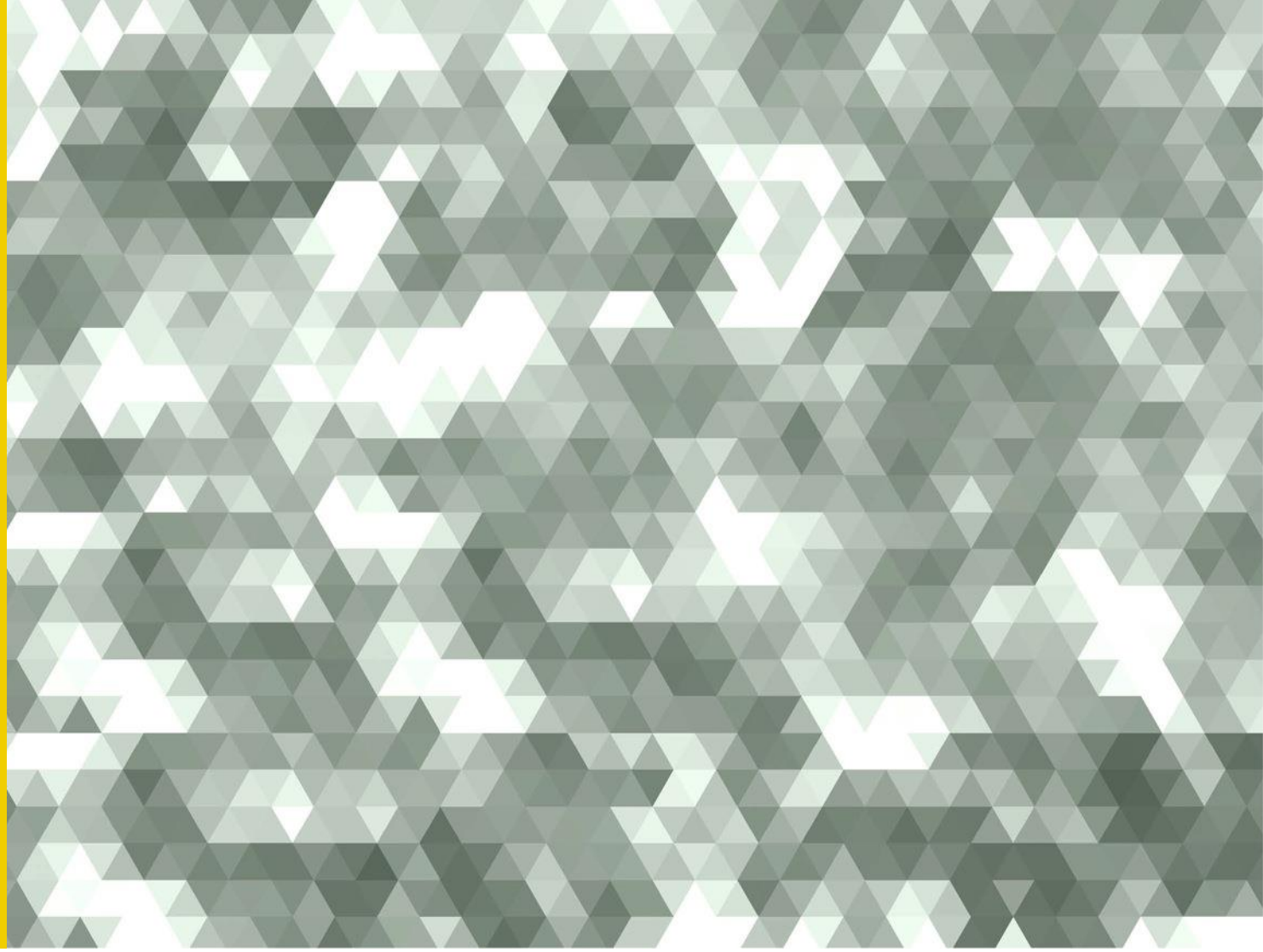

Audit Report

The Global Fund's Key Performance Indicator Framework

Follow-up Audit

GF-OIG-19-008
27 March 2019
Geneva, Switzerland

The Global Fund

Office of the Inspector General

What is the Office of the Inspector General?

The Office of the Inspector General (OIG) safeguards the assets, investments, reputation and sustainability of the Global Fund by ensuring that it takes the right action to end the epidemics of AIDS, tuberculosis and malaria. Through audits, investigations and advisory work, it promotes good practice, reduces risk and reports fully and transparently on abuse.

Established in 2005, the OIG is an independent yet integral part of the Global Fund. It is accountable to the Board through its Audit and Finance Committee and serves the interests of all Global Fund stakeholders. Its work conforms to the International Standards for the Professional Practice of Internal Auditing and the Uniform Guidelines for Investigations of the Conference of International Investigators.

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The Global Fund believes that every dollar counts and has zero tolerance for fraud, corruption and waste that prevent resources from reaching the people who need them. If you suspect irregularities or wrongdoing in the programs financed by the Global Fund, you should report to the OIG using the contact details below. The following are some examples of wrongdoing that you should report: stealing money or medicine; using Global Fund money or other assets for personal use; fake invoicing; staging of fake training events; counterfeiting drugs; irregularities in tender processes; bribery and kickbacks; conflicts of interest; and human rights violations...

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Audit Report

OIG audits look at systems and processes, both at the Global Fund and in country, to identify the risks that could compromise the organization's mission to end the three epidemics. The OIG generally audits three main areas: risk management, governance and oversight. Overall, the objective of the audit is to improve the effectiveness of the Global Fund to ensure that it has the greatest impact using the funds with which it is entrusted.

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OIG advisory reports aim to further the Global Fund's mission and objectives through value-added engagements, using the professional skills of the OIG's auditors and investigators. The Global Fund Board, committees or Secretariat may request a specific OIG advisory engagement at any time. The report can be published at the discretion of the Inspector General in consultation with the stakeholder who made the request.

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1. Executive Summary

1.1. Opinion

Since 2004, when the Global Fund's first Key Performance Indicator Framework was established, the organization's measurement focus has shifted away from project-level goals, towards mission and impact: building a sustainable response to ending the epidemics. In June 2016, the Global Fund Board approved a KPI Framework to measure progress against the 2017 – 2022 Strategy. Developed in consultation with key stakeholders, its design incorporated recommendations from Board-appointed advisory groups, the Technical Evaluation Reference Group (TERG), and relevant audits of the Office of Inspector General (OIG).[1]

Overall, improvements have been noted in the development and approval process for the KPI framework. KPI reporting has improved, with the majority of the KPIs being reported in 2018, enabling oversight of KPI results by the Board and its Committees. The governance and oversight arrangements in place over the KPI Framework are therefore rated as **effective.**

The Secretariat has enhanced its processes for collecting data, calculating KPIs and reporting results. These include the use of process maps to formalize data sources, methodologies for calculating KPIs, and the automated collection of data for certain KPIs. Isolated control weaknesses exist however in data collection and in aggregation processes for some KPIs, resulting in inaccurate results. These inaccuracies were immaterial and mainly self-identified by the KPI team or KPI focal point, and corrected in subsequent reports; as a result, the KPI results reported to the Board under the 2017 – 2022 framework are materially aligned with the Secretariat's underlying performance data. The processes, controls over data collection, methodology, calculation and reporting of the KPI are therefore rated as **effective**.

Despite improvements in the process to develop KPIs, there are limitations in the design of some of the Board-approved indicators. This has led to varying degrees of maturity in how KPIs are used in the organisation to assess performance, course correct on a timely basis, and drive accountability to the individual level. The use of KPI data for performance-based decision-making by the Global Fund Board and the Secretariat is rated as **partially effective**.

1.2. Key Achievements and Good Practices

The organisation has taken several measures to enhance the KPI Framework for 2017–2022, notably:

Enhanced performance reporting framework - A new KPI reporting structure has been put in place to allow for better understanding of KPI results, and better monitoring of performance management. This new structure allocates the KPIs across four thematic areas (i) funding, (ii) program design, (iii) implementation, and (iv) impact and results. It enables decision-makers to view KPI information at a strategic level, and includes narrative analysis, with management information to explain results and contextual information where needed. Where data limitations exist, these are disclosed at all levels (e.g. Committees, Board, and Management Executive Committee). Board members have recently acknowledged the improvement in KPI results reporting.

Implementation of KPI Accountability Framework - A KPI accountability framework has been implemented, which assigns clear accountability over KPI achievement as well as the collection and validation of KPI results. It contains detail on the methodology used for data collection and calculation of KPIs, as well as the interdependencies for each KPI.

[1] GF-OIG-16-009 The Global Fund Key Performance Indicator Framework and GF-OIG-16-008 The Global Fund Strategy Planning - Implementation and Monitoring Processes in 2016

More active use of KPI data within the organization - Quarterly reporting to the Management Executive Committee (MEC) on progress against the Strategy Implementation Plan began in 2018. Individual deliverables are linked to the KPI framework and the reports include underperforming KPIs, with mitigating actions and timelines to course correct. Through the Country Portfolio Reviews, there is more systematic reviewing of progress, and of risks in specific countries which could impact KPI achievement. A further effort to enhance understanding and use of KPI data has been conducted through brown bag sessions for all staff, and through tailored sessions for individual departments.

1.3. Key Issues and Risks

Significant improvements have been made in KPI data collection, aggregation and reporting processes, however isolated control weaknesses remain. These control weaknesses are related to inadequate quality controls (such as validation of data extracted from systems or cumbersome, error-prone data collection processes) and to accountability mechanisms for ensuring the accuracy of reported results. While the weaknesses have led to inaccurate results being reported to the Board and Committees, the errors were immaterial and mainly self-identified by the Secretariat, and have been corrected in subsequent reports

Limitations in some KPIs' design have led to their poor utilization in daily operations. These include undefined methodologies and processes for one KPI, key sub-strategic objectives not being measured, and lack of data for measuring three KPIs[2]. This reduces the organization's ability to use KPI results for robust performance assessments and to make timely decisions when course correction is needed. Some KPIs are well integrated into the organization's daily operations, included in departmental and individual performance objectives, and utilized in progress reporting and performance assessments; others, however, are not.

1.4. Rating

	Objective 1. Adequacy and effectiveness of processes and controls over data collection, calculation methodology, calculation and reporting. OIG rating: **Generally Effective**. Overall, the processes and controls for data collection, methodology, calculation and reporting are well defined and implemented. However, isolated control weaknesses were noted which resulted in inaccurate results being reported. The inaccuracies were immaterial and mainly self-identified by the KPI team or the KPI owner, and were corrected in subsequent reports.
	Objective 2. The adequacy and effectiveness of processes for the use of KPI data for performance-based decision-making by the Global Fund Board and Secretariat OIG rating: **Partially Effective**. Improvements have been made regarding the use of the KPI data for performance based decisions. However limitations in the design of some KPIs have led to gaps in the utilization of KPIs in the Global Fund's daily operations.
	Objective 3. The adequacy and effectiveness of the governance and oversight arrangements in place over the KPI Framework. OIG rating: **Generally Effective**. There has been an improvement in the development and approval process for the KPI framework, which was approved eight months before the commencement of the strategy, in contrast to the previous framework. The majority of the KPIs were reported on in 2018, enabling the Board and its Committees to exercise their oversight role over Global Fund results for decision-making. At the Secretariat level, the Management Executive Committee monitor the progress of underperforming KPIs on a quarterly basis and navigate the mitigating actions and timelines to course correct.

[2] For two out of these three indicators, interim indicators are currently being used to monitor performance.

1.5. Summary of Agreed Management Actions

In response to the isolated control weaknesses identified for KPI data collection, aggregation and report, the Secretariat will revise the KPI Accountability Framework and supporting process maps to incorporate accountability for KPI data quality and performance management at Executive Mananagement level. Process maps will be reviewed and, where necessary, adjusted to incorporate data quality controls.

In addition, through the work of the Performance Accountability Framework, the Secretariat will develop and implement new performance metrics to measure, report and monitor organizational performance.

As the Global Fund Board has been made fully aware of the limitations in the design of the current KPI framework, no agreed management action is required. However, these limitations should be considered along with other lessons learned as the Secretariat continues to strengthen strategic performance monitoring, and the Board prepares to set KPIs associated with the next Global Fund Strategy.

2. Background and Context

2.1. Key Performance Indicator Framework 2017 – 2022

The Global Fund's 2017 - 2022 strategy is a multi-year road map that sets out priorities for accelerating progress against HIV, TB and malaria. It includes ambitious goals and targets to measure progress.

The 2017 – 2022 Key Performance Indicator (KPI) Framework was developed to monitor progress towards achieving those goals and targets. It also serves as a management tool to drive governance and accountability throughout the organization.

The KPI framework was developed parallel to the Strategy. The process included consulting the Board, Board Committees, various constituencies and technical partners. It was approved by the Board in June 2016[3], before the start of the strategy implementation period.

The framework was developed using the following principles[2]:

- Align the Framework with the 2017-2022 Strategy;
- Set the Framework for the duration of the Strategy[4];
- Reduce the number of KPIs and increase focus;
- Complement the Strategic KPI Framework with regular reporting of underpinning performance information;
- Ensure indicators are visible and measurable.

The KPI framework includes multiple levels of performance information related to the partnership and/or the Global Fund specifically. It includes:

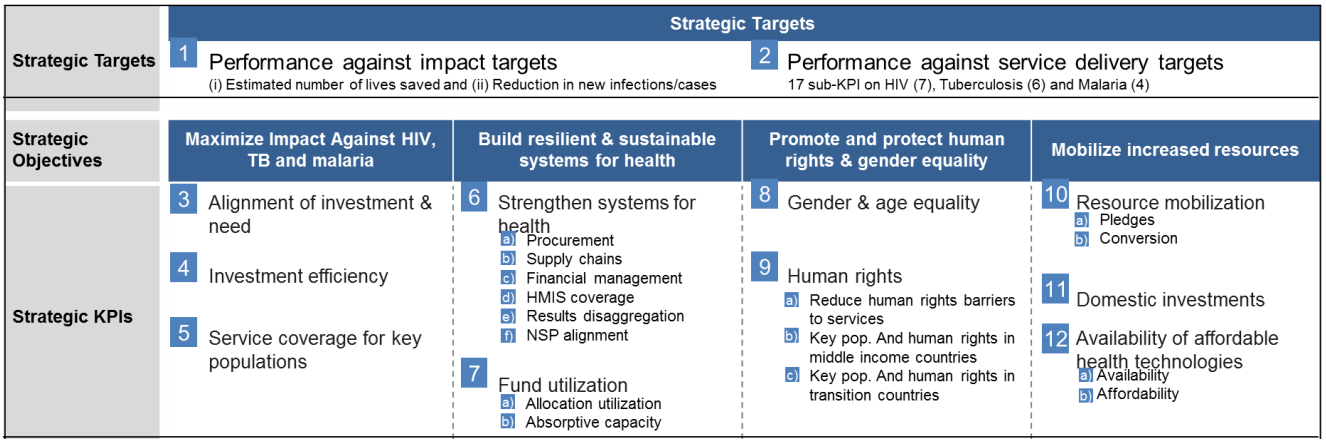
- 12 Strategic KPIs, broken down into 22 sub-KPIs, to measure progress towards achieving the Global Fund's four strategic objectives;
- Nine Implementation KPIs (iKPIs), broken down into 10 subset KPIs, which are used internally to track specific inputs, outputs and outcomes required to meet the Strategic KPIs and the overall strategic objectives. These iKPIs were approved by the Management Executive Committee in January 2017; since then, the Secretariat has decided to integrate these measures into the new Performance and Accountability Framework.

The Board appointed a Strategic KPI Target Setting Advisory Group to review the targets developed by the Secretariat. This included consultation and review from the Technical Review Panel and the Technical Evaluation Reference Group (TERG)[5]. The Board subsequently approved the KPI targets in April 2017.

The Global Fund Secretariat reports on KPI results twice a year to the Committees[6] and the Board. KPI reporting under the 2017 – 2022 framework is thematic and covers the full results chain. It draws on financial, procurement and programmatic data, and includes information from evaluations conducted by the Secretariat and the TERG. It also includes progress against the time-bound milestones and deliverables of the Global Fund Strategy Implementation Plan (SIP). These data points complement the KPI results and help the Board to interpret and understand KPI results, to assess progress against each component of the Strategy, and to inform necessary steps for course correction. All objectives of the Strategy are reported either through KPI results or thematic reporting.

[3] The GF/B35/EDP05 – 2017 – 2022 Strategic Key Performance Indicator Framework approved in June 2016
[4] Any mid-term evaluations of the Strategy may result in revisions of KPI targets or methodologies. However the intent is to set out the KPI Framework for the duration of the Strategy.
[5] GF/B36/ER08A and GF/B36/ER08B on 2017-2022 Strategic KPI Framework: Proposed Performance Targets and GF/B38/ER13A on Key Performance Indicator 12b: Availability of affordable health technologies: Affordability
[6] Audit and Finance Committee and Strategy Committee

The strategic KPIs are detailed below:



2.2. Key changes in the management of the Global Fund's Key Performance Indicator Framework processes

Since the last OIG audit on the KPI Framework in 2016, there has been a significant evolution in the management of the Global Fund's Key Performance Indicator Framework processes. For example:

Changes in the KPI team's structure
Previously, the KPI monitoring and reporting process was managed within the Finance department under the Strategic Controlling Team. However, from mid-2017, the responsibility for KPI monitoring and reporting was transferred to the Strategy and Policy department for better alignment with monitoring of the strategy.

The KPI Reporting, Monitoring Performance team (the KPI team) is responsible for leading the development of, and updates to, the KPI Framework. They coordinate the collection of KPI related data, and monitor and report on KPI performance to the MEC, the Board and its Committees. The team coordinates with the Strategy Implementation and Project Management teams to ensure full linkages and streamlined processes between KPI reporting and the SIP, including annual priority setting and budgeting.

Changes in other areas
Significant changes have been made in the presentation of KPI results to the Board, Committees and for internal use, as well as to the coordination and collection of KPI data processes and controls. These are described in Section 4.1 of this report.

3. The Audit at a Glance

3.1. Objectives

The audit sought to provide the Board with reasonable assurance on the adequacy and effectiveness of processes and controls over the KPI Framework supporting the Global Fund Strategy for 2017 – 2022.

The audit's overall objective is to review whether the newly defined procedures, systems and controls underlying strategic and implementation performance indicators are effective in measuring and supporting the achievement of the Global Fund strategy and objectives. Specifically, the OIG assessed the adequacy and effectiveness of the:

1. Processes, controls over data collection, methodology, calculation and reporting to ensure that KPI reporting is valid, accurate and complete;
2. Processes for the use of KPI data for performance-based decision-making by the Global Fund Board and the Secretariat including course correction where necessary;
3. Governance and oversight arrangements in place over the KPI Framework.

3.2. Scope

The audit covered all Strategic and Implementation KPIs reported to the Board and Committees in 2017 – 2018. KPI 12a, KPI 12b and iKPI-h were excluded from the review as these KPIs have been reviewed under the 'Sourcing Follow Up Audit' published in September 2018 (GF-OIG-18-018).

3.3. Progress on Previously Identified Issues

A 2016 OIG audit of the Global Fund Key Performance Indicator Framework noted the following weaknesses:

- KPI reports did not adequately inform and drive strategic decisions due to (i) initial delays in the KPI framework formulation and KPI reporting and (ii) limited analysis and contextualization of results for the Board, the Committees and the Management Executive Committee.
- KPI targets were not effectively cascaded to drive accountability by managers.
- A number of operational areas in the Global Fund Strategy were not measured.
- Gaps existed in KPI data collection, aggregation, reporting, and follow-up due to (i) the methodology for data collection, aggregation, quality control and reporting not being formalized and the roles of various contributors not being clearly defined, (ii) inadequate quality controls in data collection and aggregation, and (iii) inefficiencies in data collection and aggregation processes.

Previous relevant OIG audit work

GF-OIG-16-009 The Global Fund Key Performance Indicator Framework

GF-OIG-16-008 The Global Fund Strategy Planning, Implementation and Monitoring Processes

The issues and risks identified in the previous audit have largely been addressed; however, areas of improvement remain for KPI data collection, aggregation and reporting processes. The audit noted that limitations in the design of some KPIs hinder effective utilization of KPIs in the Global Fund's daily operations, as detailed further in Section 4 of this report.

4. Findings

4.1 Significant improvements have been made in KPI data collection, aggregation and reporting processes. Control weaknesses were noted which caused immaterial inaccuracies for some KPIs reported.

Significant improvements have been made in KPI data collection, aggregation and reporting processes and controls. In particular, an Accountability Framework has been defined to clarify the roles and responsibilities for different strategic and implementation KPIs. Focal points across different Secretariat departments are responsible for collecting, processing and validating the data used for KPI results reporting.

Enhancements have been made to KPI data collection processes. For a number of KPIs, data are now extracted directly from internal information systems such as the Global Fund System (GFS) and the Grant Operating System (GOS). Other KPIs are semi-automated, with plans to fully automate the data collection process in the coming year. However, the audit noted weaknesses in data collection, aggregation and reporting process and controls for some KPIs:

Inadequate quality controls in data collection and aggregation - While no material errors were identified by the OIG during data validation tests, gaps were noted in the controls for ensuring data quality. For example:

- Weak controls to ensure quality and accuracy of data collected from different systems - for KPI 7 *(Fund Utilization: Absorptive Capacity)*, data is extracted from two different information systems: Grant Management Systems (GMS) and Grant Operating System (GOS). However, there was inadequate data reconciliation to ensure the quality and the accuracy of the data collected, in particular in ensuring no data was duplicated, when the KPI result was reported to the Board in Quarter 2, 2018. Subsequently the two systems have been reconciled; inaccuracies are unlikely to recur as new data will only be inputted in GOS.

- Lack of centralized repository to document KPI results - For KPI 11 *(Domestic Investment)*, there is no standard and routine method for collecting documentation to aggregate the data used to report KPI results. Supporting documents are maintained by the different KPI focal points, and there is no audit trail to evidence the aggregation of each country result. As a result, calculations cannot be independently reproduced and are reliant on explanations provided by the staff involved in the original calculation.

- Manual collection and aggregation - Data collection and aggregation processes are cumbersome and manual for several KPIs. Data requires significant cleansing before aggregation in order to calculate and report on the KPI result, a process prone to human error. For example, KPI 9b *(Human Rights: Key populations and human rights in middle income countries)* is based on a manual analysis of detailed grant budgets to identify whether corresponding activities are linked to Key Populations or to Human Rights. In 2018, 69 detailed grant budgets were analysed to calculate the KPI result.

- Lack of defined methodology and processes to collect, aggregate and report KPI results - At the time of the audit, process maps had not been completed for four out of 22 KPIs and five out of 10 iKPIs. This leads to operational risk such as unclear responsibilities among stakeholders, inconsistent methodologies being used across different periods, and lack of ownership to ensure accurate and correctly interpreted results. The Secretariat proactively highlighted this issue prior to the audit, and by the end of 2018 only one process map had not been completed (as the methodology had not yet been defined), whilst the development of process maps for the iKPIs have been put on hold until the completion of Performance and Accountability initiatives.

- Limitations around data availability - The accuracy of KPI reporting is impacted by challenges with data availability. For example, for KPI 11 *(Domestic Investment)*, the primary data used are sourced externally and the organization has limited control over their availability. For one country, the team uses estimations based on the best available data at the time of reporting, however this limitation was not disclosed in the KPI Report to the Board.

Inadequate accountability mechanisms to ensure KPI accuracy - While the KPI Accountability Framework has been implemented since early 2017, weak mechanisms are built into the framework to ensure adherence. For example:

- Timeliness of data reporting - Most KPI data submissions to the KPI team are significantly delayed. In the November KPI reporting process, only one KPI was submitted by the internal submission deadline set by the KPI team. One KPI was submitted 48 days after the submission deadline, and was therefore not reported to the Management Executive Committee for review prior to its submission to the Board. A separate approval process was carried out in view of the delayed submission.

- Accountability for data accuracy - The current KPI Accountability Framework identifies focal points for data collection, calculation and reporting, but there is no secondary review, or formal final sign-off from the Head of Department to ensure accurate reporting. As a result, inaccuracies and procedural or methodological deviations are not detected by KPI owners. For example, for KPI 6e *(Strengthen Systems for Health: Results Disaggregation)*, the data collection and aggregation process is solely reliant on the assigned KPI focal point. This results in inefficiencies, with several validation exercises necessary between the KPI focal point and the KPI team. It also increases the risk of undetected errors, as the KPI team are not subject matter experts on the underlying data.

Although no material errors were identified, these control weaknesses resulted in inaccurate KPI results reporting to either the Board or its Committees, or internally within the Secretariat performance monitoring processes. In particular, five Strategic KPIs reported in 2018 were inaccurate:

- For one out of 17 sub objectives under KPI 2 *(Performance against Service Delivery Targets for Prevention of Mother-to-Child-Transmission)*, the reported result differed by 4% (75% instead of 79%) in the percentage of HIV-positive pregnant women receiving antiretroviral therapy.
- For KPI 7b *(Fund Utilization: Absorptive Capacity)*, the absorption rate reported was misreported by 2% (the reported result was 66% instead of 68%). Apart from the control weaknesses noted above, this difference was also due to additional expenditures data being received from countries subsequent to the KPI result submission to the Board.
- For KPI 9b *(Human Rights: Key populations and human rights in middle income countries),* a more comprehensive approach is currently being refined to calculate the KPI and the complete KPI result will be reported in Q2 2019. The Secretariat identified a number of cases where this new approach will generate a more accurate representation of Key Population funding. For instance, the recalculation of the result in one country differed by 8% (29% instead of 37%).
- For KPI 11 *(Domestic Investments)*, the reported figures for one country differed by 8% from the OIG calculation (118% instead of 126%).
- For internal Secretariat reporting, inaccuracies were identified in three of the five sample Country Portfolio Reports used by the Secretariat to assess country performance and to report information for key populations. The methodology to calculate the KPI result was still being finalized upon the submission of the CPR report, however this inaccuracy did not affect the final KPI result reported to the Committee and the Board.

All inaccuracies noted were immaterial and would not have affected Board and Committee oversight on performance management. Three inaccuracies were self-identified by the KPI team or KPI focal points, and two were corrected in subsequent KPI reporting to the Board and Committees. However, controls around data collection, aggregation and reporting need to be strengthened to ensure that the noted weaknesses do not result in material errors in future.

Agreed Management Action 1

The KPI Accountability Framework and process maps will be revised, to incorporate accountability for KPI data quality and performance management at the level of Executive Mananagement. The KPI process maps will be reviewed and, where necessary, adjusted to incorporate data quality controls such as reconciliations, primary and secondary reviews of KPI data and results.

Owner: Head, Strategy and Policy Hub Department
Due date: 30 December 2019

4.2 Limitations in some KPIs' design have led to their poor utilization in daily operations

The 2017 – 2022 Strategic KPI framework was approved by the Board in June 2016 (eight months before the commencement of the strategy). This represents a significant improvement from the last framework, which was approved 18 months after the strategy implementation period had begun. The presentation of the KPI results has been updated to reflect lessons learned, and following input from various reviews of the previous KPI framework, including the OIG Audit on The Global Fund Key Performance Indicator Framework (OIG report GF-OIG-16-009).

The principles used to design the framework included aligning it with the 2017–2022 strategy, defining methodologies for measurement, and supplementing strategic KPI results reporting with key performance information to ensure indicators are visible and measurable. The strengths and limitations of each indicator, including data challenges, have been identified, documented in the KPI framework, and reported to the Board and Committees.

The framework's effectiveness is however dependent on further improvements, namely:

- Lack of defined methodologies and processes for one (of 22) KPIs and three (of ten) iKPIs - The KPI Framework has been utilized since the beginning of 2017, however the methodology and processes for one key indicator (KPI 6a on *Strengthen Systems for Health: Procurement systems*) remain undefined. In addition, indicator definitions, targets and data collection tools have not been agreed by the Secretariat for three iKPIs (iKPI d1 on *forecast accuracy – commodity demand*, iKPI-G on *commodity procurement under management*, and iKPI I on the *roll-out of innovative products*). The departments responsible for these KPIs were undergoing a major restructuring at the time of the audit, with new senior management onboarded at the end of 2018.

- Three of the seven sub strategic objectives for RSSH in the Global Fund Strategy are not being measured - The Global Fund Strategy has seven sub-objectives on *Resilient and Sustainable Systems for Health (RSSH)*. As approved by the Board, three of the seven sub-objectives (Human Resources for Health, Communities, and Integrated Service Delivery) are not tracked, either through the KPI Framework or any other defined performance metrics. These sub objectives account for 65% of direct and indirect RSSH investments made by the Global Fund. Human Resources for Health is the largest component of these investments. The progress of these sub objectives is however being monitored through SIP reporting internally at the Secretariat. Of the direct RSSH investments made by the Global Fund, 36% are not tracked through the current KPI Framework.

- Lack of available data for reporting achievements for three of the 22 KPIs - Challenges persist in the collection of data for three KPIs. For KPI 5 (*Service coverage for key populations)* and KPI 9c (*Key populations and human rights in transitions countries)*, interim indicators are being used to monitor performance, as data to measure the principle of the designed KPI are not available. For one of the 17 sub objectives under KPI 2 (*Indoor Residual Spraying: service delivery target),* data are only available for 30% of the countries in the cohort.

Limitations in KPI design hinder the effectiveness of regular performance monitoring and the ability to take corrective actions for underperforming KPIs. They limit the organisation's ability to embed KPIs into the daily operations of the Global Fund and to drive accountability for KPI performance and the achievement of strategic objectives. As a result, there are varying degrees of maturity in the way KPIs are used by the organisation for performance monitoring. For instance:

- **At Board level.** Discussions on KPI results have evolved considerably over the past two years. Previously, discussions mainly centered around the methodology or target for each KPI. By the most recent Board Meeting in November 2018, Board discussions had evolved to discussing the

data being reported. However, the discussion has not yet evolved into a robust assessment of organizational performance. There is a larger emphasis on the need for additional data and analysis to support the KPIs, with limited discussions providing guidance on how the organization can course correct for KPIs that are off track.

- **At Secretariat level.** There are inconsistencies in how the organisation uses KPIs and iKPIs in its day-to-day activities. Some KPIs are integrated into end-to-end business processes (including departments and individual objectives) and are used as the basis for performance monitoring. Others are less mature, with no linkages into departmental and individual objectives, or into annual work plans. For example:

  - Integration and use of KPIs - Under the new KPI Framework, the Secretariat has made enhancements to the country performance review process. This includes setting up a Country Portfolio Review (CPR) Committee to assess country performance. The reporting used by CPRs includes KPI results, depending on the country and the types of activities funded. In addition, a series of brown bag sessions were conducted during 2018 to educate staff on the use of KPIs in the daily operations of the organization. Specific and tailored sessions were held with grant management teams. However, the use of KPIs in the core business varies. For example, KPI 11 *(Domestic Investment)* is embedded in the Co-financing Policy of the Global Fund; achieving country targets is a requirement for accessing the full grant amount during grant making. The same applies for KPI 2 *(Performance against Service Delivery Targets)* and KPI 7 *(Fund Utilization)*. In contrast, KPI 4 *(Investment Efficiency)* is not yet embedded within Grant Management operations, and reporting is driven by ad hoc demands or interest. The Secretariat is currently reviewing suitable approaches to support the use of KPIs throughout the grant life cycle.

  - Cascading KPI targets throughout the organisation to drive accountability - Since the previous audit, the Secretariat has made significant efforts to cascade the organisation's KPIs and targets down to departments and individuals. Specifically, work has been done to draw linkages between certain KPIs and grant management activities, allowing KPI targets to be included in the performance objectives of individual staff members. However, these are general in nature and stronger links are required to take individual roles and sphere of influence into account. For example, all Fund Portfolio Managers in Grant Management have the same target set in their performance objectives ("less than 10% difference between the grant target and strategy target"), regardless of the size of their portfolio or whether the organisation funds the activity or not.

  - Absence of comprehensive or systematic reporting of iKPIs - The implementation KPIs serve as granular performance measures, with strong linkages to the daily activities of the organisation. However, since the approval of the KPIs in January 2017, there has been no regular reporting (semi-annually or quarterly) of the iKPIs. Some iKPIs have only been reported as additional management information in the KPI or SIP report submitted to the MEC. The same applies for the SIP report submitted quarterly to the MEC. Only four out of the nine implementation KPIs were reported (for the first time) in the November 2018 KPI reporting cycle. Prior to this, only one out of the nine iKPIs had been reported since the adoption of the framework. Going forward, the Secretariat has decided to discontinue the measurement, reporting and monitoring of implementation KPIs. Instead, the Performance and Accountability Framework includes the development of a new set of performance management metrics, championed by the Executive Director and the Chief Risk Officer.

Agreed Management Action 2

In terms of internal performance metrics to monitor organisational performance, through the work of the Performance Accountability Framework, the Secretariat will develop and implement new performance metrics to measure, report and monitor organizational performance.

Owner: Head, Strategy and Policy Hub Department
Due date: 31 December 2019

In terms of the limitations in design of the Strategic KPIs, as the Global Fund Board has been made fully aware of the limitations in the design of the current KPI framework, no agreed management action is required. However, these limitations should be considered along with other lessons learned as the Secretariat continues to strengthen strategic performance monitoring, and the Board prepares to set KPIs associated with the next Global Fund Strategy.

5 Table of Agreed Actions

Agreed Management Action	Target date	Owner
1. The KPI Accountability Framework and process maps will be revised, to incorporate accountability for KPI data quality and performance management at the level of Executive Mananagement. The KPI process maps will be reviewed and where necessary, adjusted to incorporate data quality controls such as reconciliations, primary and secondary reviews of KPI data and results.	31 December 2019	Head, Strategy and Policy Hub Department
2. Through the work of the Performance Accountability Framework, new performance metrics will be developed and implemented to measure, report and monitor organizational performance.	31 December 2019	Head, Strategy and Policy Hub Department

Annex A: General Audit Rating Classification

Effective	**No issues or few minor issues noted**. Internal controls, governance and risk management processes are adequately designed, consistently well implemented, and effective to provide reasonable assurance that the objectives will be met.
Partially Effective	**Moderate issues noted**. Internal controls, governance and risk management practices are adequately designed, generally well implemented, but one or a limited number of issues were identified that may present a moderate risk to the achievement of the objectives.
Needs significant improvement	**One or few significant issues noted**. Internal controls, governance and risk management practices have some weaknesses in design or operating effectiveness such that, until they are addressed, there is not yet reasonable assurance that the objectives are likely to be met.
Ineffective	**Multiple significant and/or (a) material issue(s) noted.** Internal controls, governance and risk management processes are not adequately designed and/or are not generally effective. The nature of these issues is such that the achievement of objectives is seriously compromised**.**

Annex B: Methodology

The OIG audits in accordance with the global Institute of Internal Auditors' (IIA) definition of internal auditing, international standards for the professional practice of internal auditing (Standards) and code of ethics. These standards help ensure the quality and professionalism of the OIG's work.

The principles and details of the OIG's audit approach are described in its Charter, Audit Manual, Code of Conduct and specific terms of reference for each engagement. These documents help our auditors to provide high quality professional work, and to operate efficiently and effectively. They help safeguard the independence of the OIG's auditors and the integrity of their work. The OIG's Audit Manual contains detailed instructions for carrying out its audits, in line with the appropriate standards and expected quality.

The scope of OIG audits may be specific or broad, depending on the context, and covers risk management, governance and internal controls. Audits test and evaluate supervisory and control systems to determine whether risk is managed appropriately. Detailed testing takes place at the Global Fund as well as in country, and is used to provide specific assessments of the different areas of the organization's activities. Other sources of evidence, such as the work of other auditors/assurance providers, are used to support the conclusions.

OIG audits typically involve an examination of programs, operations, management systems and procedures of bodies and institutions that manage Global Fund funds, to assess whether they are achieving economy, efficiency and effectiveness in the use of those resources. They may include a review of inputs (financial, human, material, organizational or regulatory means needed for the implementation of the program), outputs (deliverables of the program), results (immediate effects of the program on beneficiaries) and impacts (long-term changes in society that are attributable to Global Fund support).

Audits cover a wide range of topics with a particular focus on issues related to the impact of Global Fund investments, procurement and supply chain management, change management, and key financial and fiduciary controls.