

## **LFA Terms of Reference**

### **Reviews relating to CCM Funding**

#### **I. Background: CCM funding**

Country Coordinating Mechanisms (CCMs) are a key player in the Global Fund architecture (including their central role in funding requests development and submission and grant oversight) as outlined in the Global Fund's Framework Document. In order to fulfill their responsibilities, CCMs inevitably incur administrative costs and may not have the independent resources to cover these costs.

The Global Fund has established a separate pool of funds to finance CCM costs through a direct line item in the Secretariat's budget. CCMs may not draw directly from approved disease or HSS grant funds to support CCM costs. The purpose of the CCM Funding Policy is to enable CCMs to meet their intended purpose and role as defined in the *Guidelines and Requirements for Country Coordinating Mechanisms*.<sup>1</sup>

CCMs (or other national bodies that meet the minimum CCM eligibility requirements and have taken on the role and function of the CCM) may receive funding as long as there is at least one active grant under implementation. A grant is considered active through to the end of grant closure.

CCM funding requests will cover eligible costs usually for a two-year period (e.g. costs related to human resources, office and meeting expenses, consultancy fees and communication and information dissemination).

In reviewing a request for CCM funding, the Global Fund Secretariat will determine whether the activities proposed by the CCM are justifiable and within the scope of the Board policy on CCM funding; and whether the costs to be supported are consistent with local operating costs.

Where the CCM is not an incorporated body or separate legal entity, the CCM will have to nominate another legal entity to receive and distribute funds and manage the account. This commitment will be documented in a short agreement and signed by an authorized representative of the CCM.

For further information, please refer to the *Guidelines for CCM Funding*<sup>2</sup>.

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<sup>1</sup> Please refer to the Global Fund website and the dedicated section on Country Coordinating Mechanism <http://www.theglobalfund.org/en/ccm/>

<sup>2</sup> Available on the Global Fund website <http://www.theglobalfund.org/en/ccm/funding/>

## II. LFA role in reviews relating to CCM funding

The Local Fund Agent (LFA) may be asked to perform reviews and verifications related to CCM funding. The requested services may include bank account verification if the bank account has changed or is new to the Global Fund system, verification that the funding recipient is a legal entity (in case of a new funding recipient) or in some instances a detailed verification of the funding request or expenditure reports.

The LFA shall undertake this work relating to a specific CCM funding agreement upon receipt of a written request by the Fund Portfolio Manager / Country Team. The sections below provide guidance to the LFA for areas that might be covered during the verification and reviews. The LFA must agree with the Global Fund the exact scope of work and associated Level of Effort before commencement of the work. The Level of Effort and associated budget will be integrated into the respective country's annual LFA work plan.

Delivery schedules for the LFA review recommendations will vary depending on the type of review/verification requested. Bank account verification might for example be requested to be provided within three working days, while a review of a CCM expenditure report may be expected within ten working days from receipt of the relevant documents. Specific reporting deadlines in each case need to be agreed between the LFA and the Fund Portfolio Manager / Country Team.

In conducting the review, the LFA will refer to the CCM funding guidelines and associated documents as well as grant related documents such as the guidelines for budgeting available on the Global Fund website.<sup>3</sup>

The review and verification methodology applied by the LFA for work relating to CCM funding should be similar to that used for grant reviews. It should consider and be relative to the size of the CCM funding and the risks identified by the LFA.

For example, when reviewing the CCM budget and/or expenditures, the LFA is expected to use its professional judgment in determining the materiality and the basis for selection and in-depth review of certain items rather than others. Furthermore, in agreement with the Country Team, LFAs should adapt a risk-based approach focusing their review on areas of the budget that may be prone to fraud/abuse and outline in its assessment/verification reports what is considered material and the areas of risk it identified as the basis of its work undertaken.

CCM funding requests and yearly expenditure reports are submitted in an online tool. The Country Team can share the funding request and/or expenditure report with the LFA as a pdf file. If the LFA is requested to review information provided by the CCM in the online tool, access for the LFA and the associated password will need to be requested via the Country Team. Comments made within the online tool are visible to all users with access to the CCM funding request and report concerned.

<sup>3</sup> See <http://www.theglobalfund.org/en/documents/operational/>

### III. LFA verification that the funding recipient is a legal entity

At the request of the Global Fund, the LFA may carry out the following tasks:

1. Verify that the CCM funding recipient is a separate legal entity. If the recipient entity is the CCM, confirm that the CCM is a legal entity. Where the CCM is not a legal entity, the LFA shall verify that the recipient entity proposed by the CCM is a separate legal entity and already an administrator of funds; that the bank account details provided belong to the recipient entity and that the recipient entity's contact information provided in the CCM funding request is accurate. Where the recipient entity for CCM funding is also the Principal Recipient of Global Fund grant funds, the LFA shall assess the potential risk of conflict of interest and provide recommendations to the Global Fund as to how such conflict of interest can be mitigated or managed in order to safeguard the integrity and independence of the CCM in performing the governance function (for example, decision making related to access to funds, changes of implementation arrangements, selection or financing of Principal Recipients or sub-recipients, technical support to other Principal Recipients, etc.).
2. Review information provided by CCMs in the CCM funding application form regarding the systems and controls to be used to manage the funds. The LFA will comment if the systems are adequate to administer the proposed CCM funding, make recommendations for strengthening the systems, or recommend that another recipient entity be selected to manage the funding on behalf of the CCM.

### IV. LFA verification of bank account information

3. When requested to conduct a bank account information verification for purposes of CCM funding, the LFA should follow the same procedures and guidance as for the verification of bank account information for a grant.<sup>4</sup>

### V. LFA review of CCM funding request

At the request of the Global Fund, the LFA may be engaged in verification of the following:

4. The CCM funding request does not duplicate funding provided by other donors.
5. The budget is arithmetically accurate.
6. All budget items and planned activities are eligible and within the cost categories set out in the guidelines for CCM funding.
7. Unit costs are realistic and consistent with local operating costs.
8. The number of staff positions funded by the Global Fund doesn't exceed what is specified in the guidelines. Salary levels for CCM Secretariat staff are reasonable and in line with national salary scales. The gross salaries include the value of benefits that is

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<sup>4</sup> Available on the Global Fund website <http://www.theglobalfund.org/en/lfa/documents/>

commensurate to a similar level/position granted in the country (e.g. family health insurance, pension fund, income tax, transport, gratuity, etc.).

9. The CCM contact information is correct.
10. All CCM members have signed the request for funding.
11. Review that the systems/methods to be used during the implementation of the CCM funding are adequate to collect and report data related to the selected indicator(s) for CCM performance as per the Performance Framework proposed as a part of the CCM funding application.
12. Verify that baselines and targets set by the CCM for each indicator in the performance framework are accurate, measurable and realistic.
13. Comment whether the budget is reasonable for the planned activities.
14. For budgets exceeding US\$ 200,000 for the two year CCM funding period, verify that – in line with the CCM funding guidelines - the CCM has mobilized at a minimum 20% of the amount exceeding US\$ 200,000 from sources other than the Global Fund for the same budget period.
15. Comment whether any proposed revision to the budget is reasonable and based on the implementation realities during the initial period of the CCM funding application.
16. Based on its verification findings, the LFA shall make recommendations, including a total budget amount.

## **VI. LFA review of CCM expenditure report and disbursement request**

When requested to review a CCM expenditure report, the LFA may conduct the following checks:

17. Activities reported are consistent with activities indicated in the signed CCM funding agreement.
18. Expenditures in the reporting period were correctly recorded and supporting evidence is adequately documented.
19. Funds have been appropriately spent, in line with the CCM funding policy and the approved budget.
20. Budget variances for the reporting period have been adequately explained.
21. The CCM funding report is arithmetically accurate.
22. The cash reconciliation is correctly calculated.
23. The cash balance of CCM funds at the time of the review.

24. Review the CCM progress update and activity report to confirm that the activities are in line with the set work plan.
25. Review variances between intended targets and results; check whether they are correctly calculated and adequately explained.
26. Verify that the mobilized co-payments have been made available to the CCM (applicable to funding above US\$200,000 for the two year CCM funding period).
27. If applicable, the planned costs for the remaining funding period have been reasonably estimated (based on available implementation rates and the utilization level of year one disbursed funds) as per the approved budget and work plan.
28. The CCM disbursement request has been calculated correctly and does not exceed the approved total two-year funding amount.
29. The CCM disbursement request does not duplicate funding provided by other donors.
30. Provide any relevant additional comments and feedback from the review and verification process.
31. Highlight areas of concern and make relevant recommendations to be considered by the Global Fund when determining the approval of subsequent funding and disbursement.