

Report of the Finance and Audit Committee

IMPORTANT INFORMATION

Decisions in this presentation may have been amended after the presentation was given. For the final approved decision please refer to the final decisions document on the Global Fund website:

<http://www.theglobalfund.org/en/board/meetings/nineteenth/>

FAC Report

Overview of Decision Items

1. Approval of 2008 Audited Financial Statements
2. Managing tension between supply and demand in a resource-constrained environment
3. Grant policy during OIG Investigations and Audits
4. Collaboration from UNDP in Audits and Investigations
5. Delegated Authority for Signature
6. Credit Suisse Bank Account

1. Approval of 2008 Audited Financial Statements For Decision

FAC Report, Part 1

Approval Of 2008 Financial Statements

Financial statements were audited by Ernst & Young:

- 'Clean' audit opinion, free of any qualification
- No significant management recommendations
- Scope increased in 2008 to include auditor statement on internal controls (Swiss requirement)
- Next FAC meeting to review mechanisms for reporting details of income and PR expenditures





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The Global Fund

To Fight AIDS, Tuberculosis and Malaria

2. Managing the tension between demand and supply in a resource-constrained environment

For Decision

Nineteenth Board Meeting
Geneva, 5-6 May 2009



Invirtiendo en nuestro futuro
El Fondo Mundial
De lucha contra el SIDA, la tuberculosis y la malaria



投资于我们的未来
全球基金
抗击艾滋病、结核和疟疾



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Investissons dans notre avenir
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De lutte contre le sida, la tuberculose et le paludisme



Вклад в наше будущее
Глобальный фонд
для борьбы со СПИДом, туберкулезом и малярией



استثمار لمستقبلنا
الصندوق العالمي
لمكافحة الإيدز والسل والمalaria



FAC Report, Part 2

Round 8 – 90% of grants now funded

		US\$ million	
Round 8 Amounts (Phase 1)		Funding limit for grant agreements	
Total approved in principle		2,753	100%
Already approved for Funding:			
Tranche 1: Proposals for which funding was approved in November 2008	Category 1, and Category 2 with composite indices 8, 6 & 5	1,916	
Tranche 2: Proposals for which funding was approved in March 2009	Category 2 with composite index 3	158	
Tranche 3: Proposals for which funding was approved in April 2009	Category 2B with composite index 8	399	
Approved for Funding		2,473	90%
Awaiting approval for Funding:			
Proposals for which funding cannot not yet be recommended for approval	Category 2B with composite indices 6, 5 & 3	283	
Awaiting Funding		283	10%

FAC Report, Part 2

Available for Rounds 9 & 10

- Renewals in 2009-2010 are fully covered
- Based on currently confirmed pledges, no assets available for Rounds after Round 8
- Further contributions are expected in 2009-2010, in range of \$ 1.4 to 2.0 billion*

*(\$ 1.1 bn not yet confirmed, plus further \$0.3 to \$ 0.9 bn from various sources)

- If at mid-range, i.e. \$1.7 billion, then:
\$0.9 bn would be available for Round 9 (and NSAs), but none for Round 10

FAC Report, Part 2

Managing the Tension Between Demand & Supply

- FAC noted the inherent tension between demand and supply in a resource-constrained environment, and the recommendation of the Replenishment Mid-Term Review to develop a framework.
- FAC recommends the establishment of a Board Working Group to make recommendations to the Board, prior to approval of Round 9

3. Accountability and Anti-Corruption Measures during OIG Investigations

For Decision (2 Decision Points)

FAC Report, Part 3

Grant Policy During OIG Investigations and Audits (1/2)

- 18th Board Meeting made an “in principle” decision, which it requested the FAC to review.
- A sub-committee of FAC worked with OIG and Secretariat to revise the policy, the goal was:
 - strong message of zero tolerance
 - Mandate Executive Director to take strong and immediate action
 - Restriction of grant signature when appropriate
 - Balance the risks to Global Fund against impact on country and continued provision of essential services
 - Ensure the Board is informed



4. Collaboration from UNDP in audits & investigations

For Decision

FAC Report, Part 4

Collaboration from UNDP in audits & investigations (1/2)

- FAC advised the Board of its concern in 2007
 - IG's ability to audit or investigate UN organizations (such as when acting as a Principal Recipient) is limited
 - FAC requested IG and Legal Counsel to negotiate with UNDP to obtain better access
- UNDP's proposal:
 - Joint audits and investigations, at UNDP's discretion
 - Access limited to summary UNDP investigation reports
- UNDP's position arises from UN 'single auditor' principle and UNDP policy on confidentiality of internal audit reports
- FAC considers the position as unacceptable

FAC Report, Part 4

Collaboration from UNDP in audits & investigations (2/2)

FAC recommends:

– Audits and Investigations:

- accept UNDP's proposal
- keep implementation under continual review and report to FAC

– Investigation Reports:

- reject UNDP's offer of summary reports
- express in strong terms FAC's disappointment

– Grant Agreements:

- Request that all non-ASP grants agreements contain special audit provisions as currently included in ASP grant agreements

– Board Action:

- bring this to the attention of the Board for action
- direct support through Board constituencies

5. Delegation of Authority to Sign Agreements For Decision

FAC Report, Part 5

Delegation of Authority to Sign Agreements

- Need arises from cessation of the ASA
(Previously, corporate procurement and HR contracts were contracted via WHO, under authority delegated by WHO)
- Board has delegated signing authority to 4 signatories; this is now impractical
- FAC recommends to expand signature authority, by allowing Executive Director to issue proxies
(ED will inform FAC of the authority levels established)
- Consistent with the ED's responsibility for day-to-day management, and advice of Swiss counsel

6. Credit Suisse Bank Account

For Decision

FAC Report, part 6

Credit Suisse Bank Account

- Need arises from cessation of the ASA
- Prior to 2009, operating expenses* were contracted by the WHO, and paid through the WHO bank account.
*(salaries, LFA fees, travel, services and supplies, etc.)
- Now, the Secretariat itself contracts for, and must pay for, the operating expenses of the Global Fund.
- Accordingly, the previously restricted use of the Global Fund's own bank account needs to be revised.

FAC Report

Information Items

7. Operating Expenses Review 2008
8. Resource Mobilization Matters
9. OIG Matters and Risk Management
10. Transition to New Administrative Arrangements

FAC Report, part 6

Upcoming consultations

Budget Process for 2010

- Will review the budget framework parameters and clarify the workplan-based budget process and linkages to KPIs
- FAC will invite interested constituencies to be engaged in the process at key points

Investment Policy

- Working group recommends inclusion of equities (up to 10%) to optimize returns, within current risk tolerance
- FAC will consult with constituencies before making a recommendation to the Board

