and Conflict of Interest](#) was approved by the Board in 2002, a [Code of Conduct for Suppliers](#) in 2009 and a [Code of Conduct for Recipients](#) in 2012. The Board approved the Ethics and Integrity Framework in November 2014.

The remit of the Ethics Office is extremely broad, and includes Global Fund governance and advisory bodies, the Secretariat, grant implementers, CCMs and third-party suppliers. The cases it reviews are classified as ‘conflicts of interest’, ‘conduct’, ‘advice on ethical dilemmas’, and ‘policy, procedure and contract advice’.



Source: Global Fund Secretariat

### Audit scope

The OIG audit included a review of the processes, procedures and systems relevant to the EIF through

interviews at Board and Secretariat level, as well as external parties, reviews of relevant policies and documentation, and reviews of governance mechanisms related to ethics as well as the Secretariat's internal process, including those of the Sanctions Panel and the Private Sector Engagement Committee, which is a Secretariat committee chaired by the Ethics Officer that operates the Private Sector Engagement Framework, including reviewing whether potential partners might pose a reputational risk for the Fund.

The audit covered a vast range of risks that have an ethical component, the adequacy of the EIF across all Global Fund structures and processes at all levels, and the entire Secretariat (see section 3.2 on Scope and Methodology, on page 10 of the report).

Main findings, including key issues and risks

The OIG's main findings focused on five key issues and risks that all speak to the newness of the Ethics Office:

- More progress is required to mature and embed the Ethics and Integrity Framework at the Global Fund
- Need for improved oversight and monitoring of the Ethics and Integrity Framework
- Inconsistent policies, codes of conduct and guidance affect the implementation of the ethics and integrity framework
- Limitations in implementing the Policy to Combat Fraud and Corruption
- Control weaknesses in prevention, detection and response to ethics and integrity risks and issues.

Below we expand on each of these issues, and list any associated Agreed Management Actions (AMAs) at the end of each finding.

#### 4.1 More progress is required to mature and embed the Ethics and Integrity Framework at the Global Fund

Using a five-principle framework created by the Ethics and Compliance Initiative (ECI), the OIG assessed the Global Fund's progress against each principle, rating each according to a five-point maturity scale: under-developed, defining, adapting, managing, and optimizing. The five principles are: Strategy, Risk Management, Culture, Speaking Up and Accountability.

The OIG rated the Global Fund's ethics and compliance, taking into account the organization's unique context, as follows: For Strategy, 'defining'; for Risk Management, 'defining'; for Culture, 'adapting'; for Speaking up, 'adapting'; and for accountability, 'adapting'.

AMA 1: The Ethics Officer, in consultation with the Secretariat, will define the target maturity level for the Global Fund's Ethics Program using the ECI framework (due date is 31 October 2020).

#### 4.2 Improvements required in oversight and monitoring of the Ethics and Integrity Framework

Though the Global Fund has established structures to oversee ethics and integrity risks and issues, at both Board and Secretariat levels, the effectiveness of these structures has been affected, the OIG report says, by "limited clarity in accountabilities and performance milestones, resulting in delayed implementation of key initiatives.

The report, commenting on the OIG's analysis of the past three meetings of the Ethics and Governance Committee, identified gaps in the oversight of ethics-related matters. These gaps include lack of definition of milestones to support the effective implementation of frameworks and policies in support of ethics and integrity issues; an overlap in responsibilities between the Ethics and Governance Committee and the Audit and Finance Committee, which has contributed to cross-cutting issues not being appropriately addressed, specifically relating to the management at committee level of fraud and corruption issues; a 'siloed' approach to reporting to committees on separate ethics and integrity issues, without a structured coordination mechanism that could enable committees to gauge the overall culture of the organization. The OIG clarified further for the GFO that this refers to committees or entities beyond

the Board-delegated ones, such as the Sanctions Panel, the Ombudsman and Human Resources (and their reports).

On the topic of monitoring ethics and integrity at Secretariat level, the OIG noted (and commended) steps that the Fund has taken to operationalize the EIF, especially efforts on communication, training and awareness, and including a Code of Conduct training in 2018 for 652 Secretariat staff members. However, the OIG said, monitoring of ethics and integrity risks and issues needs improvement in the areas of roles and responsibilities for ethics and integrity at the Secretariat; and in monitoring and oversight by the Ethics office, where effective structures and processes do not yet exist to do this effectively.

AMA 2: The Chief of Staff, with the Ethics Officer and other Secretariat stakeholders, will review and where necessary clarify accountabilities for managing, monitoring and overseeing a defined set of Ethics and Integrity Risks. This will be integrated into existing mechanisms (due 31 July 2020).

AMA 3: The Ethics Officer and the Head of Human Resources will prepare a paper reviewing misconduct investigation mandates and required resources across the Global Fund, proposing options for decision by Committees and if necessary the Board. The paper will include input from the OIG (due 31 December 2020).

#### 4.3 Inconsistent policies, codes of conduct and guidance affect the implementation of the ethics and integrity framework

The Global Fund's Ethics and Integrity Framework is supported by policies on ethics and conflicts of interest, whistle-blowing, and combatting fraud and corruption. These policies are underpinned by codes of conduct for governance officials, Global Fund employers, suppliers, CCM members, and 'recipients'. However, the policies and codes of conduct have been developed at different points in time, and independent of each other, leading to inconsistencies and gaps, and hindering the framework's effectiveness, the OIG said.

AMA 4: The Ethics Office will complete the review of Codes of Conduct and Policies within the EIF to address inconsistencies and gaps (due 30 June 2020).

#### 4.4 Limitations in implementing the Policy to Combat Fraud and Corruption

The OIG report points out that the Policy to Combat Fraud and Corruption (PCFC) has been put in place by the Ethics Office, but key components of the policy have not yet been implemented. One example given was that fraud risk assessments have not yet been incorporated into some key business processes.

This finding has several sub-sections relating to the main components of the PCFC's anti-corruption framework; See pages 18-19 of the report for more comprehensive detail.

AMA 5: The Secretariat will finalize a comprehensive risk-based implementation plan to operationalize the PCFC, including scope and timelines of key activities, related accountabilities and processes to monitor compliance with the policy.

#### 4.5 Control weaknesses in prevention, detection and response to ethics and integrity risks and issues

The approval of the integrity due diligence (IDD) framework, processes to manage conflicts of interest, and sanctions procedures for cases of supplier misconduct are among steps the Secretariat has taken to develop and implement ethics-related controls, the OIG notes. But "some control weaknesses in IDD for key business processes and sanctions procedures limit the Global Fund's ability to prevent, detect and respond to ethics and integrity risks and issues.

The OIG said that the lack of definition of a scope and timelines for implementing the IDD framework in the Grant Management Division and at implementer level was a notable risk given that “the main business of the Global Fund is carried out by implementers... with different risk profiles”, as was the lack of evaluation of ‘related parties’ when screening private sector partners, and gaps in monitoring integrity-related risks for Global Fund suppliers.

Other control weaknesses the report highlighted included some gaps in the process for declaring and managing conflicts of interest at the Secretariat level, and within sanctions and enforcement procedures.

AMA 6: The Ethics Office will complete the rollout of the ongoing IDD project, such that a risk-based approach is applied to all categories of Global Fund counterparties, including implementers and suppliers (due 30 June 2020).

Ethics Office comment on the OIG audit

In a comment for the GFO on the audit, Nick Jackson, the Global Fund’s Ethics Officer, said: “I’m pleased that the OIG complimented the Global Fund on the strong progress made since the Ethics Office was formed three years ago. In particular, they noted the breadth of Ethics topics and engagement across Global Fund governance, secretariat and operations. I think we are where we expected to be at this point in time. However, we are in no way complacent. The audit also identified areas to continue to strengthen, especially monitoring of the overall framework. This will require careful choices so that we invest our resources efficiently and effectively. I’m looking forward to working on the next stage of the Global Fund’s Ethics journey with the Committees and the Secretariat.”

Further reading:

- This audit report, [Managing Ethics and Integrity at the Global Fund](#) (GF-OIG-19-016)
- The Global Fund’s [Ethics and Integrity Framework](#) (November 2014)
- The Global Fund [Policy on Ethics and Conflict of Interest](#) (undated)
- [Terms of Reference of the Ethics Officer](#) (Electronic report to the Board, GF/B33-ER08)

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