

Agreed Management Actions Progress Report

46th Board Meeting
8-10 November 2021, *Virtual*

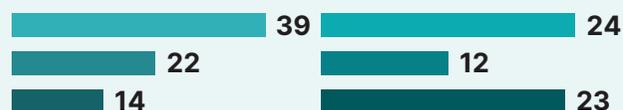
GF/B46/18

Situation as of 30 September 2021

Open AMAs, Status

May '21: Total of 75

Sept '21: Total of 59



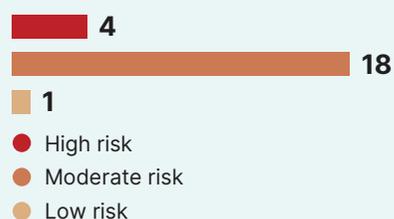
- Not overdue
- Overdue
- Long-overdue (+180 days)

Open AMAs, Risk Categories



- Financial/Fiduciary
- Health Services, Products
- Governance, Oversight, Management
- Programatic Performance

OIG risk rating, long-overdue AMAs*



- High risk
- Moderate risk
- Low risk

This report:

- ▶ **Presents trends in AMA completion**
- ▶ **Analyzes risks posed by high-risk overdue AMAs for Board attention**



Progress in addressing AMAs

- ▶ Total open AMAs have reduced by 16 (75 in May '21 to 59 in Sept' 21). This is due to a concerted effort to close 27 AMAs, the majority of which related to the Grant Management Division.
- ▶ 16 of the 27 AMAs closed were long-overdue, including the high-risk AMA previously reported to the Board on a framework for sexual exploitation, abuse and harassment.
- ▶ COVID-19 disruptions, competing priorities in signing new grants, and challenges in selecting implementers continue to hinder the Secretariat's ability to implement AMAs that require extensive engagement with in-country implementers. As such, long-overdue AMAs increased from 14 (May '21) to 23 (Sept '21).
- ▶ Four of the 23 long-overdue AMAs pose high risk.



Status of previously prioritized, high-risk AMAs

- ▶ In July 2021, the OIG highlighted four high-risk AMAs to the Audit and Finance Committee.
- ▶ Since then, one of the four has been closed (the SEAH AMA mentioned above).
- ▶ Two have made good progress (Managing investments in RSSH, TB procurements through the Global Drug Facility), resulting in their risk levels reducing to Moderate.
- ▶ The risk relating to the Integrity Due Diligence AMA remains high, with little progress made.



Four long-overdue AMAs pose high risks to the organization*

In addition to the AMA on the rollout of Integrity Due Diligence at country level, this report highlights the following long-overdue actions:

- ▶ Assurance over grants managed by International Non-Government Organizations.
- ▶ Mozambique: Actions to address low retention rates of patients on antiretroviral medicine.
- ▶ Nigeria: CCM Roles and responsibilities for countries under Additional Safeguard Policies.

1. Integrity due diligence

HIGH RISK LONG-OVERDUE AMA

**GF-OIG-19-016, Audit of
Managing Ethics and Integrity
at the Global Fund, AMA 6**

- ▶ Complete the roll-out of the IDD project, such that a risk-based approach is applied to all Global Fund counterparties, including implementers and suppliers.

▶ OWNER: **NICK JACKSON**
DUE DATE: **30.06.2020**
(400+ DAYS OVERDUE)



What progress has been made in closing this AMA?

The Secretariat has developed and deployed a risk-based integrity due diligence (“IDD”) approach for most counterparty groups. This accountability matrix for staff, consultants, suppliers, private sector partners and GF governance officials is approved and operational. Some progress has also been made in addressing IDD risks for the largest stakeholder group - grant implementers. A process is now in place to perform due diligence checks on PR entities and signatories as well as reactive enhanced due diligence at lower tiers of implementation. Due diligence requirements for implementers have also been incorporated in the recently developed sexual exploitation, abuse and harassment framework.

What remains to be done?

The Secretariat has not made any major progress on this AMA. The organization has not agreed on an approach for IDD checks and controls at the grant level, where material risks exist. This is the most substantive action, and the AMA cannot be closed until there is organizational alignment on the approach to IDD in relation to implementers, as part of a broader approach in addressing misconduct at grant level. The Ethics Office had previously drafted a proposal that revises implementer accountabilities to include the performance of due diligence on third parties that they contract, including sub-recipients; however this has yet to be reviewed and approved by the Management Executive Committee, and subsequently operationalized.

POTENTIAL LOSS OF IMPACT AND RISKS TO THE ORGANIZATION



Ethical, Integrity: without this framework, the Secretariat is limited in its ability to identify, monitor and mitigate Ethics and Integrity risks at implementer level. Implementers may act in contravention of the Global Fund’s Codes of Conduct or applicable policies on ethical behavior and conduct. In terms of the organizational corporate risk register, this risk is linked to *SEAH and Misconduct* risk which is rated as *High*.



Financial: donor funding could be at risk if the organization cannot demonstrate that it has taken concrete actions on priority risks such as ensuring the integrity of implementers. This is related to the *Future of Funding* risk in the organizational risk register, rated as *Moderate* and on an increasing trend.



Reputational: activities carried out by Global Fund implementers represent core operations of the organization. Implementers operate across various geographies and political contexts with different risk profiles, and inadequate IDD of implementers could expose the organization to reputational risks, which are rated as *High* in the organizational risk register.

2. Assurance arrangements over grants managed by International Non-Government Organizations (INGOs)

HIGH RISK LONG-OVERDUE AMA

GF-OIG-19-006, Global Fund Grants in the Democratic Republic of Congo: Tender manipulation and overpricing in Malaria grant, AMA 4

▶ Part 2: The Global Fund will review assurance arrangements with other international non-governmental organizations to determine whether revisions are required to their respective assurance arrangements and/or framework agreements, and will develop a plan to implement any revisions identified.

▶ OWNER: **RAHUL SINGHAL**
DUE DATE: **31.12.2020**
(250+ DAYS OVERDUE)



What progress has been made in closing this AMA?

International non-governmental organizations manage Global Fund grants in at least 30 countries (including in relatively high-risk environments), amounting to US\$1.3bn in NFM3 funding. The Risk Department along with Finance and Grant Management Division have completed assessments for four INGOs (Save the Children, World Vision, Plan International and Catholic Relief Services) and these focused on the INGOs' assurance arrangements and internal controls around four functional areas: (i) Governance; (ii) Programmatic and M&E; (iii) Financial Management and (iv) Health Product Management. In September 2021 the assessment reports were shared with the respective INGOs for further consultation and agreement.

What remains to be done?

The Secretariat is yet to reach alignment with the INGOs on the outcome of the assessments, including recommendations for course correction and deadlines for implementation. The AMA cannot be closed until the results of the assessment are translated into clear action plans to address the weaknesses identified. This is expected to include roles and responsibilities for overseeing the implementation of the agreed actions.

POTENTIAL LOSS OF IMPACT AND RISKS TO THE ORGANIZATION



Financial and Fiduciary Risk: Inadequate assurance arrangements at INGOs could potentially result in misuse of funds to the organization, given the sub-optimal internal control environments of the implementers. The assessment reports identify gaps and opportunities for improving the design and operational effectiveness of financial controls. *Financial & Fiduciary Risk* is rated as *High* in the organizational risk register, with an increasing trend.



Reputational: inadequate assurance mechanisms for programs implemented by INGOs can result in significant internal control weaknesses not being detected, leading to sub-optimal program quality or misuse of funds (as was noted in the DRC OIG Investigation report). As INGOs play a critical role in the implementation of GF-funded programs, such instances can harm the GF reputation and its ability to effectively manage the implementing partners it works with. This is related to *Reputation* risk in the organizational risk register, rated as *High*.



Programmatic: The absence of adequate and effective assurance controls affects the quality of program delivery, as sub-optimal service delivery, wastage and efficiencies may go undetected. All four INGO assessment reports noted gaps in programmatic assurance, absence of mechanisms for program quality assessments, and opportunities for M&E system strengthening. *Program Quality* for all three diseases is rated as *High* (*Very High* for TB) in the organizational risk register.

3. Mozambique: national sample-based study to track lost-to-follow up cases on anti-retroviral treatment

HIGH RISK LONG-OVERDUE AMA

GF-OIG-17-006, Audit of Global Fund Grants to Mozambique, AMA 1

▶ The Secretariat and partners will conduct a national, sample-based follow-up study to track and determine the status of lost-to-follow-up cases of people on anti-retroviral treatment in selected sites.

▶ OWNER: **MARK EDINGTON**
DUE DATE: **31.12.2018**
(1,000+ DAYS OVERDUE)



What progress has been made in closing this AMA?

The implementation of this AMA was affected by Partner funding issues and the Covid-19 pandemic. The methodology for the required study of lost to follow up patients on anti retroviral treatment was completed in 2019 and in-country ethical approval obtained in early 2020. The study, which focused on the root causes for the low retention of patients on anti retroviral treatment, was completed in August 2021.

What remains to be done?

The outcomes of the study, and key actions to improve ARV retention rates in the country, are still being developed. The Grant Management Country Team, in collaboration with the Technical Assistance & Partnerships team, is engaging with in-country implementers to develop a roadmap to improve retention of patients on anti-retroviral treatment.

A 2017 OIG audit reported that only 66% of patients on anti-retroviral therapy in the country were retained on treatment after 12 months. This had marginally increased to 67% as of 2020 against the WHO benchmark retention rate of at least 90% for national HIV programs, indicating challenges still exist. This AMA cannot be closed until the roadmap is developed, which is expected to be before the end of 2021. The OIG is currently performing an audit of GF grants to Mozambique and the design and effectiveness of programmatic implementation, which will include detailed review of ARV coverage and retention rates.

POTENTIAL LOSS OF IMPACT AND RISKS TO THE ORGANIZATION



Programmatic: Inability to keep patients on treatment could reduce the overall outcome and impact of Global Fund investments in the country. Retention of patients on anti-retroviral treatment across Global Fund Portfolios could be further worsened by the COVID-19 pandemic. This is linked to HIV *Program Quality* in the organizational risk register, rated as *High*.



Value for money: Initiating patients on anti-retroviral treatment involves many activities that are supported by Global Fund grants. Losing at least one in five patients after 12 months of initiation (using the WHO set benchmark) affects efficiency and effectiveness of grant resources.

4. Nigeria: CCM Roles and responsibilities for countries under Additional Safeguard Policy

HIGH RISK LONG-OVERDUE AMA

GF-OIG-18-005, Follow-up
Audit of Grants to Nigeria,
AMA 1

► The Secretariat will submit to the relevant Board committee revised guidance on CCM roles and responsibilities for countries under Additional Safeguard Policy. Based on the approved guidance, the Secretariat will set specific expectations for the Nigeria CCM.

► OWNER: MARK EDINGTON
DUE DATE: 31.12.2018
(1,000+ DAYS OVERDUE)



What progress has been made in closing this AMA?

Revised guidance on Country Coordinating Mechanism (CCM) roles and responsibilities for countries under Additional Safeguard Policy (ASP) was submitted and approved by the Board in early 2019. In late 2020 and 2021, the Secretariat prioritized the new funding cycle, work on C19 response and program adaptations. In 2021, the Secretariat developed a roadmap for potential exit from the ASP. Several inputs went into the development of the roadmap, including consultation with key stakeholders in Nigeria (including CCM, Government and Partners) through an ASP survey. The roadmap includes actions to be implemented by the various stakeholders in Nigeria, including the CCM and the Government of Nigeria.

What remains to be done?

The Nigeria portfolio has been under ASP since 2016 without an approved road map for potential exit, contrary to the Secretariat's operational guidelines. The roadmap prepared by the Secretariat is at advanced stage and expected to be approved by Senior Management. After the internal approval, the Country Team is expected to engage with the CCM Nigeria and the relevant Government authority to approve the roadmap. An approach for monitoring and verifying milestones will have to be agreed between all relevant stakeholders. The Secretariat anticipates to conclude negotiations by the end of 2021.

POTENTIAL LOSS OF IMPACT AND RISKS TO THE ORGANIZATION



In-country governance: Unclear roles and responsibilities for CCMs under the ASP, and the lack of an exit strategy, could result in the CCM being unable to provide governance and oversight for implementers selected by the Global Fund, and hold them accountable for performance. In-country Governance is rated as *Moderate* on the organizational risk register, however on an increasing trend.



Reputational: The ASP enables grant implementation in challenging environments. It also helps in mitigating fiduciary and programmatic risks and transitioning from it need to be managed carefully. However, it could be seen as limiting country ownership if a road map to gradually transition from ASP is not agreed between the Global Fund and the Country.

Annex 1:

OIG Methodology for Classifying and Selecting High-Risk AMAs

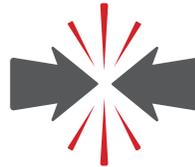
The OIG considers the following factors when considering AMAs to highlight to the AFC/Board:

POTENTIAL LOSS OF IMPACT



RISK

- ▶ How significant is the risk which the AMA addresses?



IMPACT

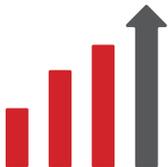
- ▶ Could the issue which the AMA addresses, if realized, have significant impact (programmatic, financial, reputational, etc)?



STRATEGIC IMPORTANCE

- ▶ Does the AMA relate to a significant strategic priority or initiative?

MITIGATING MEASURES



PROGRESS

- ▶ The extent to which the rate of implementation of the AMA has reduced the initial risks identified OR existence of alternative mitigation measures.



CONTEXT

- ▶ Quality of routine updates provided by the Secretariat, including underlying evidence.
- ▶ Secretariat's leverage in addressing the AMA.
- ▶ Continuous relevance of the AMA.