

# 40<sup>th</sup> Board Meeting

## Joint Agreed Management Actions (AMAs) Progress Report

GF/B40/06

14-15 November 2018, Geneva

### **Board Information**

Purpose of the paper: presentation of the current status of the number and type of open and long-outstanding Agreed Management Actions.

Document Classification: Internal.

Document Circulation: Board Members, Alternate Board Members, Board Focal Points and Committee Members. This document may be shared by the Focal Points within their respective Board constituency. This document must not however be subject to any further circulation or otherwise be made public.

# Executive Summary

## Context

Agreed Management Actions (AMAs) are an agreed course of action, decided jointly between the Secretariat and the Office of the Inspector General, to remedy an identified root cause, targeting specific portfolios where progress is needed. This joint report from the OIG and the Secretariat presents the status of AMAs as of 31 August. It was presented and discussed at the 8<sup>th</sup> Audit and Finance Committee meeting held in October 2018 and is being presented to the Board for information.

Significant progress has been made in reducing the number of non-completed AMAs. The amount of total open AMAs (68) and total overdue AMAs (22) represent an all-time low.

## Questions the presentation addresses

- A. What progress is being made in closing AMAs?
- B. What type of AMAs are proving most difficult to close?

## Conclusions

- A. The total number of open AMAs (68) is the lowest since the OIG began systematically tracking and reporting on AMA progress in 2014. This is thanks to increased focus from Secretariat (especially Grant Management Division), increased engagement between GMD and OIG to resolve issues, and the Audit and Finance Committee actively driving progress. The total number of overdue AMAs has decreased to an all-time low of 22. All long-outstanding AMAs focused on Grant Closure and Risk Management have been closed; all AMAs focused on CCM processes have been closed.
- B. Outstanding AMAs mainly relate to gaps in health information systems and data reliability challenges; challenges in monitoring and evaluation systems and establishing integrated and effective supervision at various tiers; and timely and effective risk and assurance planning. Of the 15 long-outstanding AMAs, seven relate to Internal Secretariat Processes and eight to in-country operations, six of which are focused on improving in-country supply chains.

## Input Sought

Board guidance on how OIG reports could help Board members focus on the most critical AMAs.

## Input Received

At its October 2018 meeting, the Audit & Finance Committee welcomed the considerable progress made in closing AMAs. The committee views the existing AMA process as effective, with a good balance between identifying issues and setting timelines. It feels however that more could be done to provide a sense of the scale of risks in AMA reporting.

This document is part of an internal deliberative process of the Global Fund  
and as such cannot be made public until after the Board Meeting



## Audit and Finance Committee Report

# Joint Agreed Management Actions (AMAs) Progress Report

GF/AFC08/06

8<sup>th</sup> Audit and Finance Committee Meeting  
3-4<sup>th</sup> October 2018, Geneva, Switzerland

### Committee Information

This document is part of an internal deliberative process of the Global Fund and, as such, it cannot be made public

 **The Global Fund**

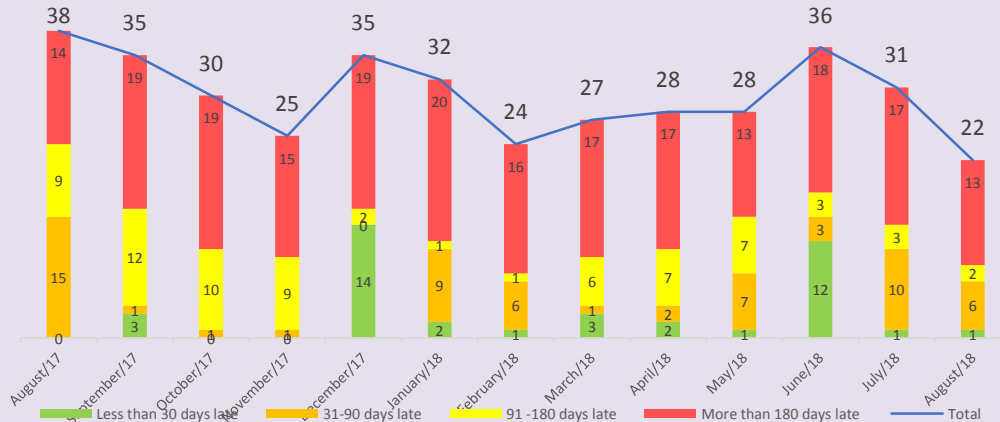
Office of the Inspector General

This paper is submitted pursuant to the AFC's oversight mandate under its Charter, specifically section 2.3.g [oversee] 'The adequacy, efficiency and effectiveness of internal controls, including review of (i) the implementation of measures to incorporate into business practices the audit and investigation findings of the OIG[...]".

# Overdue AMA Aging

As of August 31, 2018

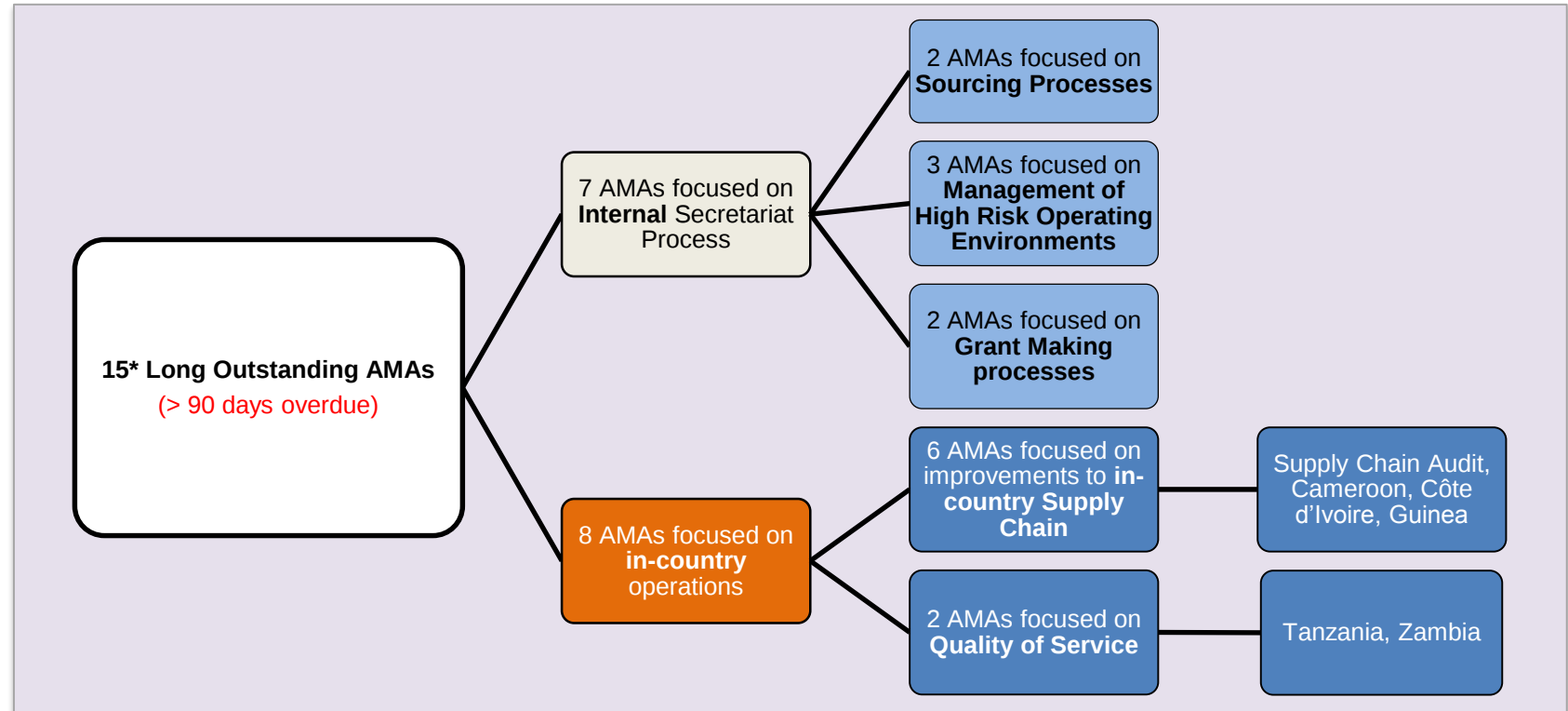
|                  | Less than<br>30 days<br>late | 31-90<br>days late | 91 -180<br>days late | More<br>than 180<br>days late | TOTAL     |
|------------------|------------------------------|--------------------|----------------------|-------------------------------|-----------|
| Grant Management | 1                            | 2                  | 1                    | 10                            | 14        |
| SIID             |                              |                    |                      |                               | 0         |
| Finance          |                              | 2                  | 1                    | 3                             | 6         |
| Other            |                              | 2                  |                      |                               | 2         |
| <b>TOTAL</b>     | <b>1</b>                     | <b>6</b>           | <b>2</b>             | <b>13</b>                     | <b>22</b> |



Since the last AFC meeting in June:

- Total open AMAs (68) is the lowest since 2014
- Total overdue AMAs (22) are at the lowest since 2014
- The total number of overdue AMAs is down by 6 (-21%)
- The number of long overdue AMAs (+90 days) has decreased by 5
- All 3 long-outstanding AMAs focused on Grant Closure have been closed
- All long-outstanding AMAs focused on Risk Management have been closed

# Long-outstanding AMAs



# In-country Supply Chain

## 6 long-outstanding AMAs are focused on improving in-country supply chains

Weaknesses in supply chain continue to affect the delivery of health products and services in many countries reviewed by OIG. Issues identified and reported include storage and distribution gaps, missing or unreliable supply chain data, ineffective use of available data to support key processes such as quantification of needs, and weak supply chain data systems. These weaknesses often lead to issues such as quantification errors, inefficient management of drug inventories, weak accountability and oversight on commodities, limited supply chain assurance, etc.

### Efforts made:

The challenges often involve systemic gaps at the country level, often beyond Global Fund programs and control, but they have a direct adverse impact on grant supported activities. Accordingly, the Secretariat has made significant investments in supply chain strengthening and targeted remedial activities. Twenty (20) countries have also been prioritized for holistic supply chain planning and transformation efforts jointly with partners.

### Issues remain largely unaddressed:

Overall progress on the identified issues remains limited in the countries where OIG recently conducted activities. These include some pilot countries where supply chain work is delayed and/ or proposed solutions have not yet effectively addressed supply chain issues.

O  
I  
G

Aside from the inherent challenges associated with a complex process such as supply chain, some of the internal factors that have also impacted the pace of progress to date include the coordination of supply chain initiatives both within the Secretariat –for example, between supply chain team and country teams- and with in-country stakeholders and partners, and lack of stable leadership and various shifts in roles, responsibilities and reporting lines for supply chain in recent years.. While Supply chain function will now be included within the Sourcing department, under a unified leadership, specific accountabilities are yet to be clarified.

# In-country Supply Chain

6 long-outstanding AMAs are focused on improving in-country supply chains

S  
e  
c  
r  
e  
t  
a  
r  
i  
a  
t

|               |                                                |                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |            |                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|---------------|------------------------------------------------|----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| GF-OIG-16-020 | Global Fund Grants to the Republic of Cameroon | Agreed Management Action 2 | <p>Taking into account the findings of the institutional audit of CENAME performed by the Ministry of Public Health and the Ministry of Finance, the Secretariat, in cooperation with in-country partners and relevant ministries, will develop an operational plan to improve in the short and medium term the storage and distribution services at CENAME level, including the responsibilities of the disease programs.</p> <p>Based on the content of this operational plan, the Secretariat will review its assurance arrangements, including the use of the Local Fund Agent and the Ministry of Public Health's dedicated internal audit unit, with more emphasis on inventory and distribution reviews.</p> | 31/03/2017 | Grant Management | <p>The audit, engaged and funded by the Ministry of Finance, was delayed due to local procurement regulations and then extended due to underestimation of the level of effort by the selected firm. A first draft circulated in November 2017, but required a significant amount of work. The final audit report was shared with the Secretariat on 17 August 2018. <b>To satisfy the AMA, the country will have to endorse the audit report and launch a working group to implement the necessary changes.</b> The findings and recommendations are fully aligned with the supply chain diagnostic and the Global Fund is advocating to have this task taken over by the supply chain steering committee (see AMA 1).</p> <p><b>Target date: October 2018</b></p> |
| GF-OIG-16-020 | Global Fund Grants to the Republic of Cameroon | Agreed Management Action 1 | <p>The Secretariat, in co-operation with technical partners and the Ministry of Public Health, will organize and finance an assessment of the supply chain in Cameroon. Such assessment shall be directed towards long-term systematic improvement of the supply chain (e.g. cost effectiveness of the current/future model, considering options for outsourcing to the private sector, etc.). The Secretariat will support the Government and partners to develop a road map based on the findings of this assessment.</p>                                                                                                                                                                                         | 30/06/2017 | Grant Management | <p>The assessment, initially planned for January 2017, was <b>delayed by 6 months to align with the Supply Chain Initiative</b>. The final report was presented to in-country stakeholders in October 2017, while the country was focused on 4 grant negotiations. To satisfy the AMA, the country should endorse the report through a supply chain steering committee. This committee was created by decree on 7 August 2018. The CT is now requesting that the authorities and partners ensure the first meeting takes place and that the report is endorsed and priorities defined prior to the presidential election scheduled for 7 October.</p> <p><b>Target date: October 2018</b></p>                                                                      |

# In-country Supply Chain

6 long-outstanding AMAs are focused on improving in-country supply chains

|               |                                                              |                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |            |                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|---------------|--------------------------------------------------------------|----------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| GF-OIG-16-025 | Audit of Global Fund grants to the Republic of Côte d'Ivoire | Agreed Management Action 3 | The Secretariat, together with NPSP, MPH and the national disease programs, will strengthen the accountability mechanism over the supply chain and the oversight capacities of the disease programs through the following actions: <ul style="list-style-type: none"> <li>· NPSP and the disease programs, in coordination, will perform regular reconciliation of NPSP inventory with the disease programs' stock data and investigate any differences;</li> <li>· the disease programs will validate product orders received by NPSP from the health districts and the largest health facilities;</li> <li>· a technical assistance mission will be supported to implement recommendations tailoring the Enterprise Resource Planning system (known as SAGE) to NPSP requirements.</li> </ul> | 31/07/2017 | Grant Management | <p><b>This AMA has three parts, one of which is completed and the other two have progressed substantially:</b></p> <ol style="list-style-type: none"> <li>(1) The LFA has confirmed that reconciliation of NPSP inventory with program stock data is being done, so this part is completed;</li> <li>(2) Validation of product orders received by NPSP was piloted but resourcing was a constraint. Based on lessons learned NPSP will conduct validation on behalf of the programs and provide technical and financial proposals for review and LFA will confirm;</li> <li>(3) SAGE technical assistance was started in 2017 but completion was delayed such that funding needs to come from the new grant starting in 2018. Final mission is planned for September and the report will be used to close this part of the AMA.</li> </ol> <p><b>Target Date: November/December 2018</b></p> |
| GF-OIG-17-018 | Global Fund grants to the Republic of Guinea                 | Agreed Management Action 2 | The Secretariat through the Local Fund Agent will perform a reconciliation of malaria medicines and commodities based on terms of reference to be agreed with OIG. Products not accounted for will be submitted to the Recoveries Committee for a decision                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 31/01/2018 | Grant Management | <p>At the time this AMA was formulated the level of effort needed for this reconciliation was underestimated due to weaknesses of the newly installed electronic information systems at country level and a fire at the central medical store in June 2017. In light of these challenges, an independent audit firm was contracted to carry out the reconciliation, including of paper-based records. The Country Team has received the preliminary report on the paper-based reconciliations which indicates that an immaterial proportion of products are not reconcilable. The audit report will be finalized in early September and materials submitted for LFA verification and OIG for review, and thereafter to the Recoveries Committee at its October meeting.</p> <p><b>Target Date: October 2018</b></p>                                                                          |

# In-country Supply Chain

6 long-outstanding AMAs are focused on improving in-country supply chains

|               |                    |                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |            |                                 |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|---------------|--------------------|----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|---------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| GF-OIG-17-008 | Supply chain Audit | Agreed Management Action 1 | The Secretariat shall develop a comprehensive strategy that addresses all the significant supply chain health system issues identified in the in-country supply chain audit. In particular, the strategy will define the Global Fund's scope of responsibility, oversight, and necessary initiatives that must be taken to support the resolution of in-country supply chain challenges. This strategy will take into account proposals detailed in the building resilient systems for health strategy that aims to strengthen and expand the capacity of health systems to address health issues in a sustainable, equitable and effective manner. | 30/06/2018 | Head, Grant Management Division | The Secretariat is implementing a Supply Chain strategy approved by senior management, but in the OIG's view has not sufficiently defined the Global Fund's scope of responsibility and oversight of in-country supply chain in a single clear strategic document.<br><br><b>Target date: October 2018</b>                                                                                                                                                                                                                                |
| GF-OIG-17-008 | Supply chain Audit | Agreed Management Action 4 | The Secretariat will develop a procurement and supply chain management specific assurance framework that lays out principles that will guide country specific assurance under the differentiated approach. The assurance plan will be linked to the Secretariat's broader assurance framework to avoid fragmentation in approach. Assurance plans will be developed for the 12 priority countries.                                                                                                                                                                                                                                                  | 30/06/2018 | Head, Grant Management Division | The Secretariat has developed an integrated framework for risk and assurance and rolled out a Risk and Assurance Handbook and integrated risk management tools. For 11 out of the 12 identified countries the supply chain assurance framework and plan has been finalized, while the remaining country is scheduled to have its plan finalized via the Portfolio Performance Committee. The effectiveness of the plans to address the supply chain issues will be covered in a follow-up audit.<br><br><b>Target Date: December 2018</b> |

# Quality of Services

## Quality of services remains a major challenge

Outstanding AMAs mainly relate to:

- gaps in health information systems and data reliability challenges,
- challenges in monitoring and evaluation systems and establishing integrated and effective supervision at various tiers,
- timely and effective risk and assurance planning.

The AMAs target specific portfolios for which significant progress is still needed to address and close the AMAs. Quality of services regularly features as an issue in many audits, although improved maturity is also noted in other countries.

Program and data quality are two of the risks highlighted in the Operational Risk Register with a number of actions in place or underway to improve them at the strategic level, including:

- Tracking and addressing related risks in the Integrated Risk Module, which includes capacity assessments and mitigating actions, so that program and data quality assurance is integrated with overall risk and assurance planning;
- Establishing the Portfolio Performance Committee to conduct Country Portfolio Reviews and Enterprise Risk Reviews that maximize the impact of Global Fund investments;
- Strengthening in-country review and dialogue with partners;
- Disseminating best practices and practical guidance;
- Promoting differentiated approaches and integrated service delivery models, including at community level;
- Coordinated implementation of national program quality facility assessments;
- Roll-out of the Data Use for Action and Improvement (DUAP) Framework;
- Improving laboratory service quality and optimization of diagnostic networks to find missing TB cases;
- RSSH catalytic funding on integrated service delivery, best practices shared across countries, human resources for health, scaled-up South to South exchange and peer learning; and strengthened governance for cross-program integration and efficiency

S  
e  
c  
r  
e  
t  
a  
r  
i  
a  
t

O  
I  
G

# Quality of Services

Quality of services remains a major challenge

S  
e  
c  
r  
e  
t  
a  
r  
i  
a  
t

|               |                                                                |                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |            |                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---------------|----------------------------------------------------------------|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| GF-OIG-16-002 | Audit of Global Fund Grants to the United Republic of Tanzania | Agreed Management Action 3 | The grants that have been signed and/or will be signed under the new funding model are an opportunity for the Secretariat to work with in-country stakeholders (including technical partners) to find solutions to the quality of service issues that are affecting the grants. Specifically, the Secretariat will: <ul style="list-style-type: none"> <li>a. Work with in country stakeholders to ensure that the quantification and forecasting of malaria medicines and test kits is revisited before additional investments are made. Different quantification methods will be applied and results triangulated to ensure an optimal result.</li> <li>b. Ensure that the Principal Recipient identifies a suitable entity to manage the Co-Payment Mechanism.</li> <li>c. Ensure that the Principal Recipient prepares a supervision and training plan that details the objectives of different types of training and supervision that will be undertaken, specifically addressing the quality of services that are found to be sub-optimal, i.e. the retention of patients on treatment and treatment of malaria patients without diagnosis.</li> </ul> | 30/09/2016 | Grant Management | Parts (a) and (c) have been completed to the satisfaction of the Country Team. This AMA has been fully implemented save for part (b), which requires the Principal Recipient to identify a suitable entity to manage the Co-Payment Mechanism. The CCM has endorsed the Principal Recipient's proposal to keep the Co-Payment Mechanism with the National Malaria Control Program. The OIG has agreed to close this AMA upon recruitment of two additional staff to be supported under the grant and meeting of a task force being established to oversee this component of the grant.<br><br><b>Target date: October 2018</b> |
| GF-OIG-17-028 | Audit of Global Fund Grants to the Republic of Zambia          | Agreed Management Action 2 | The Global Fund Secretariat will work with the Ministry of Health and key stakeholders to finalize the National Monitoring and Evaluation Framework. The framework will guide action to improve the operability of data systems, data accuracy.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 30/04/2018 | Grant Management | The National M&E Framework is a health system-wide framework for Zambia, and is therefore an ambitious project. To date there are drafts prepared of the M&E Plan, the M&E Framework and the proposed road map for finalization. The national framework should be completed by the end of October.<br><br><b>Target date: November 2018</b>                                                                                                                                                                                                                                                                                    |

# Management of High Risk Operating Environments

## Need for guidance enabling effective crisis response

The Secretariat had a limited policy framework to guide or support grant management in high risk environments. This has resulted in inconsistent identification or classification of high risk countries, and in gaps or inconsistencies in response to the identified issues. This includes a lack of systems to track and regularly monitor countries that are under additional safeguards, clear milestones to ease strengthen capacity and controls to allow countries to exit those safeguard conditions, periodic assessment of progress towards those milestones, as well as mechanisms to assess fiscal agent needs and manage their performance and contracts.

Progress has been made:

- The Secretariat has approved an Operational Policy Note for COEs, standardizing identification of COE countries and incorporating related budget requirements in their funding application;
- A crisis room approach is currently under discussion, and has been recently endorsed by the partners, which will build on the existing emergency coordination mechanisms. Processes to coordinate with partners on emergencies are also being developed to ensure consolidated responses;
- Contingency planning for tackling emergencies is being piloted in a country, with work in progress on in-country discussions and approval;
- Systems to track ASP countries have been developed.

Following gaps remain:

- Processes and tools to support contingency planning by grant management and implementers are under development;
- OPN revisions to ensure systematic monitoring and assessment of ASP countries have not yet been affected. With recent changes in risk management OPNs and policy framework, this work stream has to ensure consistency across different policy documents;
- Automated fiscal agent management systems, including need assessment, contract management and performance assessment modules, are part of AIM project deliverables, expected to be completed in Q4 2018.

O  
I  
G

# Management of High Risk Operating Environments

Need for guidance enabling effective crisis response

|               |                                                        |                            |                                                                                                                                                                                                                                                                                                                                                                                                                  |            |                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
|---------------|--------------------------------------------------------|----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| GF-OIG-17-002 | Global Fund Grant Management in High Risk Environments | Agreed Management Action 1 | <p>The Secretariat will develop:</p> <p>a) Operational Policy Note for Challenging Operating Environments (COEs) that clarifies the process for classification of countries as COEs including further sub-classifications and the flexibilities available to the countries and how such flexibilities are approved.</p> <p>b) Guidance for contingency planning for countries facing crisis and emergencies.</p> | 30/06/2017 | Grant Management | <p>A differentiated approach for COEs should allow for faster reprogramming to shift into emergency response. The COE OPN in place since January 2017 provides one avenue for this, requesting CTs present alternative implementation arrangements and operational changes in case of emergencies during TRP approval. For emergencies that are not captured during TRP approval, a crisis room approach is in development as part of the Portfolio Review Committee process. Through an Executive Portfolio Review, Country Teams will be able to present operational changes to grants for more agile response. Input from partners would be included prior to senior management decisions being made. These changes will be included in the Portfolio Performance Committee (PPC) Terms of Reference, which will be updated in September/October 2018.</p> <p>In addition to the above, the COE Support Team developed a contingency planning methodology, based on approaches taken by humanitarian partners. This methodology was piloted in the Central African Republic in June 2018. This operational document aims to provide: i) contextual information, ii) analysis on the humanitarian impact, and iii) proposed actions, mitigating measures and actors to be involved in case of an emergency.</p> <p><b>Target date: November 2018</b></p> |
|---------------|--------------------------------------------------------|----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

# Management of High Risk Operating Environments

Need for guidance enabling effective crisis response

|               |                                                        |                            |                                                                                                                                                                                                                                                                                                                             |            |                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|---------------|--------------------------------------------------------|----------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| GF-OIG-17-002 | Global Fund Grant Management in High Risk Environments | Agreed Management Action 2 | The Secretariat will:<br>a) Develop a system to track countries under the Additional Safeguard Policy (ASP) through its Grant Operational System.<br>b) Update the Operational Policy Note on ASP to clarify the processes for regular monitoring and review of countries under the Policy and revoke it where appropriate. | 31/12/2017 | Grant Management | The first bullet is completed, as ASP is now captured in the new Grant Operating System. The OPN has not yet been revised, however. The Secretariat recognizes the need, as the OPN was last revised well before risk management was integrated with grant management processes, but because risk management at the Global Fund has matured significantly in the interim the Secretariat now prefers to take a holistic view, making implementation of this piece more complex than originally envisaged in the AMA.<br><br><b>Target date: December 2018</b> |
| GF-OIG-17-002 | Global Fund Grant Management in High Risk Environments | Agreed Management Action 4 | The Secretariat will develop an automated fiscal agents management system which will include need assessment, contract management and performance assessment modules.                                                                                                                                                       | 31/12/2017 | FISA             | The implementation of the fiscal agents management system will be through AIM and is expected at the end of the 4th quarter 2018.<br><br><b>Target date: December 2018</b>                                                                                                                                                                                                                                                                                                                                                                                    |

S  
e  
c  
r  
e  
t  
a  
r  
i  
a  
t

# Grant Making Processes

## A 3 year plan for business process and systems improvements remains incomplete

The Secretariat identified systemic enhancements as key actions to address grant-making delays experienced in the 2014-2016 funding cycle. The challenges in these enhancement and integration initiatives may affect the ability to sign future grants on time to support program implementation.

|               |                                                     |                            |                                                                                                                                                                                                                                                                                                                    |            |                  |                                                                                                                                                                                                                                                                                                                                       |
|---------------|-----------------------------------------------------|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| GF-OIG-17-011 | Global Fund Grant Making Processes Follow-up Review | Agreed Management Action 1 | The Secretariat will develop a three-year plan for the implementation of key grant management business process and system improvements. This will ensure such enhancements are started and completed on time. The plan will include the key processes, systems, responsible parties and timelines.                 | 31/12/2017 | Grant Management | <p>This work was deprioritized due to resourcing in favor of work already in progress on AIM and designing and operationalizing the new Grant Operating System, which addresses many of the same issues identified by the OIG.</p> <p><b>Target date: these will be presented to the Board and Committees in October/November</b></p> |
| GF-OIG-17-011 | Global Fund Grant Making Processes Follow-up Review | Agreed Management Action 4 | The Secretariat will communicate to the Board that new Board policies need to comply with timelines defined in the three-year plan to be developed under agreed management action number 1. This entails that policy decisions, which miss the respective cycle deadline, are incorporated in the following cycle. | 31/12/2017 | Grant Management | <p>This work was deprioritized due to resourcing in favor of work already in progress on AIM and designing and operationalizing the new Grant Operating System, which addresses many of the same issues identified by the OIG.</p> <p><b>Target date: these will be presented to the Board and Committees in October/November</b></p> |

# Sourcing Processes

## Improvements needed on drug forecasting and consultant management

Significant progress has been made, particularly in the last two years (5 long outstanding AMAs will get closed in 2017-18, details covered in AMA progress section later).

One long-outstanding AMA now relates to an automated platform to aggregate the individual drugs forecasts for the three diseases. The AMA resulted from lack of a systematic consolidation of drugs demand across portfolios, and required manual aggregation of the requirements while the platform is under development. In late 2017, the Secretariat expressed reservations about the need for an automated platform for this task. The OIG clarified that the key requirement is to develop a systematic process for consolidating all health product forecasts (both PPM and non-PPM), and the AMA can be closed even if the process is manual as long as it generates reliable forecasts. The agreement is that the AMA will be addressed following the ongoing reorganization of Sourcing and Supply Chain functions.

Another outstanding AMA relates to consultant management, and requires clarification of accountabilities and strengthening controls and data systems for determining consulting needs, and their recruitment, performance and contract management. It also requires a detailed cost and benefit analysis for existing long-term consultants, and evaluate staffing and other options.

# Sourcing Processes

## Improvements needed on drug forecasting and consultant management

|               |                                                                                                                                                         |                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |            |      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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 | 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 | FISA | OIG team clarified that this AMA requires a systematic process for consolidating health product forecasts, and the AMA can be closed even if the process is manual, but generates desired forecasts. OIG also clarified that the forecasts needed are for health products in Global Fund grants, and not just PPM component. The two concerned Departments, Sourcing and Supply Chain are currently being reorganized. This AMA will be addressed following the reorganization.<br><br><b>Target Date: TBD</b> |
| GF-OIG-17-016 | Planning and Management of Consultants                                                                                                                  | Audit            | As part of the ongoing Procurement Improvement Plan and Strategic Workforce Planning Initiative, the Secretariat will implement:<br>-detailed guidance and training to business departments on use of consultants, including a process for determining departmental consulting requirements, and analyzing all related options;<br>-process for consolidation of consulting needs, management review and decision-making reporting and oversight;<br>-consultant management process defining roles and responsibilities for key aspects, including resource planning, options analysis, bidding and selection, contract management, compliance monitoring, and performance management;<br>- enhanced controls on contracts-related administrative and contractual requirements;<br>-standard processes for consultant background checks (for individual consultants) and performance checks, and recording their assignment performance in a central repository.<br><br>The Secretariat will also perform an analysis of costs, benefits and risks for existing long-term consultants, and compare them with those for staffing options, to determine the way forward.<br>The new HR software (WorkDay) will record and report all administrative, and contractual information on consultants and the Secretariat will explore options to enhance GFS to enable, in sync with WorkDay, automated extraction and analysis of critical consultant data for strategic decision-making. | 31/03/2018 | FISA | The Sourcing Department is currently being reorganized. This AMA will be addressed following the reorganization.<br><br><b>Target Date: TBD</b>                                                                                                                                                                                                                                                                                                                                                                |

## Key Long Outstanding AMAs closed during the year

Significant progress on risk management, CCMs and Sourcing

# Risk management processes

## Good progress on design improvements, all long outstanding AMAs closed.

Risk management historically had a heavy backload of outstanding AMAs. These AMA's required the Risk team to:

- Develop and operationalize organizational risk appetite, to guide portfolio-level risk decisions;
- Improve risk tools for ensuring continuous risk management from initial capacity assessment throughout the grant cycle, improve alignment of risks and assurances, and ensure interlinkages of various tools;
- Streamline assurance planning and execution throughout the portfolios;
- Prioritize and review organizational processes against COSO framework and enhance COSO compliance;
- Improve accountability and systematic escalation of risks (including re-initiating risk committee discussions and clearly taking risk acceptance decisions, and embed controls to ensure risk involvement in key portfolio decisions (e.g. disbursements).

Risk has closed 17 AMAs in the last three years, including 5 AMAs in 2017, and 5 more in 2018. Significant progress has been made in the following areas:

- Integrated Risk Management (IRM) module has been rolled out, aligning and linking contents of various risk tools (e.g. CAT, QUART, risk tracker, key risk matrix etc.);
- 20 core organizational processes were identified and have completed COSO compliance reviews. Gaps are being addressed through gradual policy, process and system revisions;
- Accountability and Escalation framework has been revised and risk-related roles have been clarified. Risk roles have been incorporated in staff objectives;
- Risk appetite for 9 organizational risks have been presented and approved by the Board. Operationalization is underway;
- Risk Management OPN has been revised. Key controls have been instituted, e.g. no-objection review by Risk Office before annual funding decisions are finalized;
- Following Risk and Assurance pilot in six countries, risk and assurance is being scaled up and an Assurance Handbook, tools and guidance on choices have been developed (e.g. partners-provided assessments, audits etc.);
- Operational Risk Committee terms of reference were revised, presentations and outputs were standardized, and rollout is gradually being expanded to the entire portfolio. The recent committee outputs are more rigorous, and clearly stipulate risk acceptance and other decisions. ORC has since transitioned to more comprehensive country portfolio reviews through Portfolio Performance Committee, with more involvement from in-country stakeholders.

The actual effectiveness of all these initiatives will be reviewed through a follow-up audit in 2020 (leaving sufficient time for full implementation and embedding).

# CCM processes

## CCM Evolution project has progressed satisfactorily

OIG audit from 2016 had six CCM related AMAs, requiring the following:

- differentiate CCM policies and tools, including CCM eligibility, performance management, budgeting and reporting, and clarify accountabilities for all involved (CCM Hub, Country Teams, CRG and Access to Funding);
- develop a mechanism to strengthen CCM oversight, clarify the extent of CCM oversight on portfolios, and explore ways to enhance engagement of CCM members;
- devise a structured process to evaluate the readiness, willingness, and possible gains from CCM integration into national systems, and enhancing their functions beyond Global Fund;
- strengthen conflict of interest management of CCMs by developing and rolling out principles;
- develop a plan to enhance civil society and key population engagement and accountability in CCMs;
- Develop principles and policies for evaluating the need for continuing CCMs or alternative mechanisms post-transition along with alternative options.

All AMAs have now been closed. CCM evaluation project considered four options (Intermediate, Status Quo, Moderate and Ambitious), depending on targets and investments, and the “Intermediate” option was eventually adopted. Key steps under this option include the following:

O  
I  
G

- CCM Secretariats will be given an “Oversight Officer” (if not already the case). A consultant will be provided to support the CCM Oversight Committee. Tools will be provided to CCMs to ensure proper oversight function (including follow up on Risk assurance plan);
- CCM will be supported through TA to analyze existing coordinating platforms on three diseases in countries, meet them and agree on division of roles and deliverables, design future coordination platform, including involvement of civil societies;
- CCM Code of Conduct has been developed and will be operationalized over next three years, including training and certifying CCM members, and appointing an Ethics Focal Point, and expanding COI Eligibility Requirements to include broader ethics requirements;
- CCMs role will be enhanced to include sustainability and transition for 16 prioritized countries, including supporting CCMs in analysing existing CCM functions and how they can be streamlined in a future coordination and knowledge sharing platform.

# Sourcing Processes

Most AMAs closed, but structural and embedding challenges remain.

Previous audits and follow-ups since 2014 led to multiple, complex agreed actions on Sourcing. These included actions to address the following main themes:

- Identify and implement appropriate departmental structure and reporting lines, clarifying roles and accountabilities, and strengthen operational capacity;
- Improve and rollout procurement framework to improve internal controls and to reduce the historical pervasive use of exceptions to competition;
- Improving performance monitoring and reporting of the Sourcing function by enhancing KPIs and their reporting;
- Improve contract and performance management of suppliers and contractors.

Significant progress has been made, particularly in the last two years (5 long outstanding AMAs will get closed in 2017-18):

- Since October 2017, a revised Procurement Framework (Policy, Regulations and Procedures) has clarified policies, strengthened controls on exceptions to competition, and staff have been trained, followed by rollout. Exceptions to competition have already registered significant decrease;
- Procurement Improvement Plan and Accountability Framework have clarified roles, responsibilities and accountabilities. Key procurement targets have been cascaded to staff objectives;
- Methodologies and approaches for calculating key performance indicators have been defined, and KPI reporting has significantly improved. Data for calculating KPIs has completeness issues, so some KPI results are based on limited quantum of procurements, but challenges are known at the Board;
- Contract and performance management of Procurement Agents (health products) and other suppliers, has improved on ongoing monitoring of supplier performance issues.

However, the following gaps remain:

- High level departmental structure for Sourcing and Supply Chain has been developed, but specific details, reporting lines, staffing, and embedding of processes remain work in progress;
- While exceptions to competition and compliance issues have reduced, gaps still exist. Some controls, mainly MEC oversight of non-competitive procurements, are outstanding. New AMAs from the recently concluded Sourcing Follow-up will track these outstanding components of historical AMAs;
- Gaps also remain in contract and performance management for suppliers. This will also be tracked through new Sourcing Follow-up AMAs.

# Grant Closure Processes

## Ongoing progress on grant compliance oversight and asset management guidance

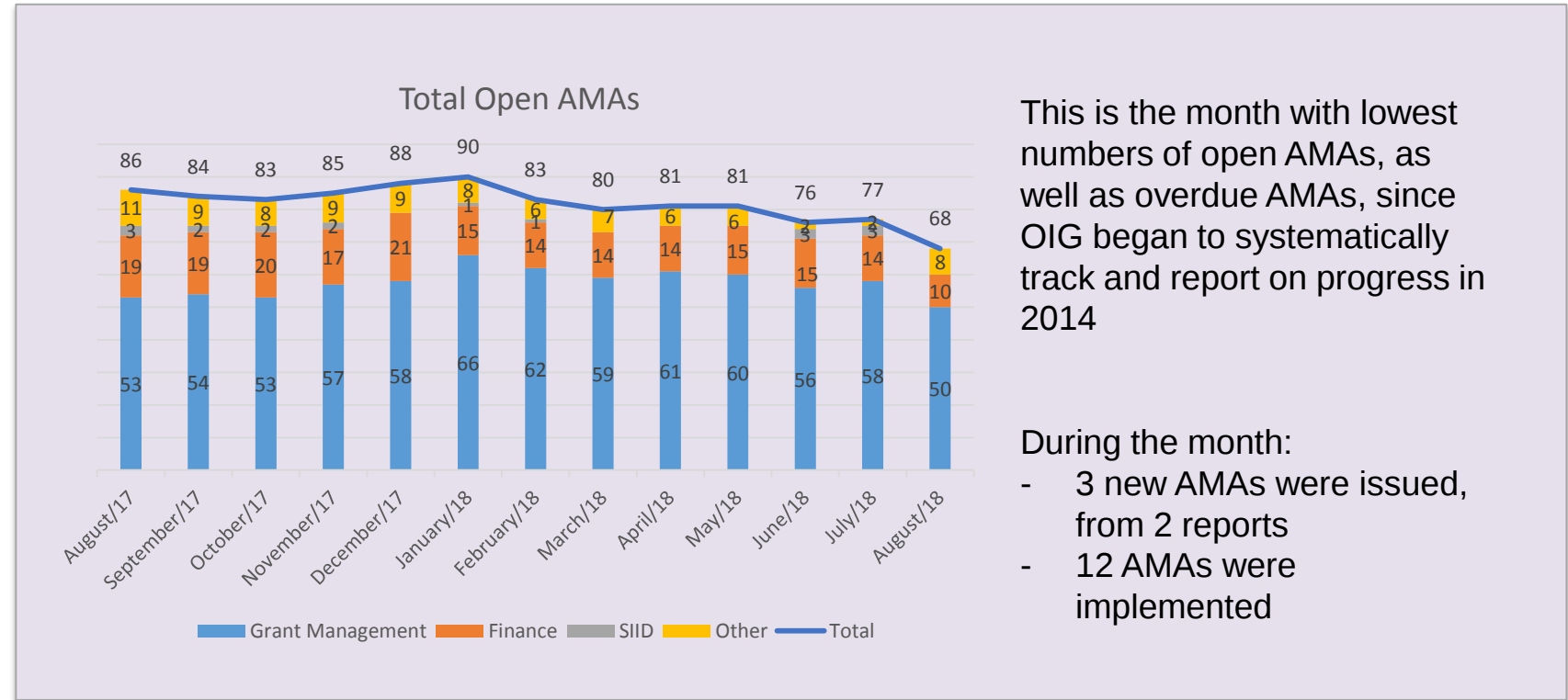
- Grant closure systems have historically had compliance issues: weak reporting, unclear accountability for grant closure, and weak monitoring of unfulfilled requirements while grants were administratively closed.
- There was also no specific guidance over asset management during the grant period and upon grant closure.

These gaps led to delays in grant closure, weak controls over the use of assets, and grants closed with some/ all recoverable amounts outstanding.

The Secretariat has finalized a revised OPN and policy on grant closure. It sets out clear asset management requirements, has clarified risk-based approach for grant closure (e.g. waivers of outstanding amounts, types of management approvals and thresholds), and has clarified accountability and reporting. The AMAs have been closed, and effectiveness in addressing historical delays in grant closure and other compliance gaps can be covered through a follow-up, once the revisions are implemented.

# Total Open AMAs

O  
I  
G



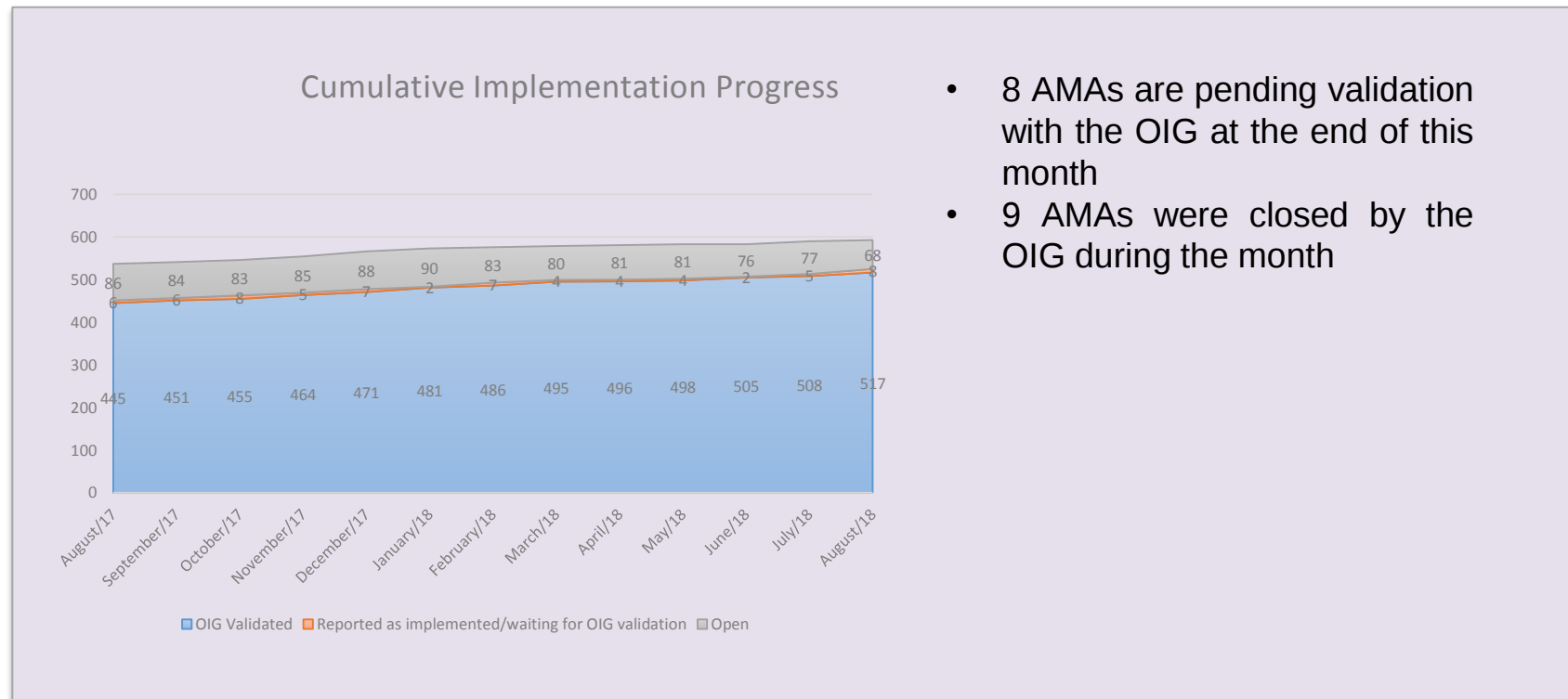
This is the month with lowest numbers of open AMAs, as well as overdue AMAs, since OIG began to systematically track and report on progress in 2014

During the month:

- 3 new AMAs were issued, from 2 reports
- 12 AMAs were implemented

# Cumulative AMA Implementation Progress

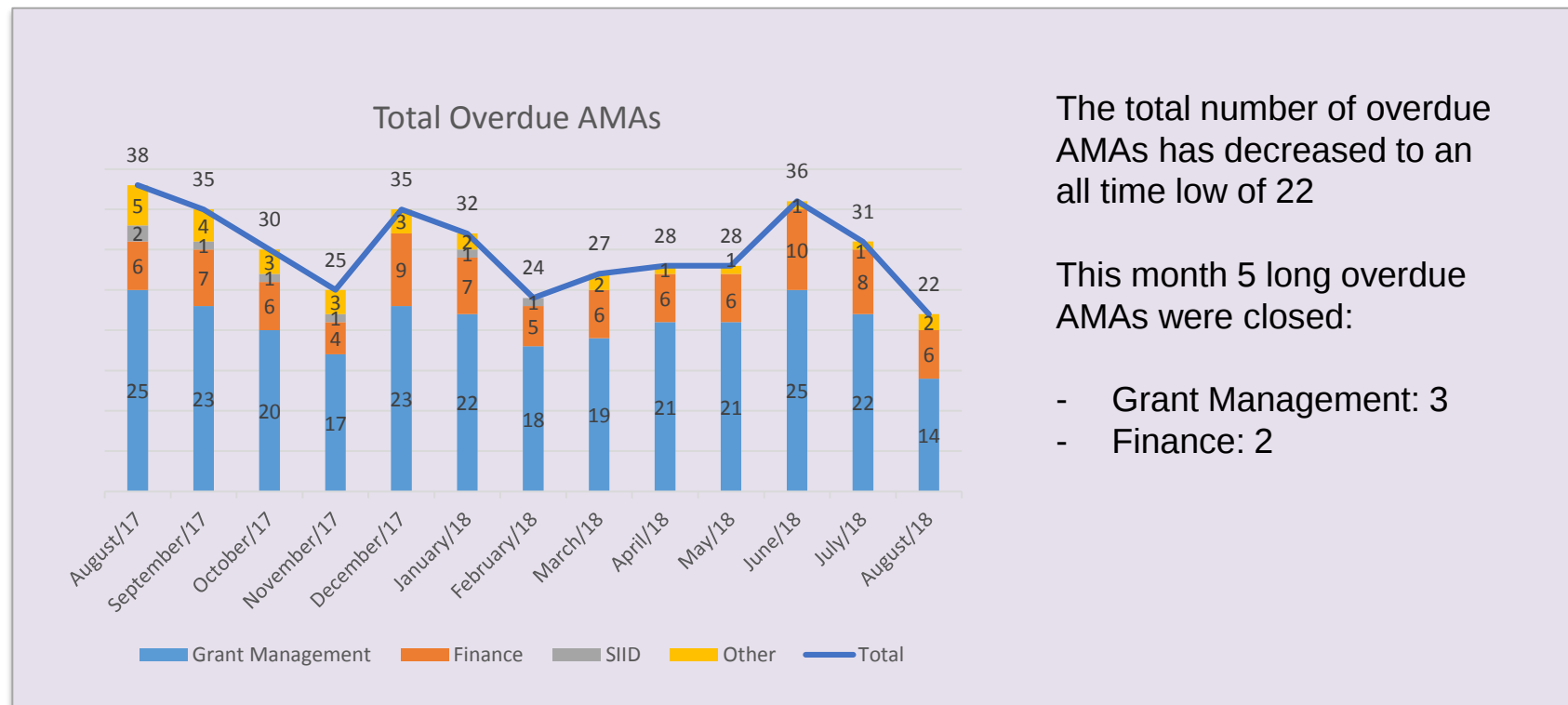
O  
I  
G



- 8 AMAs are pending validation with the OIG at the end of this month
- 9 AMAs were closed by the OIG during the month

# Total Overdue AMAs

O  
I  
G



The total number of overdue AMAs has decreased to an all time low of 22

This month 5 long overdue AMAs were closed:

- Grant Management: 3
- Finance: 2