



## Board Report

# 2015 Progress Update on Status of Agreed Management Actions

GF/B35/12 rev. 1  
For information  
26-27 April 2016  
Abidjan, Côte d'Ivoire

The purpose of this report is to give the Board a progress update on the status of Agreed Management Actions in 2015.

# I. Executive Summary

## **UPDATE 20 April 2016**

*As of March 31 there are currently 91 open Agreed Management Actions (AMAs) waiting for implementation by the Secretariat. Since this report was produced, the Secretariat has implemented 22 overdue AMAs, reducing the overall number of overdue AMAs from 55 to 38. The number of overdue AMAs that are between one to six months late has decreased from 36 to 16. The number of AMAs that are more than six months late has increased from 18 to 19. The Finance, Information Technology, Sourcing and Administration Department (FISA) has implemented 15 of its 22 overdue AMAs since the original draft of this report.*

2015 completes the second year of systematic tracking and reporting on Agreed Management Actions stemming from OIG reports. Monthly updates are sent to the Management Executive Committee, the Audit and Ethics Committee (AEC) and the Board at their meetings. This paper reflects the data available as of March 2016, and focuses on the progress made during 2015.

The fourth quarter is a challenging period as many AMAs have a deadline of the end of the year. Nevertheless, results show commendable progress made by the Grant Management Division, followed by the Finance, Information Technology, Sourcing and Administration Department (FISA) at the end of Q4. However, this was not sufficient to avoid a significant increase in the number of overdue AMAs, largely for the FISA division. The trend has not continued through February. Beyond the number of overdue recommendations, the increasing age of the overdue AMAs is also a concern.

AMAs have replaced the unilateral recommendations previously made by the OIG. For an AMA to be issued, the OIG must accept that the solution addresses the root cause of a finding and lessens the risk of reoccurrence and the Secretariat must acknowledge that implementation is necessary and achievable within a realistic time frame. This process has had a number of positive outcomes, notably in influencing the nature of the dialogue between auditors and investigators, and the Secretariat's business units. The discussions on AMAs leads to valuable dialogue regarding risks, root causes of identified issues, operational or programmatic impact, the proper level at which to target the response to the findings, as well as the preventive, rather than merely remedial, aspect of the follow-up actions.

To recognize the importance of this qualitative dialogue, and to reflect the time needed to agree on relevant and impactful AMAs, the OIG has made, with approval from the AEC, a revision to its Stakeholder Engagement Models. The revision gives a more prominent place to this dialogue in the report finalization stages, as detailed in the Office of the Inspector General Stakeholder Engagement Model, in annex to the Annual Report of the Office of the Inspector General, (GF/B35/10).

AMAs are owned by the Management Executive Committee member representing the relevant Secretariat business unit. AMAs define actions to be carried out by the Secretariat, not directly by implementers, although the Secretariat may hold implementers accountable for certain aspects of the agreed remediation plans. This has also shifted the tone of the dialogue stemming from OIG work and clarified the expectations and accountability lines regarding the follow-up to OIG findings. Once the owner or the focal point reports an AMA as implemented, the OIG validates this implementation. If the evidence of implementation is indeed sufficient, the AMA is closed. The OIG is strengthening its audit issue follow-up processes in 2016. The timeframe for business owners to report completion of AMAs is being reduced from 15 days to 7 days, and the OIG's requirement to validate the implementation has also been reduced from 90 days in the past to 30 days going forward.

In addition to tightening validation timeframes, the OIG is strengthening the scope and depth of its follow-up. We have included in our 2016 audit plan explicit allocation of resources and significant time for follow-up which will involve additional verifications such as targeted testing or even follow-up audits. One key action the Secretariat takes in response to findings that involve misuse or fraudulent use of funds is to initiate a sanctions or recovery process. The OIG periodically validates

the recoveries process. The next review was scheduled for the beginning of 2016. However, given the delays in implementing a new system to track and report on recovery actions originating from other sources than OIG reports, and as discussed with committee leadership, the OIG will provide this review at the next audit committee meeting.

Analysis of the issues identified in the OIG's audits and investigations yield thematic trends that point to key areas of risks or common weaknesses across the Global Fund's business operations or grant programs. A detailed discussion of these thematic areas is included in the OIG's 2015 Annual Opinion on Governance, Risk Management and Internal Controls of the Global Fund (GF/B35/11). Hence, the focus of this report is limited to providing an operational update on progress in outstanding AMAs and the status of overdue AMAs.

## II. Progress in December 2015

This report looks back at the cumulative progress on AMAs in 2015, while also reflecting current progress as of March 2016. Progress is taking place, but at a slow pace. While the number of open AMAs is declining, ending the year on the lowest number to date, 70% of the AMAs are now overdue.

The complete lists of long overdue AMAs (>91 days) and AMAs becoming due in the next 90 days are presented to the Management Executive Committee monthly.

The declining number of open AMAs is the result of several factors, including fewer AMAs from new reports as a result of targeting corrective actions at a more strategic level to address root causes, earlier action taken by the business, avoidance of duplication in actions to address recurring issues, etc. Conversely, the absolute number of overdue AMAs has gone back to the high volume seen at the beginning of Q2. This results in a high percentage of overdue AMAs in March 2016. One particularly concerning metric is that 60% of overdue AMAs are more than 91 days overdue, with three outstanding since 2013.

Nevertheless, given the large number of AMAs expiring in December, implementation progress in the Grant Management Division at the very end of the year was strong, resulting in a slight increase in the number of overdue AMAs.

In terms of OIG validation, the number of AMAs pending validation and closure stands at 9, with one AMAs pending validation for more than 30 days (related to the 2014 audit on Audit of the quantification and forecasting arrangements for antiretroviral medicines supported by the Global Fund in six African high-impact countries.)

### 01 Open AMAs

Between the end of 2014 and March 2016, the OIG and Secretariat have issued 111 new AMAs. The Secretariat has implemented 106 AMAs over the same time period. Four AMAs were also consolidated or declared obsolete.

These movements follow the trend we saw at the end of 2014. Open AMAs are currently at a level comparable to the same period last year. The situation in January 2016 is also similar with 89 AMAs open in January 2016 compared with 88 at the same time last year. Whilst the Grant Management Division has made clear efforts to address outstanding AMAs, other units in the Secretariat, notably FISA and the Strategic, Investment and Impact Division (SIID), have shown little to no progress in reducing their number of open AMAs.



Table 1: Total open AMAs (excluding recoveries)

Table 1 shows the number of open AMAs over time per Secretariat division.

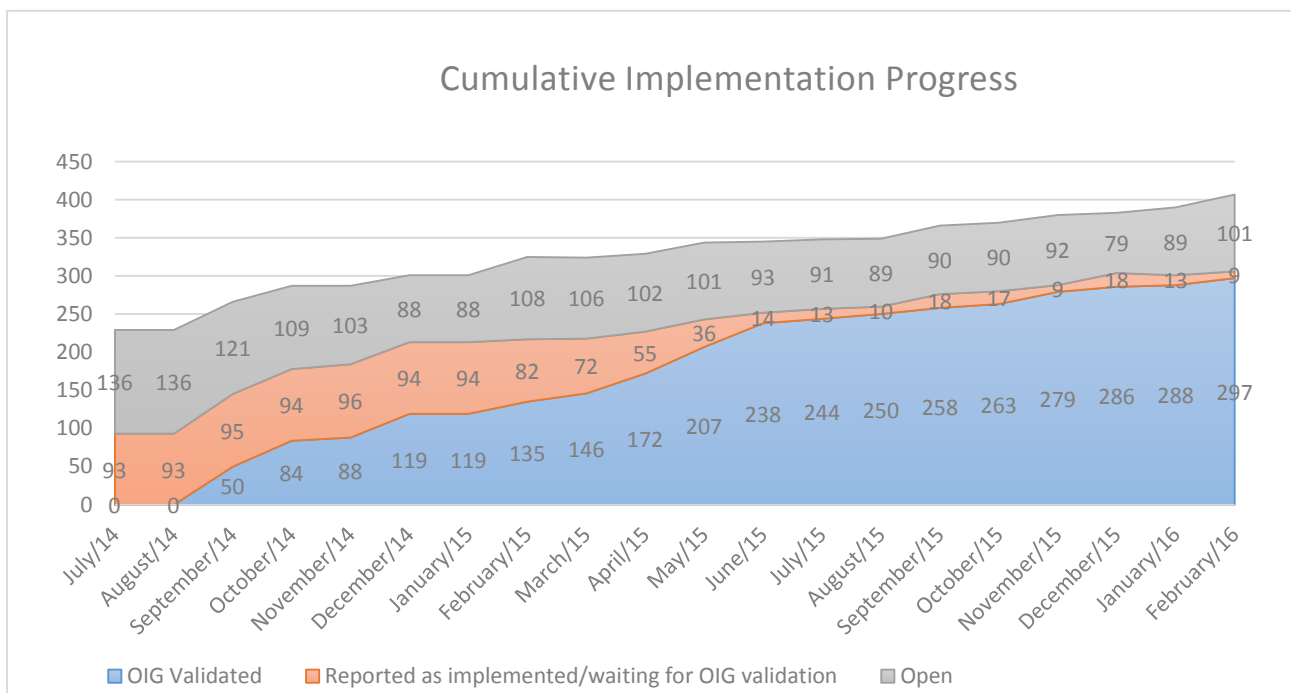


Table 2: Cumulative AMA implementation and validation progress (excluding recoveries)

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 may be offset by new AMAs. The level of effort in 2015 was just sufficient to reduce the overall number of open AMAs until the very last month of the year where a material increase occurred.

## 02 Overdue AMAs

The number of overdue AMAs fluctuated significantly during the year. The year-end is characterized by a significant spike, despite the efforts by the Grant Management Division. This reflects a “seasonal” bias as many AMAs have a year-end deadline.

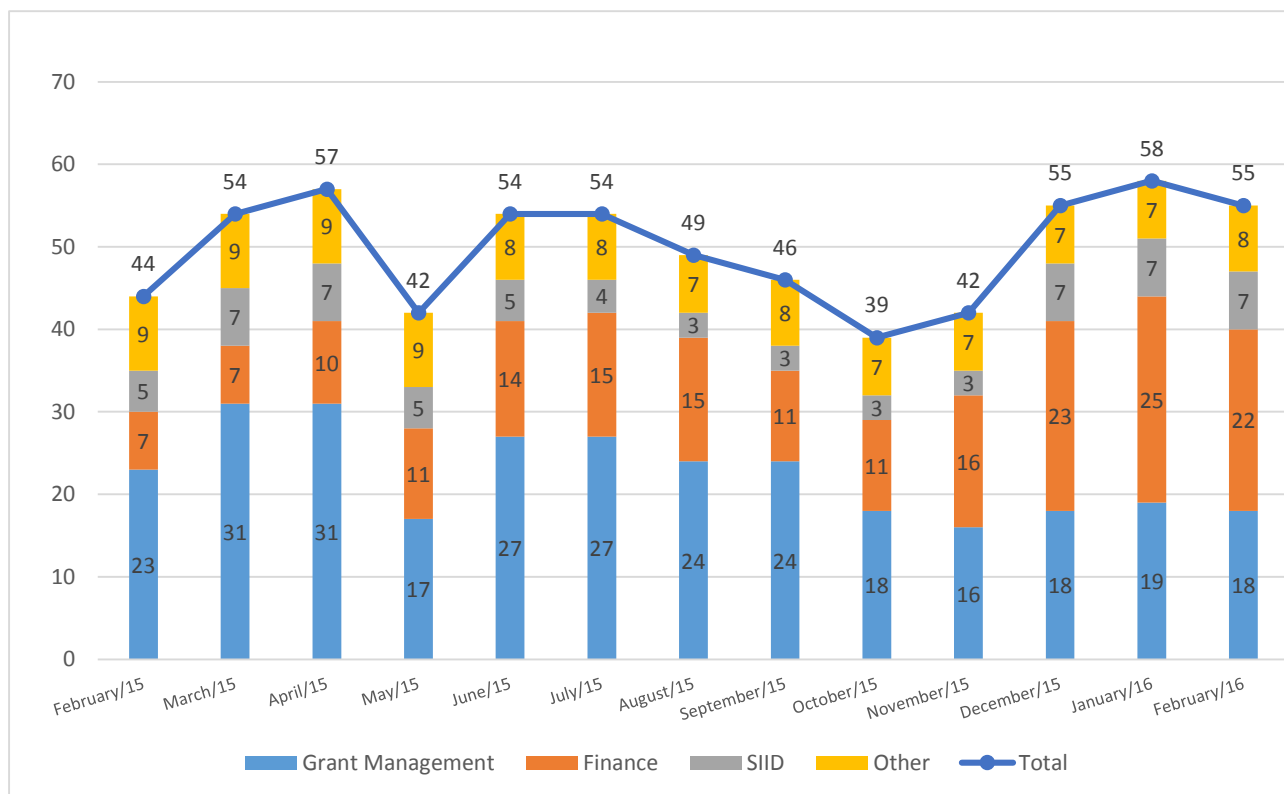


Table 3: Total Open AMAs currently overdue (excluding recoveries)

Table 3 shows the number of overdue AMAs over time, per Secretariat division.

	Less than 30 days late	31-90 days late	91 -180 days late	More than 180 days late	TOTAL
<b>Grant Management</b>		9	4	5	18
<b>SIID</b>		4	1	2	7
<b>Finance</b>		8	9	5	22
<b>Other</b>	1		1	6	8
<b>TOTAL</b>	1	21	15	18	55

Table 4: Aging of overdue AMAs

Table 4 shows the time elapsed from the agreed due date for all open AMAs, excluding recoveries.

18 AMAs are still outstanding more than six months after the expiration of the agreed due date, three of which have been overdue since 2013. Progress in this category is lagging in comparison to AMAs which have been overdue for a shorter period. In addition, analysis shows that AMAs from recent reports are implemented on average closer to their due date. Indeed, while the overall number of AMAs is decreasing, the number of overdue AMAs is increasing. This is a positive trend, which could lead to better performance once the issue of the long overdue AMAs is resolved.