

### Board Report Progress Update on Agreed Management Actions YTD 2016

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Оffice of the Inspector General الصندوق العالمي Le Fonds mondial இ El Fondo Mundial இ Глобальный фонд இ全球基金 (الصندوق العالمي)

### Introduction

### Progress update on Agreed Management Actions

The objective of this progress update\* is to provide the Board with a high level overview of the implementation status of Agreed Management Actions (AMAs).

This report is shared on a monthly basis with the Management Executive Committee in order to track closely actions designed to correct and strengthen Global Fund systems and processes. It is also shared with the Audit and Finance Committee at its meetings.

There are four sections in this report:

-Sections 1-3 focus on specific thematic areas that require the Board's attention.

-Section 4 shows the pipeline of AMAs being implemented and how the Secretariat is performing. Slides 15-19 give more detail on the overdue AMAs or those due in the future.

AMAs related to the recovery of funds are not included in this report. The Secretariat communicates on this issue in its "Recoveries Report".

\*Report data has been updated since the AFC02 October 2016 meeting and is current as of 10 October 2016.

Section 1: Risk Management

Section 2: Procurement and Supply Chain

Section 3: Nigeria AMA Progress Update

Section 4: AMA Progress update

### **Executive Summary**

- Year to date there have been 73 new AMAs through the publication of new reports.
- Year to date 91 AMAs have been closed.
- 17 long overdue AMAs (more then 160 days late) remain.
- The OIG highlights the following three areas for the AFC and the Board's attention:
  - Risk Management, due to the cross-cutting nature of the outstanding issues
  - Procurement and Supply Chain Management, due to the materiality of funds affected, potential effect on program impact, and prioritization of long-term strategic projects
  - Progress on AMAs in Nigeria, due to the sensitivity of this portfolio and meeting agenda points regarding Secretariat's follow-up actions
- The AFC was presented with this information and has taken note of the Secretariat's reported progress.

### Section 1. Risk Management

An effective organization-wide risk accountability framework is yet to be implemented

The creation of an organization-wide risk accountability framework is significantly overdue: There
are 2 related AMAs that have been outstanding since 2013. See below.

Important AMAs requiring AFC attention:

GF-OIG-13-024 Internal Audit of the Integration of Specialists into Country Teams: The Risk Department should work with the relevant divisions and departments in the Secretariat to:

i. Establish an accountability framework that defines the roles, responsibilities, authorities and accountabilities of various stakeholders. This should ensure that decision-making authority rests at the appropriate level in staff with the appropriate expertise and experience, that quality of decision-making is regularly reviewed and that decision-makers are held accountable; and

ii. Develop guidance on the risk appetite to facilitate considered risk taking in grant management. Due 31 December 2013

GF-OIG-14-006 High level audit of the Global Fund Assurance Model: The creation of the accountability framework will further clarify roles and responsibilities pertaining to risk management. The Risk function is facilitating the creation of this framework as agreed last year in response to an OIG recommendation. **Due 30 June 2014** 

# Section 2. Procurement and Supply Chain

There is a high concentration of outstanding AMAs related to Procurement and Supply Chain

Total Supply Chain AMAs	57	
Closed (either verified or obsolete)	32	<ul> <li>Common AMA topics:</li> <li>Strengthening quantification and forecasting,</li> <li>Development of plans for eLMIS and LMIS</li> <li>While 60% of these AMAs were closed recently (Q2, Q3 2016) many had been outstanding for 12-24 months</li> </ul>
Open	15	<ul> <li>Common AMA topics:</li> <li>LMIS strengthening,</li> <li>storage and warehousing,</li> <li>Quantification and Forecasting</li> <li>Countries: Tanzania, Cameroon, Zimbabwe, Guyana, Ivory Coast, Guinea Bissau, and Uzbekistan.</li> </ul>

## Section 3. Nigeria AMA Progress Update

Implementation of AMAs are on track, and will be confirmed in an OIG follow-up in 2017

- The Secretariat is on track for implementation of the 2016 Nigeria Audit AMAs. The OIG will be returning to country in 2017 for a follow-up review to confirm the effectiveness of the AMA implementation.
- On the next two pages, we list 4 AMAs that warrant the Board's attention to ensure timely and effective implementation, and 5 recently closed audit AMAs.

### Section 3. Nigeria AMA Progress Update

Four AMAs warrant the AFC's attention to ensure timely and effective implementation

#### Important AMAs requiring AFC attention:

#### Audit of Global Fund grants to Nigeria (GF-OIG-16-014)

- Due 31 December 2016: Based on the outcome of the capacity assessment, the Secretariat will take the necessary measures to introduce additional controls and consider alternative implementation arrangements for key processes to ensure that key risks in the portfolio are adequately mitigated and the achievement of grant objectives under the Global Fund grants Nigeria.
- Due 31 December 2016: In conjunction with the Risk Management department, the Grant Management Division will develop and implement a consolidated isk and assurance plan for the Nigeria portfolio. This plan will at a minimum:
  - include a holistic view of the grant objectives and the associated risks to the achievement of those objectives and provide an analysis of the current controls in place and evaluate any additional controls that need to be in place to mitigate the risks
  - detail the current and the desired level of assurance by the country team and outsourced assurance providers to monitor the risks and rank these risks in terms of materiality (qualitative and quantitative against the grant objectives).
- Due 31 December 2016: The Secretariat will develop an implementation plan for Nigeria with involvement and sign off from executive management at the Secretariat. The plan should, as a minimum, contain the following: Analysis of the current situation and clear plan with milestones and deadlines;
   Analysis of options to work with State Governments being Principal Recipients of the Global Fund for high burden states and as Sub Recipients for the low burden states or the ones with low capacity;
  - Analysis of options to consolidate the remaining functions at federal level (coordination, regulation, resource mobilization, reporting).

#### Investigation of Global Fund grants to Nigeria (GF-OIG-16-015)

Due 31 December 2016: The Secretariat will address and mitigate the risk of poor oversight by NACA, the Principal Recipient, of its sub-recipients and will expand the terms of reference of the Local Fund Agent's routine spot checks of sub-recipients to include intensified validation of training-related claims and expenditures. This will include random on-site validations of a sample of sub-recipient training events and meetings as they are held, and periodic post-event validations of invoices with suppliers and participants.

## Section 3. Nigeria AMA Progress Update

Five more agreed actions implemented, and closed by OIG

#### **Closed Audit AMAs:**

#### Audit of Global Fund grants to Nigeria (GF-OIG-16-014)

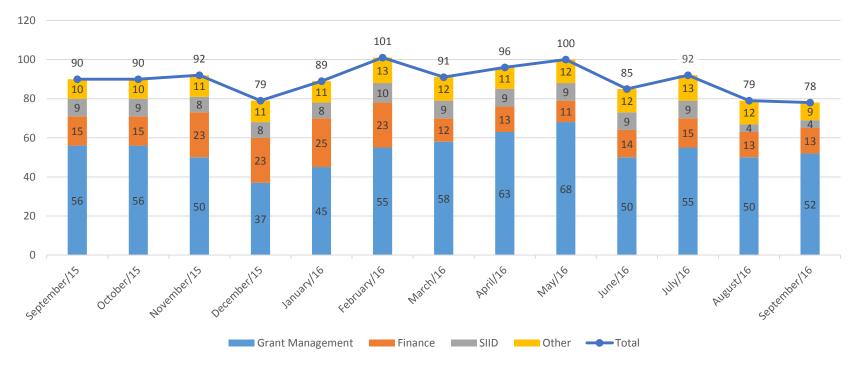
- Due 30 June 2016 and closed on 16 September 2016: The Secretariat will assess the internal control deficiencies identified by the OIG audit and determine noncompliant areas that require further review (e.g. by the LFA). The Secretariat will refer any relevant issues from the reviews' findings to the OIG investigations department.
- Due 30 June 2016 and closed on 5 August 2016: The Secretariat (Grant Management in collaboration with Finance and Risk Management) will conduct a capacity assessment relating to Government of Nigeria Principal Recipients. The capacity assessment will include the internal control environment (governance and oversight, financial and fiduciary management, health services and products and program management) as well as an assessment on the implementers' ability to deliver key grant objectives under the Global Fund grants to Nigeria.
- Due 30 June 2016 and closed on 16 September 2016: The Secretariat will perform an assessment of its short term and long term plans for the Nigeria portfolio in order to ensure the achievement of grant objectives under the Global Fund grants to Nigeria. This will include the key strategic and operational activities that need to be performed by the Nigeria Global Fund country team. Based on this assessment, Secretariat will evaluate the current composition of the Nigeria country team against and where necessary make adjustments to the country team composition to ensure that there is adequate personnel to oversee the implementation, monitoring and oversight over key grant objectives and risks.

#### Investigation of Global Fund grant to Nigeria (GF-OIG-15-003)\*

- Due 15 December 2015: The Secretariat will instruct the LFA to visit the state medical stores to ensure delivery and installation of the fixtures. The payment of the balance to Axios will only be paid after the Secretariat is satisfied with the delivery.
- Due 31 July 2015: The Secretariat will require NACA to urgently rectify the defects in relation to the renovation work carried out by Omolara Aries Nig. Ltd. at no additional cost to the Global Fund grant program.

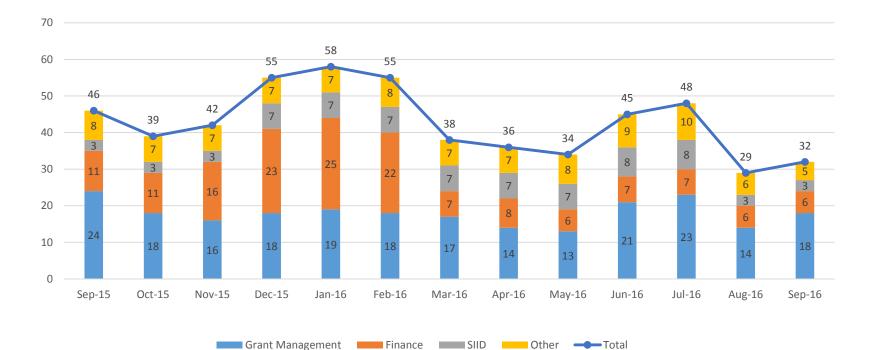
\* Two AMAs related to Nigeria have been closed since the AFC02 meeting in October

Total open AMAs



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Total overdue AMAs



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Overdue AMA aging

	Less than 30 days late	91 -180 days late	More than 180 days late	TOTAL
Grant Management	7	7	4	18
SIID		1	2	3
Finance			6	6
Other			5	5
TOTAL	7	8	17	32

### 17 AMAs remain long overdue

Cumulative AMA implementation progress

Septemberlis October 125 May120 lune/16 1114/26 ananthe ananthe marchite points OIG Validated Reported as implemented/waiting for OIG validation Open

Cumulative Implementation Progress

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## Long Overdue AMAs – Risk

Project Code	Project Name	Project Type	Agreed Management Action		Due Date	Owner
GF-OIG-15-005	Internal Financial Controls	Audit	Agree Management Action 3.2	The selection of the key processes to become COSO compliant for 2015 and onwards will be validated by the Risk Department to make sure that the key processes for the organization are prioritized. The Risk Department will regularly inform the Management Executive Committee about progress on compliance with the COSO Framework and the estimated date of full compliance with the framework.	31/03/2015	Rahul Singhal
GF-OIG-14-006	High level audit of the Global Fund Assurance Model	Audit	Recommendation 2	<ol> <li>The creation of the accountability framework will further clarify roles and responsibilities pertaining to risk management. The Risk function is facilitating the creation of this framework as agreed last year in response to an OIG recommendation.</li> </ol>		Rahul Singhal
GF-OIG-13-024	Internal Audit of the Integration of Specialists into Country Teams	Audit	Recommendation 3	The Risk Department should work with the relevant divisions and departments in the Secretariat to: i. Establish an accountability framework that defines the roles, responsibilities, authorities and accountabilities of various stakeholders. This should ensure that decision-making authority rests at the appropriate level in staff with the appropriate expertise and experience, that quality of decision- making is regularly reviewed and that decision- makers are held accountable; and ii. Develop guidance on the risk appetite to facilitate considered risk taking in grant management		Rahul Singhal
GF-0IG-13-017	Status Update on the Development and Implementation of Risk Management Tools - The "Qualitative Risk Assessment, Action Planning and Tracking" Tool, the Corporate Risl Register, and the Minimum Standards for Gran Management		Recommendation 2	The Global Fund Secretariat should consider the integration/merging of the QUART with other concurrent initiatives and tools in grant management such as the New Implementer Assessment, the Annual Disbursement Decision and the Grant Management Assurance Framework.	31/03/2014	Rahul Singhal
GF-OIG-13-017	Status Update on the Development and Implementation of Risk Management Tools - The "Qualitative Risk Assessment, Action Planning and Tracking" Tool, the Corporate Risl Register, and the Minimum Standards for Gran Management		Recommendation 5	The Global Fund Secretariat should integrate or merge the action plans produced by the QUART and Implementer Assessment Tool.	31/03/2014	Rahul Singhal

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### Long Overdue AMAs – FISA

Project Code	Project Name	Project Type	Agreed Manageme	nt Action	Due Date	Owner
6F-OIG-15-020	Effectiveness of IT controls at the Global Fund	Audit	Agreed Management Action 3.2	Business continuity planning The business impact analysis (BIA) documentation as well as business continuity plan (BCP) will be finalized and signed off by the Chief Information Officer. All Global Fund data will benefit from a reliable back up and the full disaster recovery test will be completed as scheduled, business continuity in case of the unexpected unavailability of the Secretariat premises will be considered.	30/09/2015	Daniel Camus
GF-OIG-15-008	Procurement and Supply Chain Management at the Global Func		Agreed Management Action 3	The Secretariat will strengthen the Sourcing Department's operational capacity function to properly support and monitor procurement activities (health and non-health products). In close collaboration with the Grant Management Division, these will include, at a minimum: i. Updating its procurement regulations; ii. Implementing strong financial controls around procurement activities; iii. Defining the methodology and approaches for calculating key performance indicators; iv. Strengthening the Department's capability with regard to non-health products; and v. Implementing an appropriate management information system to capture relevant data and to support its procurement related decision making. A thorough needs analysis to identify the required functionality will be developed and presented to the Management Executive Committee for approval.		Daniel Camus
GF-OIG-15-005	Internal Financial Controls	Audit	Agreed Management Action 2.3	The Global Fund will develop a system of "disbursing as needed", tailored to every Principal Recipient and its ability to manage the financial risks associated with cash balances. At least two actions will be performed in this respect: 1. Provide the countries that request the cash upfront for starting the procurement process with full assurance on credit risk. This can be achieved by issuing a letter of commitment by the Global Fund, a standard Letter of Credit from an accepted bank or the set-up of an escrow account. Depending on each country's accepted rules and the materiality of the amounts, one of the three solutions can be chosen. 2. The Secretariat will put in place a process to provide clarity on the timing and process for cash disbursements to countries. This will be undertaken with selected key PRs to integrate their disbursement processes with the Global Fund's to produce a more timely process.		Daniel Camus
GF-OIG-15-005	Internal Financial Controls	Audit	Agreed Management Action 2.2	Principal Recipient financial capacity is an important element of the Combined Risk and Assurance framework developed by the Global Fund. The framework sets out the scope and modality of regular reviews of Principal Recipient capacity. As a complement to the current framework, the financial section of the QUART should be improved to be able to provide an update of the Principal Recipient financial capacity at the time of every major decision but no later than at the start of every implementation phase. The Financial Capacity of the Principal Recipient financial capacity at the time of every major decision but no later than at the start of every implementation phase. The Financial Capacity of the Principal Recipient should be assessed by the Finance Officer using past experience, country visits and/or report from key assurance providers. Criteria used, but not limited to, the following: • Principal Recipient's ability to supervise the financial activity of Sub-recipients; • Principal Recipient's accounting systems and staffing; • Existence and adequacy of internal financial controls; • Assorption rate. A rating of the PR's financial capacity will be given after every evaluation. The progress on improving the capacity will be assessed on a continuous basis and tailored measures including financial support will be recommended by the Finance Officer to the Country Team for the next period to further develop the Principal Recipient's financial capacity to implement grant programs.	31/12/2015	Daniel Camus
GF-OIG-14-007	Audit of the quantification and forecasting arrangements for antiretroviral medicines supported by the Global Fund in six African high-impact countries		Recommendation 4	A in conjunction with the Sourcing Department and in line with the Procurement for Impact project, a platform to automatically aggregate data for the global health product forecast for the three diseases will be implemented. As an intermediate measure of progress, manual aggregation will be completed by 30 September 2014.	30/09/2015	Daniel Camus
GF-OIG-13-030	Assurance at Country Level: External Audit of Grant Recipients	Audit	Recommendation 1	The Global Fund Secretariat should promptly implement the recommendations from the High-Level Panel adopted by the Board in September 2011; specifically: a. Present a set of minimum standards for the scope of work for external audits of PRs to the Audit and Ethics Committee for its approval; b. Present a pre-qualified pool of external auditors to the Audit and Ethics Committee for its approval; and c. Develop a protocol to exchange information with Supreme Audit Institutions.	31/12/2015	Daniel Camus

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### Long Overdue AMAs – Grant Management

Project Code	Project Name	Project Type	Agreed Management Action		Due Date	Owner
GF-0IG-15-008	Procurement and Supply Chain Management at the Global Fund	Audit	Agreed Management Action 1	The Secretariat will ensure that oversight over all key procurement and supply chain activities is strengthened. In particular, this will include: i. Developing a procurement strategy that defines the function's role and approach in supporting the achievement of strategic objectives. ii. Developing a principles-based strategy to in-country supply chain strengthening by the Global Fund. In particular: a. Defining the Global Fund is scope of responsibility, oversight, and initiative with respect to in-country supply chain challenges; b. Defining the respective roles of in grant health system strengthening funding, day-to-day country engagement by health products management Specialists, technical assistance /capacity building, and other special supply-chain initiatives within the Global Fund's approach to supply chain strengthening; c. Defining required resourcing levels. iii Implementing these strategies by ensuring that responsibility or each activity is assigned to the most relevant division/department within the Global Fund (see AMA 2).		Mark Edington
GF-0IG-13-001	Audit of Global Fund Grants to the Socialist Republic of Viet Nam	Audit	Recommendation 7/9	The PR and VAAC should develop an integration plan for ARVs in order to harmonize supply management across all HIV care and treatment sites in Viet Nam regardless of funding source.	31/12/2015	Mark Edington
GF-OIG-09-014	Country Audit of the Globz Fund Grants to Cambodia	al Audit	Recommendation 62	New wording: The Principal Recipients should develop a plan to improve storage conditions of CMS warehouses and a plan to strengthen supply chain and distribution management. Both work plans should be finalized and agreed with partners and the Cambodia Country Team including HPM Specialist by April 2015.	30/04/2015	Mark Edington
GF-OIG-09-014	Country Audit of the Globa Fund Grants to Cambodia		Recommendation 33	New wording: The Principal Recipients, partners and Cambodia Country Team including HPM Specialist should coordinate to define how best to strengthen LMIS systems. The LMIS strengthening plan should be agreed and finalized by December 2014.	31/12/2014 € دوق العالمیں	Mark Edington

### Long Overdue AMAs - SIID

Project Code	Project Name	Project Type	Agreed Management Action		Due Date	Owner
GF-OIG-15-016	Country Audit of Global Fund Grants to the Republic of South Sudan	Audit	Recommendation 3	The Secretariat will review its policies and guidelines on the use of Global Fund grants funds for construction and renovation projects, and consider how to best update the Health System Strengthening Information Note to ensure that normative guidance from technical partners is referenced.	31/03/2016	Osamu Kunii
GF-OIG-14-014	Audit of Global Fund Grants to the Republic of Guinea-Bissau	Audit	Agreed Management Action 2	The Grant Management Division, with the Strategy, Investment and Impact Division will ensure that the revised approved Operational Policy Note on Annual Funding Decisions and Disbursements will include a performance- based funding approach that can be tailored for countries with significant data quality challenges. Once approved by the Executive Grant Management Committee, the Operational Policy Note will be applied in Guinea-Bissau. In the meantime, efforts to improve data quality in the country will continue.	31/03/2015	Osamu Kunii