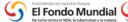**GF/B21/6**
Attachment 1

OVERVIEW OF CORPORATE RISKS ASSIGNED TO COMMITTEE OVERSIGHT

OUTLINE: Following the endorsement of the Risk Management Framework of the Global Fund at the Twentieth Board Meeting (November 2009), the oversight of risks contained in the Corporate Risk Register was assigned to a number of the Board Committee. This document presents an overview of those risks and the input from the Committees.

EXECUTIVE SUMMARY

This paper provides an overview of the risks in the Corporate Risk Register. The first part is an introduction to the Risk Management Framework and the Corporate Risk Register. The second part is an update on actions and decisions taken since September 2009 to address the nine risks in the Corporate Risk Register:

i. **Meeting Demand for Funds in a Resource-Constrained Environment:** The Board working group on managing the tension between demand and supply in a resource constrained environment presented its recommendations to the Twentieth Board meeting. These recommendations have allowed the Board to approve all TRP-recommended proposals for Round 9 and NSA applications. The working group also presented recommendations to enhance current resource mobilization efforts and improve long term capacity to generate income for the Global Fund that were discussed at the recent Board retreat in February 2010.

ii. **Financial Fraud within Grants:** The risk of financial fraud within grants is rated as medium to high and, as such, is a key concern for the Secretariat as it leads to reputation damage and reduced impact of grants. In response, the Secretariat has, over time, developed a range of tools and control measures to help identify fraud and its earliest manifestation. In addition, there is ongoing strengthening of vulnerable systems and processes which includes a recent effort to enforce PR and SR financial audit arrangements.

iii. **Poor Quality Pharmaceutical Products**: Poor quality pharmaceutical products risk can result in treatment being ineffective or even harmful, and can lead to the emergence of resistance. Thus this poses a risk of the Global Fund failing to meet a moral responsibility towards individual and public health. This also affects the credibility of treatment programmes funded by the Global Fund, posing a reputational risk for the Global Fund. The risk is currently rated as medium and efforts to manage the risk are ongoing through the implementation of the Quality Assurance (QA) Policy.

iv. **Results and Data Verification**: Results and Data Verification risk relates to programmatic data and results used for performance-based funding decisions and for external reporting to the Board, stakeholders and the general public. The Secretariat has rated this risk as high with significant impact as misstatements may compromise funding decisions and damage the reputation of the Global Fund. There are multiple initiatives to mitigate this risk but these need to be refined and efforts in that direction are in progress.

v. **Independence and Objectivity of Program Oversight**: Lack of independence and objective program oversight may occur when the combined effort by the CCMs, LFAs, Secretariat, and in-country partners fails to provide strong independent and objective oversight of Global Fund programs. Current controls to mitigate this risk are strong, but some residual risk remains.

vi. **Misperception of the Global Fund by External Bodies:** In response to the risk associated with misperception of the Global Fund, the leadership in the Secretariat has placed reputation and issues management on its agenda and developed a crisis management manual, and a corporate communication strategy to underpin the Replenishment process. A communications training programme for Secretariat staff including Fund Portfolio Managers is being rolled out.

vii. **Risk of Engagement with Inappropriate Partners:** The inappropriate actions of Global Fund partners (including donors and suppliers) pose significant reputational risks to the organization. Therefore the screening and evaluation of such partners is an important mitigation control. Mechanisms such as Codes of Conduct, conflict of interest policies and establishing well-defined legal agreements all contribute to managing this risk.

viii. **Staff Security**: Staff security is critical to Global Funds implementation of programs and the possible risk relates to security concerns for Global Fund staff on duty travel. The Global Fund's transition from WHO led to the loss of certain privileges and immunities previously accorded to our staff members while on duty travel. The Secretariat recognized this gap and is reasonably equipped to protect its staff in the eventuality of a security situation. However, some residual risks to staff security will always remain, especially in high-risk countries and the Secretariat is looking into various possibilities of improving security to staff and the Secretariat is working to tighten program oversight.

ix. **Integrity and Security of Data Repository Systems:** The Global Fund needs to ensure the integrity and security of data held on its systems. Breaches of confidentiality, integrity or availability of data can lead to reputational risks, incorrect decision-making and disruption to the work of the Secretariat. Establishing a secondary site to store critical data and performing a data security audit are key measures to be undertaken.

The full text of the risk descriptions, potential impact, key control measures adopted, and various initiatives to enhance the existing control environment can be found in the Corporate Risk Register which is attached as Annex 2 to this paper.

Part 3 summarizes the main inputs from the Committees and Part 4 outlines the next steps in the risk management process.

PART 1: INTRODUCTION

1.1   At its Sixteenth Meeting in November 2007, the Board (GF/B16/DP23) requested the Secretariat to develop a Risk Management Framework.

1.2   At its Twentieth Meeting in November 2009, the Board (GF/B20/15) endorsed the Risk Management Framework of the Global Fund (see Attachment 3 to the Report of the Finance and Audit Committee, GF/B20/6).

1.3   The Risk Management Framework covers:

i   The Global Fund's Mission and Key Corporate Objectives – applying the concept of risk management in terms of the Global Fund's mission and how that translates into strategic level risks and operational level risks;

ii   The Global Fund's Risk Management Policy – the policy describes the Global Fund's risk profile and looks at the aspects which determine the organization's tolerance for risk;

iii   The Risk Management Process – how risk management is built into the day-to-day operations of the Global Fund; and

iv   Applying the Risk Management Framework – how the Framework document itself is used, including the integration of the Accountability Framework.

1.4   The Corporate Risk Register for the Global Fund (see Attachment 4 to the Report of the Finance and Audit Committee, GF/B20/6) sets out the key corporate risks facing the Global Fund with:

i   A description of each risk and its potential consequences;

ii   An overview of the main controls in place to mitigate the risk and who is responsible for the controls;

iii   An assessment of the current residual risk (low, medium or high) linked to this item; and

iv   Current measure being undertaken to address any residual risks and who is responsible for them.

1.5   To strengthen the link between the Framework and the Corporate Risk Register, the FAC suggested creating an annex to the Framework (see Annex 1 of this document) which groups the risks in the Corporate Risk Register under the headings of the type of strategic risks described in the Framework (ethical, reputational etc) and suggests which Board Committee would take oversight of the risk.

1.6   The Framework mentions the need for the governance structures of the Global Fund (Board and Committees) to be involved in the application of the Framework and the review of the Corporate Risk Register. As part of this process, the FAC, PIC, MDC and PSC were asked to perform an initial review and provide input to the nine risks.

PART 2: OVERVIEW OF RISKS

2.1   The nine risks assigned to the Committees are:

i.   Meeting Demand for Funds in a Resource-Constrained Environment (Board/PSC)
ii.   Financial Fraud within Grants (FAC/PIC)
iii.   Poor Quality Pharmaceutical Products (MDC)
iv.   Results and Data Verification (PIC)
v.   Independence and Objectivity of Program Oversight (PIC)
vi.   Misperception of the Global Fund by External Bodies (PSC)
vii.   Risk of Engagement with Inappropriate Partners (FAC/EC)
viii. Staff Security (PIC)
ix.   Integrity and Security of Data Repository Systems (FAC)

Risk 1: Meeting Demand for Funds in a Resource-Constrained Environment

2.9   In April 2009, the Board established a working group to review the current financing policies and provide a framework for managing the tension between demand and supply in a resource constrained environment. The Board working group presented its recommendations to the Twentieth Board meeting. These recommendations allowed the Board to approve all TRP-recommended proposals for Round 9 and NSA applications. The working group also identified two broad categories of issues related to future resource allocation policies that will benefit from Board discussions and suggested measures to enhance current resource mobilization efforts and improve long term capacity to generate income for the Global Fund. In taking forward the work of the working group, the Board held a retreat in Montreux, Geneva from February 1 to 3 2010, to deliberate on the Global Fund evolving business model and prioritization for Round 10.

2.10 In 2009 the Secretariat defined a framework for ensuring value for money of the Global Fund model at institutional and grant and program management levels. At the institutional level the Secretariat is focusing on keeping overheads and administrative costs of programs reasonable. At grant and program management level the focus is on improving efficiency savings and performance based funding reallocations at the various points of the grant life cycle: budget reviews at proposal evaluation, phase 2 and grant negotiation and on ensuring efficient procurement.

2.11 As directed by the Board, the Secretariat has been implementing efficiency gain measures at the time of grant negotiations and during phase two renewals. The cumulative efficiency gains for 138 of the 144 Round 8 grants so far signed is 13.8% ; for Phase 2 renewals, up to and including February 2010 Board approvals, the cumulative efficiency gains are 20.91%. The efficiency gains measures will be applied to the approved Round 9 and National Strategy Application (NSA) grants. The Secretariat has also initiated a program to monitor the unit costs of key service delivery interventions (DOTS, ITNs and ART) together with WHO and other partners.

2.12 In the area of resource mobilization, the Secretariat has started preparing for the Third Voluntary Replenishment cycle which covers the budgetary period 2011-2013 and will be under the Chairmanship of the United Nations Secretary-General – Mr. Ban Ki-Moon. As part of the replenishment process, the Board created a Reference Group on Resource Mobilization under the leadership of the Vice-Chair of the Board – Mr. Ernest Loevinsohn supported by four working groups. The working group on new donor countries, led by Japan, has identified eleven countries as potential new contributors to the Global Fund. The Secretariat has prepared background briefings on these countries and has begun to reach out to them often through the good offices of existing donor government representatives. The Vice-Chair of the Replenishment – Mr. Richard Manning – is also working closely with the Secretariat to prepare the ground for the replenishment. This includes visits to capitals for meetings with key government, Parliament and/or civil society representatives to discuss key policy issues for the replenishment negotiations. The Third Voluntary Replenishment will be organized around two major meetings in 2010: a Preparatory Meeting, hosted by the Government of the Netherlands in The Hague on 24-25 March 2010, and a Pledging Conference at the United Nations Headquarters in New York on 4-5 October 2010.

Risk 2: Financial Fraud within Grants

2.6   Risk of financial fraud within grants is a key concern for the Secretariat as it leads to reputation damage and reduced impact of grants. The Secretariat has a range of tools and control measures in place to help reduce the risk of fraud and identify its earliest manifestations. Existing tools and control measures in place include: Additional Safeguards Policy (ASP); internal and external audits; reporting of fraud and abuse to the OIG for further investigation; a Supplier Code of Conduct; and an effective sanctions and debarment process that requires suppliers and our grant programs to engage in ethical business.

2.7   The Secretariat recognizes that the risk of financial fraud is medium to high and key vulnerabilities have been identified especially among the country partners. There is commitment to work with our partners to manage the risk of financial fraud and especially help them develop and enhance preventive controls. However, whilst active steps have been taken to mitigate the risk, it cannot be fully eliminated and, like all large-scale financiers of such programs, the Global Fund will continue to face risk of fraud and corruption.

2.8   The Secretariat seeks to enhance controls to identify and manage fraud. Current measures to address residual risk include:

  i.   Improvements to the PR and SR financial audit arrangements. The guidelines on financial audit are being finalized with input from Country Programs, Program Finance and the LFA Team and will be rolled out by end of Quarter one 2010. This will ensure that all PR audits are done and submitted in a timely manner and, by extension, that the PRs have appropriate SR and SSR audit plans that cover the breadth and depth of our programs.
  ii.   The Global Fund has also taken a hard stance against fraud and corruption and the Secretariat is working to ensure that all our partners understand the standards we expect and that those who abuse these standards lose the opportunity to conduct business with us in the future. For instance, in the Philippines, the Global Fund acted swiftly to disengage with the Tropical Disease foundation (TDF), a PR that failed to fully account for the funds disbursed.
  iii.   The Values and Integrity Initiative has recently been prepared and is being rolled out across the Secretariat. This initiative will be extended to implementing partners.

2.9   Going forward the Secretariat intends to build a mechanism around preventive measures to fraud. These will cover key steps, including an initial assessment to identify vulnerable financial activities and processes through an evaluation of prior fraud incidents and fill any gaps identified through enhanced control measures.

Risk 3: Poor Quality Pharmaceutical Products

2.10 The Global Fund finances programmes to fight the three diseases by providing access to prevention, diagnosis and treatment. Poor quality pharmaceutical products can result in treatment being ineffective or even harmful, and can lead to the emergence of resistance. Thus this poses a risk of the Global Fund failing to meet a moral responsibility towards individual and public health. This also affects the credibility of treatment programmes funded by the Global Fund, posing a reputational risk for the Global Fund.

2.11 The purpose of the Corporate Risk Register is to focus on the identified key corporate risks with the Risk Management Framework of the Global Fund, as endorsed by the Board.

2.12 Although the Global Fund is a financial instrument which emphasizes the principle of country ownership, it has recognized that there is a moral obligation, as well as risk of reputational damage for failing to take reasonable steps to avoid poor quality pharmaceutical products being purchased using Global Fund grant funds. So the Global Fund has since its establishment sought to determine appropriate quality assurance requirements for pharmaceutical products procured using Global Fund grant funds. These requirements have evolved over time in response to past experience, regulatory changes, evolving treatment guidelines and market dynamics.

2.13 Currently those requirements are set out in the QA Policy of the Global Fund. PRs are required to comply with the requirements of the QA Policy through their legal obligations under the grant agreement.

2.14 Development, revisions, implementation and enforcement of the QA Policy are important parts of managing the risks to the Global Fund associated with poor quality pharmaceutical products.

2.15 As shown in Background Paper GF/MDC02/05, 76% of pharmaceutical products reported into the Price and Quality Reporting mechanism (PQR) conformed to stringent quality standards defined in the QA policy. This percentage is set to increase as the reported multisource products (14% of value) became subject to those stringent standards in July 2009 as per the revised QA Policy.

2.16 As described in Background Paper GF/MDC02/04, no material problems have been identified associated with the implementation of the QA Policy. The newly introduced ERP mechanism strengthens the quality assurance approach for needed ATM products that are in the process of meeting the required quality standards. The use of an ERP-type approach has been of interest to many partners, and is being used or introduced by other procurement agencies and recommended in interagency guidelines[1].

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[1] WHO, 2010. Global Malaria programme. Good procurement practices for artemisinin-based antimalarial medicines. Geneva: WHO (in press).

2.17 According to the QA policy, all ATM products which are not yet WHO-prequalified or authorized by a stringent regulatory authority are also subject to randomized pre-shipment quality control (QC) testing arranged by the Global Fund with an independent, competitively selected QC laboratory. In 2009, 89 batches of such products were procured, 53 were tested and 52 met specifications. In the sole case where QC testing results were not satisfactory, the manufacturer was required to provide a new batch at its own cost, which passed subsequent QC testing.

2.18 In addition, PRs are obliged under the grant agreement and the QA Policy to perform systematic random in-country QC testing of all products procured with Global Fund resources. The Secretariat provides support by identifying suitably qualified QC laboratories in countries and providing guidelines for sampling and testing.

2.19 Since the introduction of the QA policy, quality assurance challenges remain for certain antimalarial and anti-TB formulations. In November 2009, the Board amended the QA Policy and introduced a time-limited interim exception to address some of the challenges. In addition, contingency plans are being discussed for specific life-saving artemisinin-based antimalarial formulations. Details are described in Background Paper GF/MDC02/06.

2.20 The Secretariat is conducting a study to determine procurement and QA practices for non-ATM medicines, with a view to recommending additional quality requirements for these products to the MDC and then the Board at its meeting in April 2011.

2.21 To monitor compliance with the QA Policy the Secretariat reviews on a monthly basis the quality assurance status of products reported in the PQR. When a non-compliance issue is identified and confirmed either through the PQR or during other grant oversight processes, the Secretariat applies the appropriate corrective measures as defined in the Operational Policy Note (OPN): "Implementing The Quality Assurance Policy For Pharmaceutical Products" (extracts see Annex 2).

2.22 The Secretariat is improving communication efforts with PRs, LFAs and other key stakeholders regarding the implementation of the QA Policy. To ensure compliance with procurement data reporting requirements, and to improve data quality in the PQR, Local Fund Agents are mandated to audit procurement data entered into the PQR before each disbursement request. An update on the PQR is found in Background Paper GF/MDC02/05.

2.23 The Secretariat is also maintaining and implementing a set of internal standard operating procedures (SOP) for its quality assurance-related operations. Terms of Reference and SOPs have also been designed for cooperation with other partners, including the ERP.

Risk 4: Results and Data Verification

2.24 Programmatic data and results are used both for performance-based funding decisions, at Phase 2, and for external reporting to the Board, stakeholders and the general public. Poor data-quality can misinform funding decisions and lead to a reputational risk if globally reported results are incorrect. The probability and impact of poor data quality therefore remains high with significant impact and may compromise performance-based funding decisions and damage the reputation of the Global Fund. Current initiatives to mitigate residual risk identified include:

    i. A systematic approach to implement data verification initiatives: 20 DQAs per year, and 100% of grants on annual OSDV to assess data-quality.

    ii. The "Data Quality Management Initiative" has been launched by SPE. This will lead to a new strategy and new guidelines to implement corrective actions at country level.

    iii. A new cross-cluster initiative is underway to address incorrect data entries and inconsistent use of IT systems.

    iv. Monitoring and Evaluation Systems Strengthening (MESS) is providing support for countries to enhance their M&E systems.

    v. Cross-checking data from countries with other partner organizations (i.e. PEPFAR and ART).

Risk 5: Independence and Objectivity of Program Oversight

2.25 Lack of independence and objective program oversight is the risk that materializes if the combined effort by the CCMs, LFAs, Secretariat, and in-country partners fails to provide strong independent and objective oversight of Global Fund programs. Current controls to mitigate this risk are strong, but some residual risk remains. To tackle this, Global Fund will continue working to improve its key controls around governance and oversight. In particular, the Secretariat:

    i. Is now assessing LFAs' performance on a continuing basis, and will be proposing improvement measures when required.

    ii. Will launch a new CCM Funding policy in 2010. This will reinforce CCMs capacities, independence, and democratic functioning. In addition, the Secretariat is rolling out a new oversight tool (the dashboard) that allows CCMs to track essential portfolio information, and helps to highlight challenges and areas of greater financial, programmatic or management risk.

    iii. Finally, the recent hiring of Civil Society Officers in Country Programs aims at improving the way in which the Secretariat interacts with, and supports, the watchdog role of civil society at country-level. Ongoing training is also provided to Fund Portfolio Managers to strengthen their skills on grant management and oversight.

Risk 6: Risk of misperception of the Global Fund by external partners

2.26 There is a risk that key influencers or decision makers can become misinformed and/or have negative perceptions of the Global Fund and its work as a result of ineffective or insufficient communication efforts. This risk could have an adverse impact both on Global Fund's ability to raise funds and successfully implement grants as donor and implementer buy-in and engagement are reduced.

2.27 So far the Global Fund's reputation has not suffered serious or lasting damage. However, the Fund is not immune from facing reputational crisis from miscommunication and the inherent risks in its business model. Consequently, the leadership in the Secretariat has placed reputation and issues management on its agenda.

2.28 The Secretariat is in the process of establishing a crisis communications manual which will formalize routines, decision-making and procedures aimed at prevent, minimize and mitigate reputational risk through effective communications. An external comprehensive reputational vulnerability assessment has been carried out and the procedures that have evolved through the experience in managing previous crises have been analyzed and suggestions for changes and additions have been made to the Secretariat by the external consultant. A final manual is expected to be completed and ready for EMT approval by June 2010.

2.29 A communications training program is also being rolled out for staff of the Secretariat including Fund Portfolio Managers. Already the Executive Director, Deputy Executive Director, Cluster Directors and some Unit Directors have benefitted from the program.

2.30 The Secretariat has also developed a corporate communication strategy to underpin the Replenishment process. The strategy has clear objectives, target audiences and strategically tailored main messages around the Global Fund's results and achievements, the strengths of the Global Fund business model. The strategy also aims to position the Global Fund in the global health aid architecture. In the absence of the Global fund in countries, the Secretariat is intensifying communication between Fund Portfolio Managers and in-country partners, especially during missions.

2.31 Finally, potential reputational risks are monitored on a regular basis by the Communications Unit through analysis of media coverage, discussions with country program staff and the Office of the Inspector General and any significant or evolving risk is flagged to the Executive Director. If a crisis situation were to occur, a crisis communications team would be established which would oversee the execution of a communications strategy for the crisis

Risk 7: Risk of Engagement with Inappropriate Partners

2.32 A key corporate objective of the Global Fund is to encourage inclusiveness and to engage with partners in the public, NGO and private sectors in the fight against the three diseases. This can enhance the Global Fund's credibility as well as its perception by the public and other stakeholders which in turn can encourage more and greater involvement and engagement by partners. Conversely, if partners become involved or are perceived to be involved in conduct that is incompatible with the Global Fund's missions and principles, particularly if such conduct is perceived to be linked to the Global Fund, this could damage the Global Fund's reputation and discourage others from partnering with the Global Fund. The Global Fund Secretariat undertakes a number of measures to mitigate this risk, as described below.

2.33 As regards private sector donors and partners, the Secretariat commissions independent screening and evaluation of potential donors and partners. Potential private sector partners are first compared against exclusionary categories, such as major involvement in sales of tobacco or firearms. Second, potential issues involving the prospective partner and current legal litigation are explored in areas such as health, human rights and the environment. Third, an assessment is made regarding the partner's institutional framework and arrangements for corporate social responsibility.   The advice is then analyzed internally, a risk management strategy is developed as appropriate, and "go" or "no go" recommendation regarding the partnership is submitted to the Unit Director, Cluster Director or EMT as appropriate, given the scale and nature of the partnership. In cases where the Global Fund is considering receiving in-kind service donations or facilitating the donation of in-kind services to recipients by private sector partners, the Secretariat applies guidelines, reviewed and approved by FAC[2], to mitigate against undue influence, conflicts of interest and generally to ensure probity.

2.34 As regards suppliers to the Global Fund and to recipients, the Secretariat has recently adopted a Code of Conduct. The aim of the Code is to enlist suppliers' commitment to maintain the integrity of Global Fund-funded grant operations and corporate procurement activities in compliance with the Global Fund's core principle to operate in an open, transparent and accountable manner. The Code is consistent with best practice and aims to regulate suppliers' conduct. The Global Fund has also recently adopted a formal sanctions procedure which sets out the process and implications of breach of the Code or other inappropriate behavior. In this way, the Global Fund aims to incentivize good conduct but also sends a clear message that inappropriate behavior will be sanctioned.

2.35 The Global Fund requires suppliers to disclose actual or potential conflicts of interest both at the tender stage and during implementation of any resulting agreement. Conflicts are considered internally by the Secretariat and in case of doubt, an analysis of the potential conflict, together with any mitigating factors or measures, is provided to senior management for decision.

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[2] See GF/FAC13/08.

2.36 The Secretariat operates an internal clearance policy for all engagements with partners, including through the Global Fund's procurement regulations, policy on financial authorities and its policy for delegated authority for signature ([all] of which have been presented to the FAC in the past for information [include cross-reference]). Depending on the value or risk of any proposed engagement with a prospective supplier or partner, the arrangement is reviewed by senior management for appropriateness and risk management and mitigation. All contract awards of over USD 1 million are reviewed by the Procurement Review Committee (PRC) as proscribed in the regulation. For any proposed award that is deemed to be "High Risk" as identified by the Cluster Director of the Requesting Unit. The Corporate Services Cluster Director may also make a high risk referral to the PRC. Additionally, when signing contracts the Deputy Executive Director and the Executive Director may refer to the PRC any high risk contractual arrangements. The Procurement Review Committee Regulation contains specific Guidance on the Definition of High Risk.

2.37 All engagements with private sector donors, partners and suppliers are established through legal agreements which aim to balance the need to optimize the benefit of the partnership while mitigating potential risks[3]. These legal agreements seek to incentivize appropriate behavior, enlist engagement for the Global Fund's mission and message and regulate inappropriate conduct. In all cases, the Global Fund seeks appropriate protection of its name, logos and brands and other proprietary information, reasonable indemnities, the right to terminate with or without notice (depending on the event), confidentiality and prior agreement regarding public statements and other standard legal protections. External legal advice is sought as necessary, particularly in cases where the engagement presents a new or innovative approach. The assessment of potential partners includes an analysis of reputational risk by the Communications Unit.

2.38 The Secretariat aims to ensure that all high value or high profile supplier or partner agreements include performance indicators and targets to ensure a high level of performance. For example, the agreements with the Voluntary Pooled Procurement procurement service agents and with LFAs include performance measures. In addition, the Secretariat undertakes performance surveys of LFA work product, provides training and feedback to LFAs and generally monitors closely the performance. Where performance is found to be wanting, corrective action is taken, including in some cases, termination of contracts.

2.39 As explained in the description of this corporate risk in Annex 2, while the probability of this risk arising is low, the impact of this risk could be extensive. The measures identified above go a long way to addressing the risk and mitigating the potential for the risk to arise as well as the effect if the risk should arise. However, it is not possible to eliminate this risk entirely and therefore the Secretariat would continue to maintain the designation of this risk as "high".

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[3] The only exception to this is in relation to very low value, low risk short-term engagements for private sector fund-raising or fund-raising where the Global Fund is a passive recipient of funds (although the donor and the method of fund-raising is still vetted for appropriateness).

Risk 8: Staff Security

2.40 Staff security is critical to Global Funds implementation of programs. The key risk here relates to security concerns for Global Fund staff on duty travel. Delinking from WHO led to the loss of certain privileges and immunities previously accorded to our staff members while on duty travel. However, the Global Fund is still well equipped to protect its staff in the eventuality of a security situation, by providing emergency and evacuation services to all staff.

2.41 Some residual risks to staff security will always remain, especially in high-risk countries and local warden systems in these countries further minimize the Global Fund employees' exposure. These measures include; full "Meet and Greet" Service on arrival at and return to the airport, dedicated driver and vehicles with close protection and assistance in case of medical and security evacuation.

2.42 To further improve the Global Fund employee security in high-risk countries, the Field Security Officer also undertakes physical risk assessment of high-risk countries prior to and during significant Global Fund organized or attended events. In addition, we collaborate with UN entities and screen travel to ensure staff safety. Also Fund Portfolio Managers are working with the Legal Unit to expand the geographical coverage of the Global Fund's privileges and immunities.

Risk 9: Integrity and Security of Data Repository Systems

2.43 The Global Fund needs to ensure the integrity and security of data held on its systems. Breaches of confidentiality, integrity or availability of data can lead to reputational risks, incorrect decision-making and disruption to the work of the Secretariat.

2.44 The current status of measures being undertaken to address residual risks is are as follows:

  i.   Data classification is now in place, the assignment of data owners with clear responsibilities is underway;
  ii. Identification of time-to-recover objective is finalized for all Global Fund business applications (goal of the IT Contingency project).

2.45 Remaining measures to be undertaken:

  i.   IT contingency project will provide a secondary site where critical Global Fund data will be stored. This measure will assure better availability for programmatic data.
  ii. Data security of important business applications will be audited as a part of the biennial IT Infrastructure security and performance external audit project.

2.46 The results of the data security audit will provide guidance for strengthening current controls in the areas of data confidentiality and integrity.

PART 3: INPUT FROM COMMITTEES

3.1. The PIC, MDC, FAC and PSC held their respective Committee meetings during March 2010. Each Committee had "Risk Management" as a separate agenda item and discussed the risks assigned to them for oversight.

Portfolio Implementation Committee (PIC)

3.2   The Corporate Risk Register sets out the key corporate risks facing the Global Fund. Of the nine corporate risks, four were assigned to the PIC for oversight: financial fraud within grants, results and data verification, independence and objectivity of program oversight, and staff security.

3.3   An overview of the four corporate risks was presented including their risk status and ongoing measures to manage residual risks. The PIC noted that oversight of corporate risks were distributed among the Board Committees and sought clarification on the mechanism for inter-Committee coordination and interface. Further, the Committee urged to fast track improvements in the data quality system given concerns on data verification and the monitoring and evaluation strengthening system.

3.4   As the Risk Management topic was raised at the same time as the update on the Additional Safeguards Policy (ASP), the PIC raised questions on how countries come under the ASP and how they can be removed from the ASP.

3.5   A suggestion to add « Quality of Program Implementation » to the Corporate Risk Register was made.

Market Dynamics Committee (MDC)

3.5   The MDC was given an overview of the risk of "Poor quality pharmaceutical products" assigned to its oversight, and of the measures in place to manage this risk.

3.6   In its deliberations, the MDC:

  i.   recognized the effectiveness of the QA Policy to limit the likelihood of poor quality pharmaceutical products being used in grant-funded programmes; and
  ii. requested an update on the Global Fund's approach of balancing this risk against that of treatment disruptions due to supply challenges.

3.6   The MDC recommended maintaining the current rating of the risk as "medium".

Finance and Audit Committee (FAC)

3.7   The Secretariat updated the FAC on the risks for which the FAC has oversight:

   i.   Financial fraud within grants

   ii. Risk of engagement with inappropriate partners

   iii. Integrity and security of data repository systems

3.8   For the first risk, suggestions were made to :

   i   Clarify more explicitly who exactly is responsible of which aspects of this overall risk.
   ii   Make an explicit reference to the lack of access to the books and records of UN organizations who are implementing Global Fund grants.
   iii Request the PR to prepare a risk management plan (could be voluntary as opposed to compulsory) with particular focus on SRs and main suppliers. The LFA would be requested to do a periodic review of the risk plan.
   iv   Have a more detailed discussion on the costs and benefits of preventive measures as opposed to detective controls.
   v   Pay more attention on SR financial audit arrangements.
   vi   Give more explicit advice and guidance to implementers on how to handle foreign currency exchange risks.

3.9   For the second risk, the focus was on getting appropriate Codes of Conduct in place and effectively implemented.

Policy and Strategy Committee (PSC)

3.10   The Secretariat updated the PSC on the risks for which the PSC has oversight and the measures in place to manage these risks - specifically:

   i.   The risk relating to meeting demand for funds in a resource-constrained environment; and

   ii. The risk relating to misperceptions of the Global Fund by external bodies.

3.11   The PSC:

   i   acknowledged the importance of risk management to the effective functioning of the Global Fund and requested a more comprehensive view of the key corporate risks;

   ii   endorsed the importance of a retreat of the Committee Chairs and Vice-Chairs to review the Risk Management Framework before the next PSC meeting;

   iii decided to include an update on risk management in the agenda of its next meeting;

   iv   requested the Secretariat to develop a dashboard for monitoring corporate risks; and

   v   noted the FAC, in its report to the Board, will summarize all committees' discussions on the overall Corporate Risk Register.

PART 4: NEXT STEPS

4.1 The next steps for the continuing oversight of the corporate risks by the governance structures of the Global Fund are:

    i. The FAC, through its report to the Board, will summarize the committee discussions on the overall Corporate Risk Register and report on any other risk management developments.

    ii. The Secretariat, led by the Executive Management Team, will perform the annual review of the Corporate Risk Register by August/September 2010 (taking into account the input from the committee meetings).

    iii. The revised/updated Corporate Risk Register will be shared with the committees during their Autumn meetings.

Board and Committee Oversight of Risks in the Corporate Risk Register

No.	Risk	Type	Board oversight
1	Meeting Demand for Funds in A Resource-Constrained Environment	Economic	Board *
2	Financial Fraud within Grants	Fiduciary	FAC & PIC
3	Poor Quality Pharmaceutical Products	Ethical	MDC
4	Results and Data Verification	Reputational	PIC
5	Independence and Objectivity of Program Oversight	Fiduciary	PIC **
6	Misperceptions of the Global Fund by External Bodies	Reputational	PSC
7	Risk of Engagement with Inappropriate Partners	Reputational	FAC & Ethics
8	Staff Security	Operating Environment	PIC
9	Integrity and Security of Data Repository Systems	Reputational	FAC

*   This risk will be included in the PSC paper on risk oversight.

**   In the Risk Management Framework paper submitted to the Twentieth Board Meeting, this risk was originally assigned to the PSC. After discussions at the Board meeting, it was decided that the PIC should have oversight of this risk.

The Corporate Risk Register

Risk # 1	Meeting Demand for Funds in a Resource-Constrained Environment
Risk Description:	The risk is that the supply of resources may not be able to meet the demand for funds. The current global economic crisis means that financial resources for development aid are not increasing (and even being reduced in some cases) while at the same time, the demand from countries to fight the three diseases and strengthen the underlying health systems is growing. The approved proposals in Round 8 reached a value of USD 3 billion, much more than any previous funding round. Funding proposals in 2009 (Round 9 and NSAs) are expected to be large as well.
Potential consequences	− Previously the Global Fund has managed to fund all TRP-recommended proposals. This may no longer be possible and therefore the Secretariat has to adapt its policies and manage the expectations of applicants − There will be increased donor scrutiny on inefficiencies in new and existing grants − The Global Fund will need to show that its grants are being cost effective and showing value for money
Relates to which assurance statements:	The Global Fund is managing its portfolio efficiently.
Main controls in place now	1. All Round 8 grants and grant renewals (Phase 2, RCC) are being reduced by 10% on average through efficiency savings (ie: no reduction in proposal targets). 2. Comprehensive Funding Policy determines how the allocation of available funding is prioritized. 3. Voluntary Pooled Procurement (VPP) has been implemented to better manage the prices paid for pharmaceutical and diagnostic products
Who is responsible for each	1. Country team for grant negotiations 2. The Global Fund Board 3. VPP team, Strategy, Policy and Evaluation cluster

Current risk assessment: Impact/ significance and probability	**Medium to High** In the short term, the expectation is that the Board Working Group will come up with a workable solution to the funding of new proposals in 2009, thereby reducing the impact and probability of this risk having a severe impact on the Global Fund. In the longer term, it may be more difficult to find solutions to the growing demand - the approach to the 2011-2013 replenishment will be critical in terms of resource mobilization. On efficiencies and value for money – we are continuing efforts to find efficiencies in grants through program reviews. Furthermore the proposed grant architecture which consolidates grants will provide another opportunity to eliminate inefficiencies from overlapping grants. As Global Fund financing as targeted towards programs, the value-for-money assessments are done at program level and not grant level.
Measures currently being undertaken to address residual risk	1. Relevant Global Fund policies are being reviewed to see to what extent they need to be adapted (both in the short and long term) to manage the expected gap in funding 2. Increased effort on Resource Mobilization 3. A study of unit costs for key services (delivery or ARVs, bednets and DOTS treatment) is been undertaken.
Lead responsibility centre	1. Working Group on managing the tension between supply and demand, made up of 12 Board constituencies and supported by a Secretariat WG. 2. Board working group (as above) and Resource Mobilization Unit, ERP cluster 3. Aid effectiveness team in PIE Unit, SPE cluster
Target dates	1. November Board meeting 2. November Board meeting 3. Q2 2010
Review by EMT	September 2009
Next scheduled review	August 2010

Risk # 2	Financial Fraud within Grants
Risk Description:	Fraud could involve partners and be caused by weaknesses of CCM, PR, SR, their contractors or suppliers. This issue is closely related to the risk of procurement failure.
Potential consequences	Fraud (i) reduces grant impact and (ii) damages the reputation of the Global Fund.
Relates to which assurance statements:	The Global Fund is well equipped to prevent and detect fraud and mismanagement of its grant funds
Main controls in place to mitigate this now	1. Values and integrity initiative 2. Assessment of PR's financial and reporting systems 3. Review of Progress Updates and Disbursement Requests (PU/DRs) documented on Disbursement Decision-Making Form (DDMF) 4. Country Programs country risk model 5. Additional Safeguards Policy (ASP) 6. Internal Audits 7. External Audits
Who is responsible for each	1. Corporate Services (eg: Human Resources for Staff Conduct, Legal for Supplier Code of Conduct) 2. LFAs (re) assess PR's financial systems at the time of signing a new grant; Country team assesses level of risk and formulates Conditions Precedent or Management Actions 3. LFAs test sample of period's transactions and report to Secretariat; Country Programs assess and document any issues on DDMF with follow up management actions as required 4. Country Programs identify high risk countries and consider what additional measures are necessary to mitigate the specific risk identified 5. Country Programs recommends implementation of ASP policy to ED for specific countries and the ED reports to the Board 6. OIG, based on his annual plan. 7. External Auditor of PR and PR is responsible for ensuring that SRs are audited. LFA will report on findings of audit report(s) to Secretariat. Country team will assess and follow up management actions as required

Current risk assessment: Impact/significance and probability	**Medium to high** The risk of fraud is moderate to high as evidenced by cases detected in the recent past. If not managed quickly and effectively, the damage to the Global Fund's reputation can be high. However the Global Fund model assumes periodic oversight of PRs and indirect oversight (through the PR) or SRs and SSRs. Many of the controls in place are detective rather than preventive – we are relying on detective controls to identify frauds that have already happened. We accept this level of residual risk while ensuring that existing controls are operating effectively and strengthening them if weaknesses are detected during periodic reviews of the Global Fund's operations (eg: OIG audits, reviews by donors etc).
Current measures to address residual risk	1. The follow up of PR audit reports and the extent to which SR audits have been performed is not systematic and should be strengthened. The policy in this area is being revised and strengthened, including enhanced collaboration between the Country Programs and Finance clusters to review and act on audit report findings. 2. The Values and Integrity Initiative has recently been prepared and is being rolled out across the Secretariat but has not yet been extended to implementing partners (eg: Codes of Conduct for staff, suppliers and recipients).
Lead responsibility	1. Directors of Country Programs and Finance 2. Director of Country Programs
Target dates	1. 31 December 2009 2. Q2 2010
Review by EMT	September 2009
Next scheduled review	August 2010

Risk # 3	Poor Quality Pharmaceutical Products
Risk description:	The pharmaceutical products procured by PRs are not in compliance with the Quality Assurance Policy (QA Policy) Delays in delivering products to countries Reputational risk for the Global Fund in case of poor products procured with Global Fund resources
Potential consequences:	Products procured are of poor quality, and patients are at risk if substandard products are procured, increase risks of developing resistance If major delays in the QC process, risks of stock outs in countries
Relates to which assurance statements:	The procurement process is compliant with the Global Fund QA Policy for Pharmaceutical Products
Main controls in place to mitigate this now	1. OPN on implementing the QA Policy is available to facilitate its implementation at the Secretariat level 2. Corrective measures have been put in place as a response to non-compliance and PRs have been informed accordingly 3. Standard Operating Procedures are in place to manage the various processes, including the Expert Review Panel mechanism 4. Price and Quality reporting (PQR) system has been enhanced to improve procurement-related data reporting for key health products. PQR is a key tool to monitor compliance with QA Policy
Who is responsible for each	1. Regional Teams (Country Programs) use and ensure implementation of the QA policy according to the OPN 2. Regional Teams, In collaboration with QA team implement corrective measures as appropriate 3. QA team (SPE cluster) is responsible for developing, updating and following Standard Operating Procedures (SOPs) 4. Auditing by LFAs of compliance with procurement data reporting requirements in the PQR
Current risk assessment: impact/ significance and probability	**Medium** 1. Procurement of substandard quality pharmaceutical products by PRs if QA policy not properly enforced 2. Delays in procurement and risks of treatment interruption (1) if QC testing for designated products is delayed or (2) if products failed QC tests and another lot of the same products or another product need to be selected.
Current measures to address residual risk	1. Communication efforts with PRs, LFAs and other key stakeholders prior and after the entry into force of the revised QA Policy on 1 July are made 2. Updates on the implementation of the QA Policy including any implementation challenges that may arise is provided to the PIC (Portfolio and Implementation Committee) and the MDC (Market Dynamics Committee)
Lead responsibility	1. QA team (SPE cluster) is responsible for the implementation of the QA Policy, including managing QA information, and providing expert advice to PRs and Regional Teams, as requested. 2. Regional Teams (Country Programs cluster) are responsible for

	ensuring that the revised QA Policy is enforced by PRs procuring pharmaceutical products
Target dates	Ongoing
Review by EMT	September 2009
Next scheduled review	August 2010

Risk # 4	Results and Data Verification.
Risk Description:	Programmatic data and results are used both for performance-based funding decisions, at disbursements and Phase 2, and for external reporting to the Board, stakeholders and the general public. Issues of data quality can occur at two levels: (i) at the country level, with inaccurate and unreliable data being reported to the Global Fund; and (ii) at the Secretariat, with a loss of data integrity linked to incorrect data entered in the central Grant Management System (GMS).
Potential consequences	Poor data-quality can result in (i) erroneous performance-based funding decisions; and (2) a reputational risk if globally reported results are incorrect (e.g., number of people on ART, number of ITNs distributed, number of people under DOTS, etc).
Relates to which assurance statements:	Program information is comprehensive, timely, and of sufficient quality.
Main controls in place to mitigate this now	At County-level: 1. For periodic disbursements (every three, six or 12 months depending on the grant), the Local Fund Agent (LFA) verifies the authenticity and accuracy of all reports from the Principal Recipient and sub-recipient(s). 2. Fund Portfolio Managers are in constant relation with country-level stakeholders including Principal Recipients, sub-recipients, CCM actors, donors, and other partners and are able to discuss results and triangulate information 3. At least once a year, On-site Data Verifications (OSDVs) are conducted where the LFA visits a sample of service delivery sites to verify that services are delivered to populations in need and that data is accurately reported from the sites through to the PR's office. 4. Countries conduct assessment of M&E systems and develop M&E systems strengthening plans as part of grant application. 5. Data quality audits are conducted by external service providers with expertise in public health on a small sample of grants each year (between 12 and 20 grants). The data quality audit methodology has been developed with major partners including the WHO, Stop TB Partnership, Roll Back Malaria Partnership, and UNAIDS, amongst others. Within the Secretariat: 6. On a monthly basis, the Strategic Information team assesses duplications and overlaps of results for the same services on selected indicators. During that process, data-entry errors may be identified in the central Grant Management System (GMS). 7. Every six months, before global results are published, meetings are organized with major partners (i.e., PEPFAR, WHO, UNAIDS) to compare and harmonize ARV results. 8. At the time of Phase 2, the Monitoring and Evaluation (M&E) Unit verifies the data accuracy of program results entered in the Grant Performance Reports (GPRs).

	9. Progress Updates and Grant Performance Reports (GPRS) are also published on the Web for partners and stakeholder to review and scrutinize.
Who is responsible for each	1. Local Fund Agents verify the accuracy of PR progress updates and conduct On-site Data Verifications (OSDVs). 2. Fund Portfolio Managers have the overall responsibility of overseeing grant activities at country-level. 3. The Monitoring and Evaluation (M&E) Unit (SPE cluster) commissions External Service Providers specialized in public health to conduct Data Quality Audits (DQAs). 4. The Strategic Information team (SPE cluster) assesses duplications and overlaps for selected indicators and compares with other major partners. 5. The Monitoring and Evaluation (M&E) Unit verifies at Phase 2 the data accuracy of program results entered in the Grant Performance Reports (GPRs).
Current risk assessment: Impact/significance and probability	**High** Some significant residual risks still remain: 1. On-site LFA data-verifications (OSDVs) not being systematically implemented each year for all grants; 2. Follow-up of necessary remedial actions when data quality issues are uncovered at the country-level has been suboptimal; 3. Insufficient controls in-place to avoid incorrect data being entered in the central Grant Management System (GMS); 4. Controls on duplication and overlaps are only undertaken for selected indicators (and not for all indicators across the portfolio); 5. Problems of interpretation of reported data from countries when compiling data for global results' releases (i.e., number of people on ART and number of people under DOTS). Poor data quality poses a significant and high risk to the organization as the performance-based funding decisions rely on high quality and reliable data.

Measures currently being undertaken to address residual risk	1. Measures are being undertaken to systematically implement data verifications initiatives. Twenty (20) DQAs and eighty percent (80%) of grants will have OSDVs annually to ensure quality data for important programmatic results for grants and entire portfolio.
	2. The "Data Quality Management Initiative" has been launched by SPE to address data quality issues and recommend new strategy and guidelines for implementing corrective actions at the country level. Furthermore, the "Data Quality Review Project" will address data flow from the point of entry onwards;
	3. New cross cluster initiative (Corporate Services, SPE and Country Programs) is underway on preparing proposal for a solution to address incorrect data entry and inconsistent use of IT applications;
	4. Monitoring and Evaluation Systems Strengthening (MESS) Strategy and Action plan being developed to guide Global Fund investments and support to country for M&E systems strengthening
	5. Reported data from countries are cross checked with the partner organizations (i.e. PEPFAR and ART). However, this is not enough. Following new initiatives will be undertaken to address residual risk of wrong interpretation:
	a. Implementing systematic way of codifying data at the source;
	b. Enhanced financial data reporting;
Lead responsibility	Strategy, Performance and Evaluation Cluster in conjunction with Corporate Services Cluster and Country Programs Cluster;
Target dates	1. The Data Quality Management Initiative will result in an ongoing data verification process;
	2. The Data Quality Strategy and guidelines will be completed by the end of Q1 2010.
Review by EMT	September 2009
Next scheduled review	August 2010

Risk # 5	Independence and Objectivity of Program Oversight
Risk description	The combination of CCMs, LFAs, FPMs, and in-country partners is not sufficient to provide strong independent and objective oversight of Global Fund programs
Potential consequences	- Questionable programmatic choices go unchallenged by traditional in-country 'watchdogs' (e.g. civil society) - Program-related issues do not get identified or acted upon, e.g. because the CCM lacks independence and capacity - Recurrent weaknesses are not effectively addressed because LFAs and FPMs have become too familiar with the program and have lost their objectivity
Relates to which assurance statements	The organization is well equipped to deal with fraud, mismanagement, and other crises
Main controls in place to mitigate this now	1. Key information is scrutinized at by a variety of actors – e.g. LFA and CCM, then Fund Portfolio manager (FPM), Country Team (Procurement, Finance, M&E), then Team Leader and Unit Director 2. CCMs' independence assured through compliance with a number of requirements on composition and processes 3. Regular LFA retendering 4. LFA training, oversight, and evaluation 5. A number of controls are in place to identify residual risks – OIG reviews, data-quality audits, on-site data verifications, etc. 6. The Global Fund Secretariat relies heavily on partners (and in particular on local civil-society organizations acting as watchdogs) to understand country-level dynamics, issues, and risks 7. Independent external evaluations of programs, eg: 5-Year Evaluation, WHO program evaluations.
Who is responsible for each	1. Collective responsibility, within the Country Team Approach 2. CCM Team, Country Programs cluster 3. LFA Team, Country Programs cluster 4. LFA Team for training and oversight, members of Country Team for LFA evaluation 5. OIG, LFAs, and specially selected auditors for Data Quality Audits (DQAs) 6. Partners 7. External partners

Current risk assessment: impact/significance and probability	**Medium** The controls in place are strong, but some residual risk remains: - The Secretariat's Country Team works from the LFA's initial verification and hence is dependent on the quality of the LFA work. - CCMs may comply with requirements yet not function objectively when they are controlled by a strong stakeholder (e.g. MOH in some countries, when the MOH is also the Principal Recipient) and/or do not function democratically - Local organizations, in particular small civil-society organizations, are less likely to be vocal critics of the way in which grants get managed at country-level when they, themselves, are grant recipients.
Measures currently being undertaken to address residual risk	The Global Fund will continue working to improve its controls, as described above. In particular, the Secretariat is now assessing LFAs' performance on a continuing basis, and will be proposing improvement or measures or a full retendering of LFA services in a country when required. Through its new funding of CCMs, the Global Fund hopes to reinforce their capacities, independence, and democratic functioning. Finally, the recent hiring of Civil Society Officers in Country Programs is aimed to improve the way in which the Secretariat interacts with, and supports, the watchdog role of civil society at country-level.
Lead responsibility centre	Country Programs
Target date	Ongoing
Review by EMT	September 2009
Next scheduled review	August 2010

Risk # 6	Misperceptions of the Global Fund by External Bodies
Risk description:	Risk that key influencers or decision makers either are misinformed and/or have a negative perception of the Global Fund and its work as a result of ineffective or insufficient communication efforts e.g. through conflicting/inconsistent messaging, slow response to any event that impacts GF reputationally, lack of proactive approach to shape debate and positively frame issues, weak branding (low awareness)etc
Potential consequences	Could have adverse impact both on ability to raise funds and successfully implement grants as donor and implementer buy-in and engagement are reduced
Relates to which assurance statement	The Global Fund is committed to reporting on the use of the funds and the results achieved
Main controls in place to mitigate this now	1. Dedicated communications team monitoring media reports, proactively shaping image of the Global Fund and responding to any negative reporting. 2. Internationally recognized firm on retainer for advice and support in the event of a crisis
Who is responsible for each	Communications Unit under guidance of the Office of the Executive Director and with support and input from all clusters
Current risk assessment: Impact, significance and probability	**High** The Global Fund is generally acknowledged as an innovative funder that strives to provide value-for-money through its performance-based funding model even if there are certain actors who have a negative perception of the model (perceived earmarking of funding, contributing to fragmentation in health sector, etc). There are in addition risks related to reputational impact of any real or perceived problems in the Fund's operations
Measures currently being undertaken to address residual risk	1. Crisis Management Manual being developed with the help of the above-mentioned internationally recognized firm 2. Communications training (crisis and otherwise) is foreseen for key Secretariat staff such as Fund Portfolio Managers 3. Following recommendations of a communications task force, work is well advanced on a corporate communications strategy with clear objectives, target audiences and strategically tailored messages: • main messaging on results, achievements to date and continued demand/need; • underline the strengths of the GF business model; • stress focus on value for money/ aid effectiveness; • narrative on working with and through other development partners at global and country level; • clearly position the Global Fund in the health aid architecture.
Lead Responsibility	Communications Unit, ERP cluster
Target Dates	31 December 2009
Review by EMT	September 2009
Next scheduled review	August 2010

Risk # 7	Risk of Engagement with Inappropriate Partners
Risk description:	Certain Partners (including donors and suppliers) may prove to be involved in behavior that is deemed incompatible with the Global Fund's mission and principles or in other ways offend public sensitivities.
Potential consequences	If a scandal is significant there is a major reputational risk to the Global Fund, particularly if the scandal is directly linked or perceived to be linked to the Global Fund. Existing donors may choose to withdraw their support if they do not want to be associated with such a Partner.
Relates to which assurance statement	Contributions to the Global Fund come from legitimate sources and reputable donors that fully subscribe to the founding principles of the partnership
Main controls in place to mitigate this now	1. Global Fund's Principle of full transparency 2. The Global Fund has a strong sense of public sensitivities and these are taken into account before entering into agreements 3. Independent external reviews of private sector partners to ensure the Global Fund only works with vetted, reputable partner organizations with known past performance and an interest in maintaining their brand reputation 4. In-House risk assessment* (peer reviewed, clearance at Unit and Cluster Director level, final approval by Procurement Review Committee or EMT in uncertain cases) 5. Legal Unit provides guidance on agreements with strict rules regarding conflict of interest, use of GF logo and branding, access to 3rd party information, etc 6. Regular performance monitoring of partner activities 7. Crisis preparedness manual (see separate risk item – No. 6 - on external misperceptions) *see Business Partnership Assessment Toolbox for details of private sector donor assessment.
Who is responsible for each	Resource Mobilization Unit (RMU), ERP cluster and Corporate Procurement Unit (CPU), Corporate Services cluster for bullet points 2, 3, 4, and 6, Legal Unit (Corporate Services cluster) on bullet point 5 and Communications Unit (ERP cluster) on bullet point 7.
Current risk assessment: Impact, significance and probability	**High** (although probability is low, impact is high) Should any private entity associated with the Global Fund become involved in a large public scandal this could reflect poorly on the Global Fund, in eyes of the general public and among donors, directly hampering resource mobilization efforts from both public and private donors. In the event of inappropriate behavior, rapid crisis management will be crucial including information regarding due diligence measures, Global Fund principles, rules and procedures and if warranted immediately ending agreements with disreputable partners (standard clause in agreements) including returning previous contributions or debarment in particularly serious cases.

Measures currently being undertaken to address residual risk	A Suppliers' Code of Conduct is currently being finalized by the Secretariat
Lead Responsibility	A cross-Secretariat group is working on the Code of Conduct with the OIG
Target Dates	31 December 2009
Review by EMT	September 2009
Next scheduled review	August 2010

Risk # 8	Staff Security
Risk description	Security of employees on duty travel and the risk pertaining to lack of privileges and immunities, (currently only in 2 countries, Switzerland & USA).
Potential consequences	Staff may not have a "go to" location in the event of an unforeseen security risk. After the end of the Administrative Services Agreement with WHO, the Global Fund employees lost the privileges and immunities in the countries that receive Global Fund funding. Therefore, if appropriate security measures are not in place, country visits become more difficult in terms of full security for the employees. Misapplication of the Headquarters Agreement may have reputational or political consequences.
Relates to which assurance statements	The Global Fund is well equipped to protect its staff in the eventuality of a security situation by providing emergency and evacuation services to all staff in all the countries that we operate in.
Main controls in place to mitigate this now	1. International SOS (ISOS) contract currently in place. This allows for information, advice and assistance in country before travel takes place, i.e. staff card, website, briefings, evacuation procedures, training. It also provides security support during travel. 2. Additional preventative measures for medium and higher risk situations (information and systems in place for traveller with written and verbal briefings from security officer and ISOS) are available. 3. Remote oversight from security officer with advice amendment, best security practices, travel tracking, relocation procedures. 4. While Legal Unit is working with member states to expand the geographical coverage of privileges and immunities, success of this exercise is largely in the hands of the countries.
Who is responsible for each	1. Travel Security Officer, Corporate Services cluster 2. Travel Security Officer 3. Travel Security Officer, ISOS 4. Within the Secretariat the Legal Counsel engages with countries to obtain the granting of privileges and immunities.

Current risk assessment: impact/significance and probability	**Medium**
	Some residual risks to staff security will always remain, especially in high risk countries. Local warden system in these countries would further mitigate and minimize the Global Fund employees' exposure. These measures include:
	  1. Full "Meet and Greet" Service on arrival at and return to the airport,
	  2. Dedicated driver and vehicles with close protection to include. :
	     a. National driver;
	     b. Appropriate vehicle including communications and tracking equipment;
	     c. Site security;
	     d. Journey management;
	     e. Accommodation security;
	     f. Transport security;
	     g. Security during social activities,
	  3. Assistance in case of medical and security evacuation.

Measures currently being undertaken to address residual risks:	1. Negotiations with various United Nations organizations are underway with a goal of improving the Global Fund employee security in high risk countries. 2. The Global Fund Field Security Officer can undertake physical risk assessment of high risk countries prior to and during significant Global Fund organized or attended events.
Lead responsibility centre	Corporate Services Cluster/ Human Resources and Administration Unit and Legal Services Unit
Target date	1. Ongoing; 2. Immediate;
Review by EMT	September 2009
Next scheduled review	August 2010

Risk # 9	Integrity and Security of Data Repository Systems
Risk description	Programmatic data of major Global Fund systems are stored in the data repository systems. Issues with data integrity and security can occur in the following three areas and on the Secretariat level: 1. Confidentiality of data – data is disclosed to unauthorized individuals, organizations or processes; 2. Integrity of data – data is changed from its source and has been accidentally or maliciously modified, altered or destroyed; 3. Availability of data – data access is not available timely and reliably for authorized data users;
Potential consequences	Loss of data confidentiality can result in: 1. Reputational risk if data are disclosed to unauthorized individuals, organizations or processes; Loss of data integrity can result in: 1. Erroneous performance-based funding decisions; 2. Reputational risk if globally reported results are incorrect; Unavailability of data can result in: 1. Disrupted data aggregation; 2. Disrupted data analysis; 3. Reputational risk if correct data sets are not published on time;
Relates to which assurance statements	The Global Fund provides measures that protect and defend information and information systems by ensuring their availability, integrity, authentication, confidentiality, and non-repudiation. These measures include providing for restoration of information systems by incorporating protection, detection, and reaction capabilities.
Main controls in place to mitigate this now	Within the Secretariat: 1. The write access to data sets stored in the data repository systems is provided only to authorized users; 2. The Global Fund information systems are hosted on the highly available infrastructure; 3. External and internal firewalls are implemented to prevent intrusion and subsequently data being compromised; 4. Business application support model have been established to provide assistance to business users; 5. SQL server embedded security is being used;

Who is responsible for each	1. IT Unit (Corporate Services cluster) is responsible for maintaining data confidentiality within the Global Fund business applications; 2. IT Unit is responsible for providing high level of availability for the Global Fund business applications; 3. IT Unit is responsible for providing data integrity framework; 4. The Global Fund business users are responsible for maintaining integrity of data under their level of authority (all information security responsibilities should be clearly defined and assigned to the data owners within the business)
Current risk assessment: impact/significance and probability	**Low to medium** Some residual risks to compromised data integrity and security still remain: 1. Data owners with clear information security responsibilities are not assigned; 2. Unclear time-to-recover objective set by the business; The probability of data being unavailable remains very low due to a highly available infrastructure with the medium probability of data integrity being compromised by unauthorized person(s). The impact of such an action may cause damage to the reputation of the Global Fund.
Measures currently being undertaken to address residual risks:	1. Data classification is now in place, the assignment of data owners with clear responsibilities is underway; 2. Identification of time-to-recover objective is currently underway for all Global Fund business applications; 3. Data security of important business applications will be audited as a part of the biannual IT Infrastructure security and performance external audit project. 4. Results of the audit will provide guidance for strengthening current controls. The IT Contingency and IT infrastructure security and performance audit projects will minimize even more the probability of data integrity being compromised by unauthorized person(s).
Lead responsibility centre	Corporate Services Cluster/IT Unit
Target date	30 June 2010
Review by EMT	September 2009
Next scheduled review	August 2010