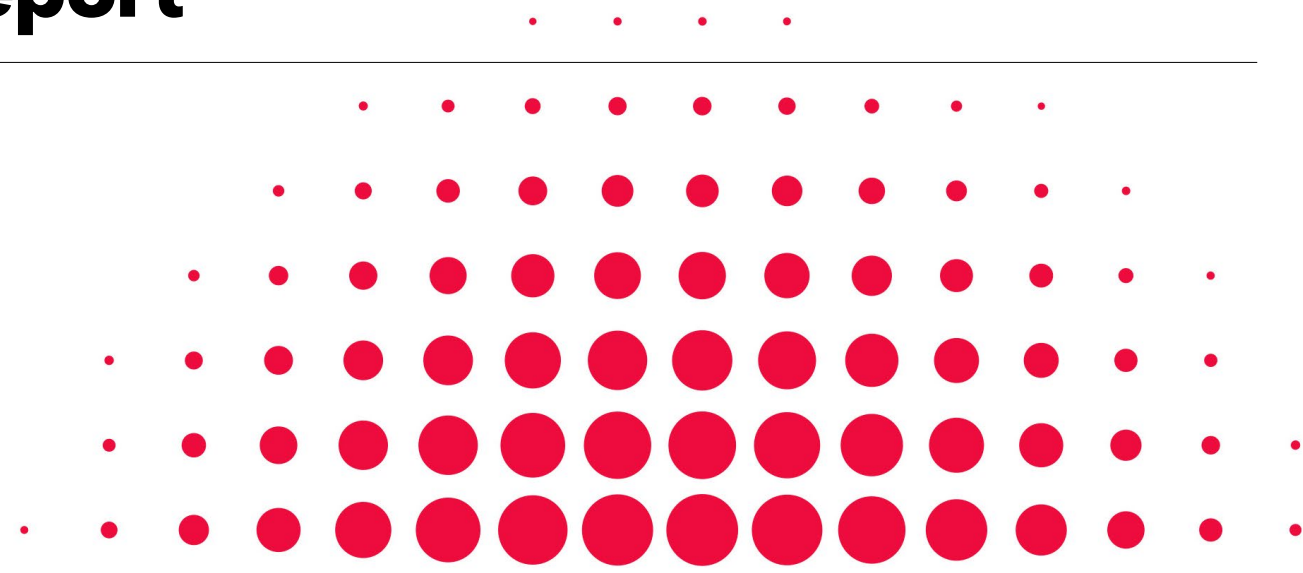


Agreed Management Actions Progress Report

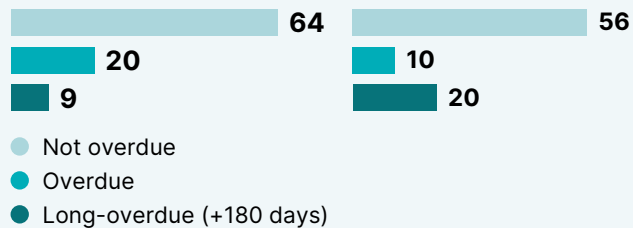
GF/B50/21
50th Global Fund Board Meeting
14-16 November 2023
Geneva, Switzerland



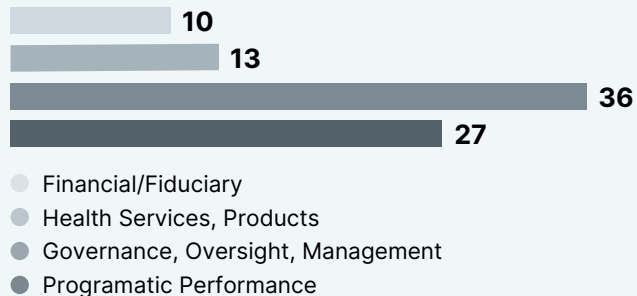
Situation as of 31 August 2023

Open AMAs, Status

May '23: Total of 93 August '23: Total of 86



Open AMAs, Risk Categories



NEW: View the updated status of AMAs by following this link
(See annex 2 for instructions)

This report:

- **Presents trends in AMA completion**
- **Analyzes risks posed by long-overdue AMAs for Board attention**



Progress in addressing AMAs

- 86 open AMAs as of August 2023, representing 8% decrease since May 2023 (GF/AFC22/2B_OIG AMA Progress Report). This is driven by four new AMAs from Audit and Investigation reports, and 11 AMAs closed during this period.
- Challenges continue to persist in timely closure of AMAs by the Secretariat. Only 28% of AMAs have been closed on time in the last two years, against a target of 60%, partly due to increased workload for teams and need to prioritize certain activities.
- While some progress has been made in the overdue and long-overdue AMAs, increased attention is required to finalize remaining actions. This is particularly important for cross- departmental actions (14 AMAs with an average delay of 15 months) and country AMAs (16 AMAs with an average delay of nine months).
- Together with the Secretariat, the OIG is currently performing a detailed review of all overdue AMAs in late 2023 to identify any actions that may either be redundant or where remaining risks have been accepted by the Secretariat since they were originally agreed.



Status of previously prioritized, AMAs

- **Internal Financial Controls – Enhancement in the management of Product Demand and Forecasting AMA** has been deprioritized due to progress made in developing processes for the proactive management of health product demand and budget analysis, as well as the interim communication clarifying roles and responsibilities across the Secretariat over the use and maintenance of the Health Product Management Tool (HPMT).
- **The Ethics and integrity risks: Accountabilities for managing and monitoring AMA has been deprioritized due to the progress made in** defining accountabilities across the Secretariat for managing and monitoring ethics- and integrity-related risks. The Ethics Office has held bilateral meetings with functional teams and the agreed roles are expected to be presented to the entire MEC later this year.



Two long overdue AMAs in Supply Operations have been prioritized for the AFC's attention

- These AMAs relate to gaps in internal controls and processes for the Wambo workflow and limited oversight of Procurement Service Agents (PSAs) reporting validation. These have been prioritized due to significant amounts spent on this area and related manual controls.

Pooled Procurement Mechanism (PPM) - Gaps in the internal controls of Wambo workflow and limited oversight of Procurement Service Agents (PSAs) reporting validation

PRIORITIZED LONG-OVERDUE AMA

GF-OIG-22-012, Audit of Wambo.org

AMA 1 - Internal control framework for procurements in Wambo.org

GF-OIG-22-012, Audit of Wambo.org

AMA 2 - Improvement in PSA Reporting and Independent verifications of PSAs records

- Please see Annex 3 for the detail of these AMAs
- OWNER: **SUPPLY OPERATIONS (HUI YANG)**
DUE DATE: **31.12.2022**
(240+ DAYS OVERDUE)



What progress has been made in closing this AMA?

About 50% of procurement of medicines and health products in Global Fund grants is done through a Pooled Procurement Mechanism (PPM) while the rest is procured directly by respective countries. PPM has helped reduce related procurement risks at country level. The Secretariat continues to enhance internal controls over the (PPM) processes and Wambo procurement platform, including revision of the current Operation Policy Note and clarification of roles and responsibilities of all actors in the wambo.org approval chain. This has facilitated the continuous procurement and delivery of products, including COVID-19 related products, to Global Fund-supported countries.

The Supply Operations Department proactively engaged with the OIG for advisory review focusing on PSAs' strategic definition and operating model in 2022. Supply Operations is planning an IT architecture review of the wambo.org platform in late 2023. The Risk Management Department is performing key business process reviews in the Supply Operations Team to inform further improvement areas. The Supplier Operations Team has multiple ongoing broader activities to improve the operating model of PSAs and the Wambo platform, including a roadmap to be developed after the PSA Strategy Review and Plan-to-Report Initiative.

What remains to be done?

The PSAs perform mission critical activities and use a significant part of grant resources, making the underlying controls in these external entities important. However, the controls underlying activities and data reported by these external entities are yet to be fully assessed by the Secretariat. The Secretariat performs exception monitoring based on data supplied by the PSAs but there is limited assurance on the accuracy of the data. The Supply Operations and Finance Divisions have initiated discussions on a financial controls data audit of the PSAs, but the potential scope and cost implications are yet to be concluded.

The OIG's [Wambo.org Audit](#) in 2021 identified heavy reliance on manual controls in the Wambo platform which continue to create some inefficiencies and challenges in reconciling purchase orders as indicated by the External Auditors in June 2023.

To close these AMAs:

- The Secretariat will need to perform verification of the PSAs' internal control mechanisms and enhance routine monitoring of accuracy of data supplied by the Agents; and
- Address the identified weaknesses in the Wambo platform, including integration of an internal control framework and the required system enhancements and workflow configurations for Wambo orders.

Supply operations intends to complete the remaining actions on the AMAs by Q3 2024 as part of broader ongoing initiatives including the Plan-to-Report initiative, the wambo.org review and the Procurement Services Agent Strategy Review.

Pooled Procurement Mechanism (PPM) - Gaps in the internal controls of Wambo workflow and limited oversight of Procurement Service Agents (PSAs) reporting validation

PRIORITIZED LONG-OVERDUE AMA

GF-OIG-22-012, Audit of Wambo.org

AMA 1 - Internal control framework for procurements in Wambo.org

GF-OIG-22-012, Audit of Wambo.org

AMA 2 - Improvement in PSA Reporting and Independent verifications of PSAs records

Potential loss of impact and risks to the organization



In-country Supply Chain: Insufficient monitoring of PSA information on product deliveries may result in untimely actions in addressing issues such as Health Products not delivered to expected location, or order not received in full. This may in some instances contribute to stock-outs. The risk is rated as **High** with a steady trend in the organizational risk register.



Internal Controls: Limitation and weaknesses in the internal control over the Wambo.org process may affect control efficiency with potential implications on effectiveness. For example, system limitations to access rights and reliance on collection of information from outside the system to carry out some controls could contribute to longer requisition lead times. Currently, lead time, from initiation to approval of an order, is on average 47 days (higher than the target of 30 days). The risk is rated as **Moderate** with a steady trend in the organizational risk register.



Reputational: PSAs perform significant and critical activities. Potential impact of internal control weaknesses at PSAs could have a material impact on programs and the organization's reputation given the significant use of Global Fund resources. The risk is rated as **High** with a steady trend in the organizational risk register.

Annex 1: OIG methodology to classify and select AMAs for Committee and Board's attention

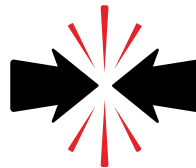
The OIG considers the factors below when considering AMAs to highlight to the AFC and Board.

Potential loss of impact



Risk

- How significant is the risk that the AMA addresses?



Impact

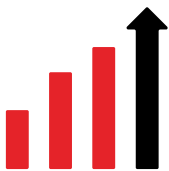
- Could the issue the AMA addresses, if realized, have significant impact (programmatic, financial and reputational)?



Strategic importance

- Does the AMA relate to a significant strategic priority or initiative?

Mitigating measures



Progress

- The extent to which the rate of AMA implementation has reduced the initial risks OR when alternative mitigation measures exist.

Qualitative factors



Context

- Quality of routine updates from the Secretariat, including underlying evidence.
- Secretariat's leverage in addressing the AMA.
- Continuous relevance of the AMA.

Annex 2: Agreed Management Action dashboard: presentation and overview



More updated information

- The dashboard is updated on a monthly basis, to reflect the latest Agreed Management Actions status.



More granular information

- The Agreed Management Actions can be looked at in different categories: by GF division, by status (Open, Overdue), and see the aging trend of open AMAs.



How to access

- <https://insights.theglobalfund.org/#/views/OIG-ExecutiveDashboard/ExecutiveDashboard>

Annex 2: Agreed Management Action dashboard: Interpreting the data

AMAs Executive Overview

As of 31st August, 86, open AMAs (85 open and 1 pending validation)

This focus on the AMA not overdue, but due in less than 60 days



Click on any shape to filter/un-filter the dashboard on a specific division

The five tables provide a deep dive on the Open and Overdue AMA trends, excluding the ones pending validation

This graph provide the evolution of the overdue AMA aging, month by month

Annex 3: Detail of Pooled Procurement Mechanism (PPM) related AMAs

| OIG Report | Detail AMA | Due date and Owner |
|--|--|---|
| Audit of Wambo.org (GF-OIG-22-012), AMA 1 | <p>The Secretariat will define and determine an appropriate internal control framework for procurements in Wambo.org to address control gaps and inefficiencies. The framework will cover the following:</p> <ul style="list-style-type: none"> • Mapping out the roles and responsibilities of different internal and external users • Updating Wambo process maps • Data and reporting (dashboard, exception reporting and other detective controls) <p>The framework will inform process and controls adjustments/redesigns, in anticipation of increased transaction volumes.</p> | <p>31 December 2022</p> <p>Head of Supply Operations (Hui Yang)</p> |
| Audit of Wambo.org (GF-OIG-22-012), AMA 3 | <p>The Secretariat will undertake regular independent verifications of PSA records to assess:</p> <ul style="list-style-type: none"> • the accuracy of PSA reported information • the information used to confirm product deliveries with the Principal Recipients <p>The verifications will help determine the action plans to improve PSA processes and will inform the need for potential updates to the procurement process and IT enhancements.</p> | <p>31 December 2022</p> <p>Head of Supply Operations (Hui Yang)</p> |