Status Update on Implementation of Agreed Management Actions

The purpose of this report is to give the Board an update on Agreed Management Actions.

The Global Fund

Office of the Inspector General

I. Executive summary

The OIG reports to the Management Executive Committee monthly on the progress towards the implementation of Agreed Management Actions (AMAs). This report shows the current situation, and highlights monthly changes as well as trends since 16 December 2014, the point at which this data was last reported to the Board (GF/B33/08). A Secretariat's management response to this report is included in Appendix B to this report.

Since the last update to the Board, significant progress has taken place: 66 AMAs were implemented and closed while 68 new AMAs were issued. However, the total number of overdue AMAs and the proportion of overdue AMAs have both increased.

51% of the open AMAs are currently overdue. This ratio stood at 49% in December 2014.

Overall, while meaningful effort is devoted to implementing AMAs, the current pace is not sufficient to further reduce the number of overdue AMAs.

The OIG's key concern at this point is the long overdue AMAs (13 are >180 days overdue), as they relate to key risk areas identified by the OIG and relate to the following areas:

- reviewing and improving the risk management processes and methodologies, including QUART, ORM and capacity assessment tools (4 AMAs);

- inculcating a culture of risk accountability and transparency through the work of the Risk & Assurance working group (3 AMAs);

- establishing a decision making and accountability framework (1 AMA);

- strengthening data governance and document management (1 AMA);

- completing grant closures (2 AMAs); and

- improving in-country procurement quantification and forecasting (2 AMA).

These are cross-cutting issues that warrant being satisfactorily addressed in a timely manner. We recognize that many of these AMAs are quite broad and complex in scope, and relate to long standing and deeply rooted systems and policy issues.

The OIG and the Secretariat undertook a review and consolidation exercise in the spring of 2014 to review all legacy recommendations and establish formalized tracking of AMA implementation. As a result, some recommendations speaking to the same root cause were grouped into a single AMA, which ended up broader in scope than would usually be expected from AMAs.

A number of the long overdue AMAs are a result of this process. As such, it is acknowledged they require more work, typically through cross cutting systems and process adjustments, and that their full implementation requires more subjective judgment. Recognizing this broader scope, the OIG and the Secretariat are in agreement that more work is required before these can be considered implemented.

Yet, the fact that these fundamental issues have not been satisfactorily addressed to date is a concern.

The OIG has now significantly lowered its target time to review and close AMAs implemented by the Secretariat from 90 to 30 days, given the progress it has made in validating and closing AMA reported as implemented (see Table 2 below).

01 Open AMAs

Since December 2014, the OIG has issued 68 new AMAs and closed 66 (excluding AMAs related to recoveries). The total number of open AMAs remains slightly higher than at the beginning of the year.

Grant Management, as the owner of most new AMAs, has also in turn made efforts to address the number of open AMAs (10 of the 13 AMAs implemented in the past month were done by Grant Management).

Other units in the Secretariat have seen less recent movement (see Table 1 for breakdown of outstanding AMAs across Secretariat business units). An equilibrium on the number of open recommendations may have been reached, and the number of open and not overdue recommendations is not in itself concerning.

As detailed in section 02 below however, the number of overdue AMAs in those open recommendations is concerning.

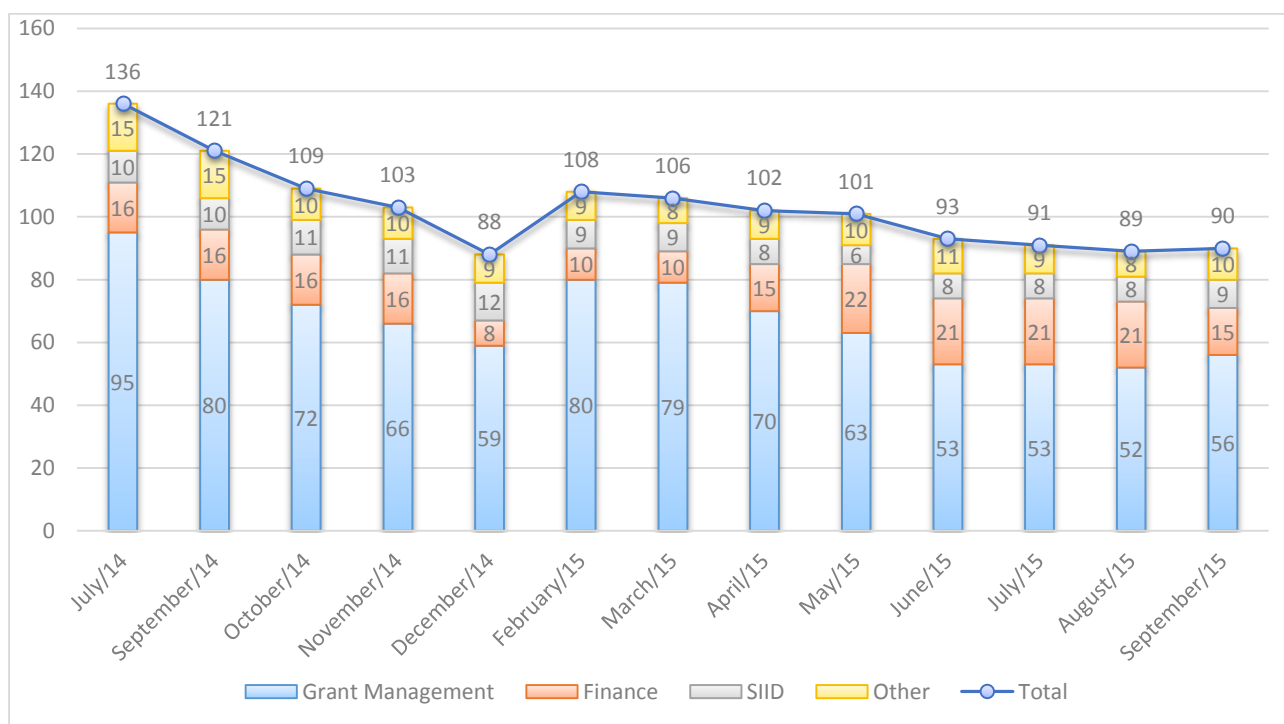*Table 1: Total open AMAs (excluding recoveries)*

Table 2: Cumulative AMA implementation and validation progress (excluding recoveries)
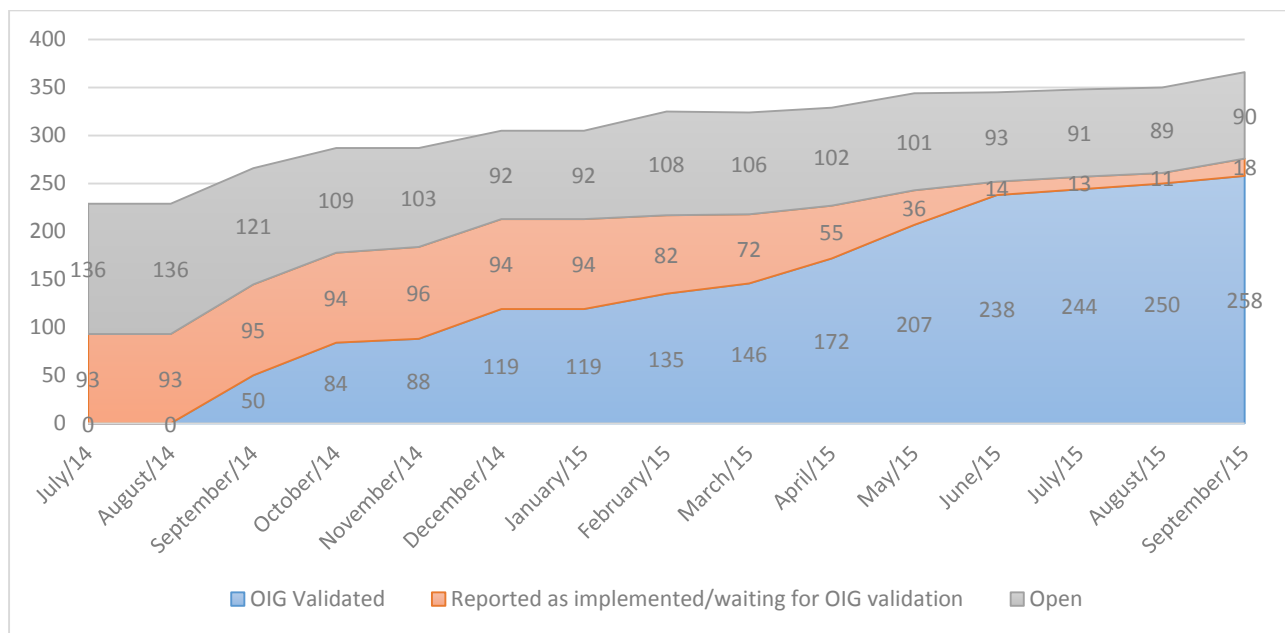

Table 2 shows the cumulative progress in implementation, taking into account the number of AMAs implemented and validated. This reflects a level of activity which is not readily apparent when only looking at the number of currently open AMAs, as implementation is offset by new AMAs. Nevertheless, the current level of effort is not sufficient to materially reduce the overall number of open AMAs.

02 Overdue AMAs

The number of open AMAs currently overdue has increased since December 2014. Although the increase is slight (only three since December), and there is a downwards trend since the beginning of the summer, OIG has significant concerns about the aging of the AMAs, 13 of which are overdue by more than 180 days (see Table 4). Also of concern: 51% of open AMAs are now overdue.

The 13 AMAs that are long overdue were designed to mitigate key Global Fund risks found during OIG work undertaken in 2013 and 2014, as noted in the executive summary above. Although significant effort is required to address these issues, a delay of more than six months from the agreed due date is concerning. Furthermore, subsequent audit and investigation work continues to highlight the impact of deficiencies in these areas on our activities (e.g. ongoing issues related to health product forecasting, accountability and risk management as well as knowledge management).

Generally progress in reducing overdue AMAs outside of Grant Management and SIID is slow. The Finance, IT, Sourcing and Administration Division notably has implemented seven AMAs in 2015. It now owns 11 overdue AMAs.

Some of these AMAs have been overdue since 2013, as seen in Table 4. Details of AMAs overdue for more than three months are listed in Appendix A.

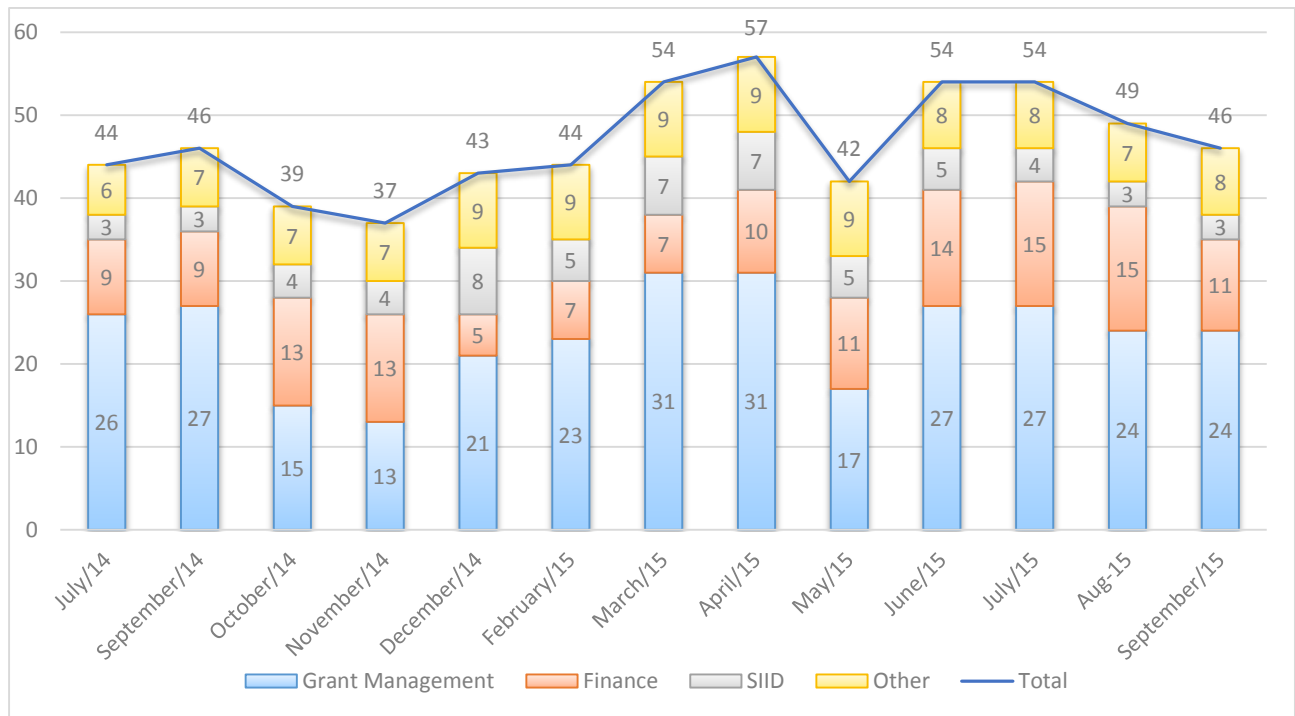*Table 3: Total open AMAs currently overdue (excluding recoveries)*

Table 4: Aging of overdue AMA (excluding recoveries)

	Less than 30 days late	31-90 days late	91 -180 days late	More than 180 days late	TOTAL
Grant Management	4	7	9	4	24
SIID		1	2		3
Finance	2	3	1	5	11
Other	1		3	4	8
TOTAL	7	11	15	13	46

Table 4 shows the time elapsed from the agreed due date for all open or partially implemented AMA, excluding recoveries. 13 AMAs are still outstanding more than six months after the expiration of the agreed due date.

Appendix A

Details of AMAs overdue by more than 90 days.

Project Code	Project Name	Project Type	Agreed Management Action	Due Date	Owner

GF-OIG-13-024	Internal Audit of the Integration of Specialists into Country Teams	Audit	Recommendation 3	The Risk Department should work with the relevant divisions and departments in the Secretariat to:
				  i. Establish an accountability framework that defines the roles, responsibilities, authorities and accountabilities of various stakeholders. This should ensure that decision-making authority rests at the appropriate level in staff with the appropriate expertise and experience, that quality of decision-making is regularly reviewed and that decision-makers are held accountable; and
				  ii. Develop guidance on the risk appetite to facilitate considered risk taking in grant management
					31-12-13	Cees Klumper

GF-OIG-13-040	Internal Audit of the Processes Underpinning Grant Closure	Audit	Recommendation 2	The Grant Management and Finance divisions should jointly review and identify areas for simplification in the grant closure process. Proposed changes should be embedded in the Finance "Step-Up" project and other grant management systems platforms such as Salesforce. Areas that should be considered for revision include:
				  • The rationale for preparing close-out plans and budgets, if necessary redefining the contents of the close-out plan;
				  • The number of independent closure activities undertaken (consider including only critical ones to reduce the resources required);
				  • The number of separate reports required; and • The requirement for multiple layers of review.
					31-12-13	Daniel Camus

GF-OIG-13-040	Internal Audit of the Processes Underpinning Grant Closure	Audit	Recommendation 1	The Secretariat should, as a matter of priority, close all long-outstanding grants, particularly those due for closure prior to 2012. Consideration should be given to:
				  • Simplifying the closure process for long-outstanding grant closures, e.g., by limiting the process to: (i) clearance of commitments, (ii) confirmation and recovery of cash balances at PR and lower levels, and (iii) approving disposal of assets; and
				  • Setting up a one-time task force to support Country Teams in reducing the backlog in grant closure.
					31-12-13	Mark Edington

GF-OIG-13-017	Status Update on the Development and Implementation of Risk Management Tools - The "Qualitative Risk Assessment, Action Planning and Tracking" Tool, the Corporate Risk	Audit	Recommendation 2	The Global Fund Secretariat should consider the integration/merging of the QUART with other concurrent initiatives and tools in grant management such as the New Implementer Assessment, the Annual Disbursement Decision and the Grant Management Assurance Framework.	31-03-14	Cees Klumper

	Register, and the Minimum Standards for Grant Management				31-03-14	
GF-OIG-13-017	Status Update on the Development and Implementation of Risk Management Tools - The "Qualitative Risk Assessment, Action Planning and Tracking" Tool, the Corporate Risk Register, and the Minimum Standards for Grant Management	Audit	Recommendation 5	The Global Fund Secretariat should integrate or merge the action plans produced by the QUART and Implementer Assessment Tool.	31-03-14	Cees Klumper
GF-OIG-14-006	High level audit of the Global Fund Assurance Model	Audit	Recommendation 2	2. The creation of the accountability framework will further clarify roles and responsibilities pertaining to risk management. The Risk function is facilitating the creation of this framework as agreed last year in response to an OIG recommendation.	30-06-14	Cees Klumper
GF-OIG-12-001	Diagnostic Review of Global Fund Grants to the Republic of Benin	Audit	Recommendation 9	The PRs should establish an effective LMIS that accurately captures ARV and other health product data at all levels and facilitates proper quantification using average consumption rates. Forecasting should take into consideration the lead times at all stages of the procurement The quantification for the ACTs should take into account the prevention interventions carried out.	30-06-14	Mark Edington
GF-OIG-13-051	Investigation of the Misappropriation of Funds by the Republican Center for Prophylactics and Control of AIDS of the Republic of Kazakhstan	Investi gation	Recommendation 3/3	The Global Fund Secretariat should clarify the periodic reporting procedures applicable to PRs to more clearly identify income, refunds or outstanding payments. For instance, the cash reconciliation template in the PUDR could be more specific and require clear indication of refunds from suppliers.	30-09-14	Daniel Camus

GF-OIG-13-050	Investigation Report of Global Fund Grants to Cambodia Principal Recipients CNM, NCHADS and MoH and NCHADS Sub-recipient MEDiCAM	Investigation	Recommendation 5/7	The OIG recommends that the Secretariat makes use of market dynamics and its pooled procurement activities to ensure demonstrated good business practices, anti-corruption measures and compliance efforts by suppliers in the LLIN industry are encouraged and rewarded through volume allocations or otherwise.	30-09-14	Daniel Camus
GF-OIG-14-005	Investigation Report of Global Fund Grants to Sierra Leone - Principal Recipient Sierra Leone Ministry of Health and Sanitation	Investigation	Agreed Action 5/5	The Secretariat should amend the grant agreements to specifically clarify that Principal Recipients and Sub-recipients maintain accounting books and records of program expenditures that record the name of the beneficiary and the purpose for each payment and allow for full reconciliation of expenditures with supporting documentation.	30-09-14	Daniel Camus
GF-OIG-13-009	Audit of the Global Fund Grants to the Republic of the Congo	Audit	Recommendation 8/11	The Principal Recipients should work with the National Programs and WHO to establish a "Medicines Committee". This committee should oversee the establishment of a national quantification and forecasting process and ensure coordination between the government, Global Fund-supported programs, implementing partners and the Central Medical Stores. The committee should facilitate the sharing of consumption, distribution and morbidity data, and support efforts to conduct joint forecasting and procurement planning. The terms of reference for the Committee should be shared with the Global Fund.	30-09-14	Mark Edington
GF-OIG-14-003	High-Level Audit of the Global Fund Information Technology Systems and Processes	Audit	Recommendation 1	As an extension of the Records Retention Policy currently in development, an updated Data Classification and Handling Policy will be created by IT and Legal departments. The Legal department has the responsibility to develop the Information Classification Framework, and IT has the responsibility to define minimum standards for handling of these documents and data based on the classification framework.	01-10-14	Daniel Camus
GF-OIG-13-002	Audit of Global Fund Grants to the Central African Republic	Audit	Recommendation 10/11	The Principal recipients, in collaboration with technical partners, should ensure that they improve their quantification and forecasting capability by strengthening the collection and validation of morbidity data through regular supervisory visits. Inventory management tools to collect, report and monitor consumption data at all levels should be identified, procured and implemented.	30-11-14	Mark Edington

GF-OIG-14-014	Audit of Global Fund Grants to the Republic of Guinea-Bissau	Audit	Agreed Management Action 1	The Management Executive Committee has constituted a "Risk and Assurance Working Group" as part of its efforts to inculcate a culture of accountability and transparency at the Fund, and to prioritize assurance in 2014. The findings from the OIG audit in Myanmar will contribute to this Working Group. Activities currently underway encompass the following: i. Articulation and formalization of the Global Fund framework together with ongoing active monitoring of the aggregate cost of implementing this framework to ensure that the combined assurance provided is both efficient and effective. ii. Highlight the "big ticket" assurance needs for a sample of 20- 30 country portfolios. iii. Establish who is doing what from an assurance perspective. iv. Establish gaps and overlap in assurance provision and put in place mechanisms to remedy the gaps and avoid duplication. v. Undertake a root cause analysis of the gaps to fill them going forward and develop systematic solutions. vi. Establish a process for ongoing assessment and appropriate review of assurance provision within all grants supported by the Global Fund.	31-12-14	Cees Klumper
GF-OIG-14-017	Audit of Global Fund Grants to the Republic of the Union of Myanmar	Audit	Agreed Management Action 1	The Management Executive Committee has constituted a "Risk and Assurance Working Group" as part of its efforts to inculcate a culture of accountability and transparency at the Fund, and to prioritize assurance in 2014. The findings from the OIG audit in Myanmar will contribute to this Working Group. Activities currently underway encompass the following: i. Articulation and formalization of the Global Fund framework together with ongoing active monitoring of the aggregate cost of implementing this framework to ensure that the combined assurance provided is both efficient and effective. ii. Highlight the "big ticket" assurance needs for a sample of 20- 30 country portfolios. iii. Establish who is doing what from an assurance perspective. iv. Establish gaps and overlap in assurance provision and put in place mechanisms to remedy the gaps and avoid duplication. v. Undertake a root cause analysis of the gaps to fill them going forward and develop systematic solutions. vi. Establish a process for ongoing assessment and appropriate review of assurance provision within all grants supported by the Global Fund.	31-12-14	Cees Klumper
GF-OIG-14-011	Audit of the Reliability of Data Underlying the QUART Risk Assessment of Grants in the Democratic Republic of the Congo, the Republic of Haiti and the Islamic Republic of Pakistan	Audit	Agreed Management Action 1	At the end of 2013 the Secretariat undertook a comprehensive self-assessment of the operational risk methodology, including the QUART, that resulted in a number of improvement actions that are now in the process of implementation. Those actions will address the above findings by embedding the risk assessment process into New Funding Model processes and supporting tools. Specifically these include the following: 1. The co-chairs of ORC will finalize a process to oversee and ensure that risk assessments are conducted with sufficient frequency particularly with regards to informing key decisions e.g. annual funding decision; 2. ORM risk assessment will be integrated with the relevant grant making and grant management processes and tools. Guidance will be developed for CTs to effectively use past risk assessment data in the NFM in the Portfolio Analysis; and 3. Country Teams will consider input in their QUART risk assessment from implementers and partners where appropriate.	31-12-14	Cees Klumper

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	Audit	Recommendation 2	2. The HPM Hub will review PSM Specialist involvement in quantification and forecasting at the country level in light of the findings of this report, as well as how best to allocate Specialists' time and effort and how resource allocation in Grant Management will best mitigate PSM related risks. Decisions taken by senior management pursuant to the outcome of this review will be implemented and tracked.	31-12-14	Mark Edington
GF-OIG-13-011	Audit of Global Fund Grants to the Republic of India	Audit	Recommendation 6/9	i. NVBDCP should accelerate ensure the recruitment, orientation and deployment of Malaria Technical Supervisors by the time of Concept Note submission to the Global Fund under the New Funding Model, to ensure compliance with malaria treatment guidelines. ii. NVBCP should make pre-printed registers and forms available at all facilities and all providers should be trained on the use of the updated tools.	31-12-14	Mark Edington
GF-OIG-13-011	Audit of Global Fund Grants to the Republic of India	Audit	Recommendation 3/9	Principal Recipients should address all exceptions noted by the external auditors so as to strengthen the control environment within which grants are implemented.	31-12-14	Mark Edington
GF-OIG-13-009	Audit of the Global Fund Grants to the Republic of the Congo	Audit	Recommendation 9/11	The Principal Recipient, in collaboration with the National TB Program and other relevant stakeholders, shall develop and submit to the Global Fund, in form and substance satisfactory to the Global Fund, a costed plan to assure the quality of Health Products at all levels in the supply chain. This should include harmonized pharmaceutical management tools and procedures for supervision, a risk-based control plan, training, and the establishment of pilot sites to collect pharmacovigilance data, in line with the principles set out in the inter-agency guidelines (MQAS).	31-12-14	Mark Edington
GF-OIG-13-002	Audit of Global Fund Grants to the Central African Republic	Audit	Recommendation 8/11	The CN/CNLS should improve its monitoring of patients on ARVs, including the establishment of formal referral mechanisms, and the implementation and upkeep of an active list that accurately reflects the patient cohort.	31-12-14	Mark Edington
GF-OIG-09-014	Country Audit of the Global Fund Grants to Cambodia	Audit	Recommendation 33	New wording: The Principal Recipients, partners and Cambodia Country Team including HPM Specialist should coordinate to define how best to strengthen LMIS systems. The LMIS strengthening plan should be agreed and finalized by December 2014.	31-12-14	Mark Edington
GF-OIG-15-005	Internal Financial Controls	Audit	Agree Management Action 3.2	The selection of the key processes to become COSO compliant for 2015 and onwards will be validated by the Risk Department to make sure that the key processes for the organization are prioritized. The Risk Department will regularly inform the Management Executive Committee about progress on compliance with the COSO Framework and the estimated date of full compliance with the framework.	31-03-15	Daniel Camus

GF-OIG-14-017	Audit of Global Fund Grants to the Republic of the Union of Myanmar	Audit	Agreed Management Action 3	The Global Fund Secretariat will ensure that Save the Children implements the following controls over cash management at sub-recipient level: • stronger segregation of duties, with appropriate review and validation tailored to the sub-recipient context; • appropriate cash management policies, including the establishment of maximum and minimum cash levels, proper cash handling, independent cash counts and rules for delegation of authority; and • verification of sub-recipient compliance with these policies as a part of routine monitoring.	31-03-15	Mark Edington
GF-OIG-14-014	Audit of Global Fund Grants to the Republic of Guinea-Bissau	Audit	Agreed Management Action 2	The Grant Management Division, with the Strategy, Investment and Impact Division will ensure that the revised approved Operational Policy Note on Annual Funding Decisions and Disbursements will include a performance-based funding approach that can be tailored for countries with significant data quality challenges. Once approved by the Executive Grant Management Committee, the Operational Policy Note will be applied in Guinea-Bissau. In the meantime, efforts to improve data quality in the country will continue.	31-03-15	Osamu Kunii
GF-OIG-14-010	Audit of Processes and Controls Relating to Quality of Services of Global Fund-supported Programs	Audit	Agreed Management Action 1	Develop a strategy to address quality of services across the Global Fund grant portfolio. The Technical Advice and Partnerships Department is engaging with partners at headquarters and field level to promote a common understanding of and a strategy for addressing quality of services, including a differentiated investment in quality assurance and improvement interventions based on epidemiology, portfolio size and risk. The Department will work with respective CTs and partners to address quality issues identified through detection and implementation of appropriate improvement strategies in programs supported by the Global Fund. A draft strategy will be ready for partner review and input during first quarter of 2015. The Final strategy will be available in Q2. Deliverables: 1. Final Global Fund strategy for quality of services and data quality 2. Evidence of communication with partners 3. Endorsement by MEC The Strategy will be relatively high-level (principles-based), with operational approach detailed in Annex.	31-03-15	Osamu Kunii
GF-OIG-13-002	Audit of Global Fund Grants to the Central African Republic	Audit	Recommendation 11/11	The CCM, in collaboration with the CN/CNLS, the NTP and development partners such as the WHO, should obtain technical assistance to review, finalize and implement the quality assurance manual to ensure that good quality health products are delivered to patients.	30-04-15	Mark Edington
GF-OIG-09-014	Country Audit of the Global Fund Grants to Cambodia	Audit	Recommendation 62	New wording: The Principal Recipients should develop a plan to improve storage conditions of CMS warehouses and a plan to strengthen supply chain and distribution management. Both work plans should be finalized and agreed with partners and the Cambodia Country Team including HPM Specialist by April 2015.	30-04-15	Mark Edington

Appendix B

Secretariat's management response to the Status Update

01 General

Management appreciates the positive collaboration with the Office of the Inspector General as it makes valuable recommendations to further improve the Secretariat's operations. Although steady progress is being made in the implementation of agreed management actions, as shown by the implementation of 66 actions during the period covered by this OIG's report, we do agree with the OIG's assessment that we must do better, particularly with respect to long outstanding actions. We expect that, by the next update report to the Board, we will have made substantial progress on timely implementation, which is also an operational Key Performance Indicator.

Part of the reason why some actions can remain outstanding for extended periods of time is that, in the current reporting format, 100% of the related work must be done for an issue to be closed; until that happens, no progress is reflected in the OIG's report even when almost all the work may have been done. This applies for example to the actions concerning grant closures. Of the original number of grants that needed to be closed when the related action item was defined, being 247, 182 have now been closed, leaving 65 remaining; and 36 of these cannot yet be closed for objective reasons, such as outstanding recoveries.

The following summarizes management's response to the main issues highlighted in this OIG status update report and in the OIG's Progress Report.

02 Improvements in risk management and assurance

The ongoing Risk and Assurance project aims to make structural and significant improvements to risk management processes and tools, thus addressing a number of agreed management actions concerning risk management and assurance. Although the project has experienced delays, it is on track to implement the necessary improvements in the High-Impact country portfolio in 2016, as planned. In the meantime, management is implementing a number of shorter-term improvements that can be introduced more quickly, such as reflected in the recently published OIG Audit Report on grants made to the Republic of Ghana. These shorter-term actions also include improvements to better embed risk management into everyday grant management. In addition, significant improvements to the way in which financial assurance is obtained and used will be implemented across the grant portfolio as from January 1, 2016. This will involve increased reliance on implementers' own assurance; strengthening the effectiveness of external audits; and adjusting the role of the Local Fund Agent to reflect these improvements and ensure that there is no duplication in assurance provision.

With respect to the management of risks related to the devolution of health services to the state or provincial level in several countries, we are constrained by resources and political and practical considerations from running grant programs on a state-by-state basis with grants signed at the state rather than national level. We are piloting the use of state-level fund managers in some larger high-impact countries where such arrangements may be feasible. However, it must be recognized that devolution of government is sometimes part of the country context in which our grants must operate.

03 Accountability framework

Improvements in accountability structures, particularly with respect to how grants are being managed, are being developed as part of several current initiatives on Differentiation, Finance's Step-up project, Implementation through Partners and Risk and Assurance.

04 Procurement

The Secretariat has been working to better tailor its efforts to address the difficulties of implementation, including in challenging operating environments. However, it should also be noted that each such situation is unique, meaning pragmatic, systematic solutions are difficult to achieve and will take time to put in place. The Secretariat has made significant improvements in procurement oversight in recent years, including implementation of the Pooled Procurement Mechanism and the constitution of the Sanctions Panel. The Code of Conduct for Suppliers is under revision, and the Capacity Assessment Tool for Principal Recipients should improve procurement management going forward and the implantation of Fiscal Agents contracted by the Global Fund in certain higher risk environments provides a heightened level of controls. We continue to assess the adequacy of the tools and controls we have and plan for improvement where needed.

05 Differentiation

Several of the OIG's recommendations, as well as recent observations in the TERG-commissioned Strategic Review report, confirm the need to better differentiate Secretariat processes for making and managing grants to different contexts. As noted by the OIG, we have recently launched a consolidated Differentiation Project, with the aims of:

- Adapting our end-to-end processes for certain portfolios in low disease-burden, low-risk settings; and
- Coordinating initiatives relating to differentiation currently ongoing across the various divisions of the Secretariat, including those related to implementation in challenging operating environments.