

Secretariat AMA Progress Update

For Board Information

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 **TheGlobalFund**

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Context:

- Resolving outstanding OIG Agree Management Actions (AMAs) is a priority for the Secretariat and continues to receive significant attention;
- The presentation below reflects the efforts taken towards concluding outstanding OIG AMAs since June 2016 with a special focus dedicated towards concluding long outstanding AMAs (> 180 days);
- Over the past three months, there has been a significant decline in long outstanding AMAs (from 31 to 17 open AMAs);
- Additionally, where AMAs continue to remain long overdue, substantial efforts have been made towards resolution.

Secretariat AMA Summary Implementation Update:

	Long Overdue	Total Overdue (Long Overdue + <180 Days Overdue)	Open Not Yet Due	Total
Total as at 30 June 2016	31	46	39	85
Total as at 10 October 2016*	17	32	46	78

*Note that these figures do not reflect the numbers of AMAs added, closed or changing category during the period, but only the starting and ending total for each category.

GRANT MANAGEMENT

Grant Management AMA Implementation Update:

	Long Overdue	Total Overdue (Long Overdue + <180 Days Overdue)	Open Not Yet Due	Total
Total as at 30 June 2016	11	21	29	50
Total as at 10 October 2016*	4	18	36	58

*Note that these figures do not reflect the numbers of AMAs added, closed or changing category during the period, but only the starting and ending total for each category.

Cambodia (2 AMAs):

Agreed Management Action (AMA)

1. 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. **(revised from Recommendation 62 of GF-OIG-09-014)**

2. 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. **(revised from Recommendation 33 of GF-OIG-09-014)**

Progress Update

Real progress has been made by the CT and partners. The recommendations have been actively followed up and translated into strategies and actions with budget built in the Concept Note. The HIV grant includes US\$ 385,000 to support some of the key activities suggested by the assessment. A further detailed work plan is being developed. LMIS strengthening is integrated into HSS NFM grant as a key activity. Furthermore, the Ministry of Health has formed an LMIS committee on which the Global Fund is represented. Both USAID and WHO are involved in providing Technical Assistance to assess, design and pilot the planned update of LMIS. The grant includes a lump sum of US\$ 500,000 in the budget to cover operational costs of the LMIS pilot project. A few additional management actions related to LMIS are also introduced in the HSS grant. The CT is closely coordinating with partners and monitoring the progress of the implementation of LMIS related work, through the working group and management actions.

To close these AMAs, the OIG requires the detailed work plan and budget as earmarked in the grant agreements for LMIS and warehouse updates. Once these documents are submitted, the AMAs will be considered met. We expect submission from the country by late 2016 and that these AMAs can be closed by the end of the year.

Viet Nam

Agreed Management Action (AMA)

1. The PR and VAAC should develop an integration plan for ARVs in order to harmonize supply management across all HIV care and treatment sites in Viet Nam regardless of funding source. **(Recommendation 7 from Audit GF-OIG-13-001)**

Progress Update

This issue is systemic in nature, with a longer-term horizon than envisaged. The VAAC has set up a central procurement unit in 2016 and the CPMUs of both the GF-funded program and that of PEPFAR are being merged. PEPFAR has officially announced that it will no longer fund OST by September 2017 and that it will stop funding ARVs by September 2018. PEPFAR's procurement channel will be dismantled in 2017-2018 and the central procurement unit of the Ministry of Health has started already to take over the procurement and distribution of ARVs. It is planned that ARVs under GF programs will be procured through Wambo. Discussions are also on going for domestic funding to be channelled through Wambo for the procurement of ARVs.

Procurement and Supply Chain

Agreed Management Action (AMA)

1. The Secretariat will ensure that oversight over all key procurement and supply chain activities is strengthened. In particular, this will include: i. Developing a procurement strategy that defines the function's role and approach in supporting the achievement of strategic objectives. ii. Developing a principles-based strategy to in-country supply chain strengthening by the Global Fund. In particular: a. Defining the Global Fund's scope of responsibility, oversight, and initiative with respect to in-country supply chain challenges; b. Defining the respective roles of in-grant health system strengthening funding, day-to-day country engagement by health products management Specialists, technical assistance /capacity building, and other special supply-chain initiatives within the Global Fund's approach to supply chain strengthening; c. Defining required resourcing levels. iii. Implementing these strategies by ensuring that responsibility for each activity is assigned to the most relevant division/department within the Global Fund (see AMA 2). **(AMA 1 from Audit GF-OIG-15-008)**

Progress Update

While this AMA remains open, substantial work has been done by the Secretariat around Supply Chain, including creation of a new Supply Chain Department within Grant Management; analysis of levels of effort and re-allocation of Country Team HPM Specialists as part of the Differentiation for Impact; development and roll-out of a RACI matrix to better define responsibilities and accountabilities between the HPM Specialists in Grant Management, the HPM Hub (now part of the Supply Chain Department), the Supply Chain Department, and Sourcing, including the team responsible for managing the Pooled Procurement Mechanism. The Head of the new Supply Chain Department has been recruited and started work this summer. The only outstanding piece on this AMA is the strategy, which is being developed in the context of the new leadership and structure.

An RFP was launched in July to identify an organization to support the strategy. During August 2016 eight bids were received and assessed, scored and filtered to four for further study and four presentations were conducted. A prime provider has been identified and further negotiations are taking place regarding approach and price. The first phase of the SC Strategy development (Diagnose and Assess) will start in October 2016.

RISK

High Level Summary Update on Risk AMA Implementation:

Open AMAs-	Due Date	Target Date	Status	Long O/D	Not L/Due	Total
1) Integration/merging of QUART and other tools in grant management (GF-OIG-13-017)	31.03.2014	30.04.2017	Outstanding as at 30 June 2016	7	3	10
2) Integration/merging action plans by QUART/CAT (GF-OIG-13-017)	31.03.2014	30.04.2017				
3) Develop Accountability Framework – Organization-wide (GF-OIG-13-024)	31.12.2013	31.12.2016				
4) Develop Accountability Framework – Risk Management (GF-OIG-14-006)	30.06.2014	31.12.2016				
5) COSO Compliance of Key Processes (GF-OIG-15-005)	31.03.2015	28.02.2017				
6) Recoveries: Training & Automation on non-OIG recoveries (Action #1: GF-OIG-16-021)	30.04.2017	30.04.2017				
Resolved AMAs			Additional AMAs (July – Sept. 2016)	-	2	2
			Resolved AMAs (July – Sept. 2016)	(2)	(4)	(6)
			Due as at 09.2016	5	1	6**
1) Operational Risk Processes (QUART/ORC) (GF-OIG-14-011)	31.12.2014	16.09.2016	*AMAs highlighted in red are open and Long Overdue			
2) QUART Tracking/escalation (GF-OIG-15-016)	30.06.2016	04.09.2016	**Due to timing difference on the reporting cut-off date, OIG reports a total of 9 outstanding AMAs as at 19 September 2016, out of which 3 have been closed after the cut-off date. The remaining total outstanding number of 6 AMAs as at 3 October 2016 has been confirmed by the OIG.			
3) Assurance Framework (GF-OIG-14-014)	31.12.2014	16.09.2016				
4) Integration of Tools (GF-OIG-15-018): Ghana	30.06.2016	21.09.2016				
5) Grant-Making Process Integration (GF-OIG-16-003): linked to Ghana Audit	31.12.2016	21.09.2016				
6) Recoveries: Guidance to CTs on Reporting recovery cases (Action #2: GF-OIG-16-021)	30.06.2017	23.09.2016				

Integration of Tools:

Agreed Management Action (AMA)

1. 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.

(GF-OIG-13-017)

2. The Global Fund Secretariat should integrate or merge the action plans produced by QUART and implementer Assessment Tool

(GF-OIG-13-017)

Progress Update

Completed

- Assurance rolled out
- Risk Management OPN integrates risk processes
- ORC process rolled out
- Mock-up of Integrated Risk Tool developed

In Progress:

- Automation of new Risk Tool via AIM

Target Date: 30 April 2017

As Above

Accountability Framework:

Agreed Management Action (AMA)

3. 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.

(GF-OIG-14-006)

4. 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.

(GF-OIG-13-024)

Progress Update

Completed

- Risk Accountability Framework developed based on Risk OPN

In progress

- Risk Department is developing content and structure that addresses Risk management within the accountability framework

Target date: 31 December 2016

In Progress

- Projects and Business Development Team is working on the Organizational Accountability Framework related to delegation of authority & Business Process Owner Matrix (BPOM).
- Risk Department will provide the risk associated Accountability Framework
- Risk appetite guidance based off ORC, GAC, AFD Reviews, etc.

Target date: 31 December 2016

Internal Control & COSO Compliance:

Agreed Management Action (AMA)

5. 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.

(GF-OIG-15-005)

Progress Update

Completed

- 20 key processes identified and prioritized
- 12 processes completed review and strengthened internal controls

In Progress

- 8 remaining process: 5 Grant Management, 1 Procurement, 1 Strategy Implementation, 1 Policy Development
- Provide update to MEC on progress/completion

Target date: 22 February 2017

FISA

In-Country Tools:

Agreed Management Action (AMA)

1. Assurance at Country Level: External Audit of Grant Recipients - The Global Fund Secretariat should promptly implement the recommendations from the High-Level Panel adopted by the Board in September 2011; specifically: a. Present a set of minimum standards for the scope of work for external audits of PRs to the Audit and Ethics Committee for its approval; b. Present a pre-qualified pool of external auditors to the Audit and Ethics Committee for its approval; and c. Develop a protocol to exchange information with Supreme Audit Institutions. **(GF-OIG-13-030)**

4. Audit of the quantification and forecasting arrangements for antiretroviral medicines supported by the Global Fund in six African high-impact countries. 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. **(GF-OIG-14-007)**

Progress Update

In Progress:

- Much has been done to address the substance of this.
- Explanation and evidence that new processes have mitigated the Risk identified by this AMA

Target Date: 30 November 2017

As Above

Sourcing and Information Technology:

Agreed Management Action (AMA)

3. The Secretariat will strengthen the Sourcing Department's operational capacity function to properly support and monitor procurement activities (health and non-health products). In close collaboration with the Grant Management Division, these will include, at a minimum: i. Updating its procurement regulations; ii. Implementing strong financial controls around procurement activities; iii. Defining the methodology and approaches for calculating key performance indicators; iv. Strengthening the Department's capability with regard to non-health products; and v. Implementing an appropriate management information system to capture relevant data and to support its procurement related decision making. A thorough needs analysis to identify the required functionality will be developed and presented to the Management Executive Committee for approval. **(GF-OIG-15-008)**

Progress Update

Completed:

- Procurement Regulations Updated
- Sourcing Department's non-health capacity strengthened

In progress:

- Establishing and implementing increased Financial controls
- Working on methodology for establishing KPIs

Target date: 31 December 2016

3.2 Effectiveness of IT controls at the Global Fund - Business continuity planning The business impact analysis (BIA) documentation as well as business continuity plan (BCP) will be finalized and signed off by the Chief Information Officer. All Global Fund data will benefit from a reliable back up and the full disaster recovery test will be completed as scheduled, business continuity in case of the unexpected unavailability of the Secretariat premises will be considered. **(GF-OIG-15-020)**

Completed:

- Phase 1 completed
- 3 Phase 2 tests completed

In progress:

- Controlled test of the Disaster Recovery (DR) system scheduled
- Hard test of DR systems and report to CFO scheduled

Target date: 15 December 2016

Internal Financial Controls:

Agreed Management Action (AMA)

2.2. Principal Recipient financial capacity is an important element of the Combined Risk and Assurance framework developed by the Global Fund. The framework sets out the scope and modality of regular reviews of Principal Recipient capacity. As a complement to the current framework, the financial section of the QUART should be improved to be able to provide an update of the Principal Recipient financial capacity at the time of every major decision but no later than at the start of every implementation phase. The Financial Capacity of the Principal Recipient should be assessed by the Finance Officer using past experience, country visits and/or report from key assurance providers. Criteria used, but not limited to, the following: • Principal Recipient's ability to supervise the financial activity of Sub-recipients; • Principal Recipient's accounting systems and staffing; • Existence and adequacy of internal financial controls; • Absorption rate. A rating of the PR's financial capacity will be given after every evaluation. The progress on improving the capacity will be assessed on a continuous basis and tailored measures including financial support will be recommended by the Finance Officer to the Country Team for the next period to further develop the Principal Recipient's financial capacity to implement grant programs. **(GF-OIG-15-005)**

Progress Update

Completed:

- Audit GF-OIG-16-007 stated in the Executive Summary “that these efforts are adequate but that they require time to become fully embedded within the organization and operationally effective.”

In Progress

- Much has been done to address the substance of this AMA.
- Explanation and evidence that new processes have mitigated the Risk identified by this AMA

Target date: 22 February 2017

Internal Financial Controls:

Agreed Management Action (AMA)

2.3. Agreed Management Action 2.3 GF-OIG-15-005 - Internal Financial Controls The Global Fund will develop a system of “disbursing as needed”, tailored to every Principal Recipient and its ability to manage the financial risks associated with cash balances. At least two actions will be performed in this respect:

1. Provide the countries that request the cash upfront for starting the procurement process with full assurance on credit risk. This can be achieved by issuing a letter of commitment by the Global Fund, a standard Letter of Credit from an accepted bank or the set-up of an escrow account. Depending on each country’s accepted rules and the materiality of the amounts, one of the three solutions can be chosen.
2. The Secretariat will put in place a process to provide clarity on the timing and process for cash disbursements to countries. This will be undertaken with selected key PRs to integrate their disbursement processes with the Global Fund’s to produce a more timely process. **(GF-OIG-15-005)**

Progress Update

Completed:

- Audit GF-OIG-16-007 stated in the Executive Summary “that these efforts are adequate but that they require time to become fully embedded within the organization and operationally effective.”

In Progress;

- Much has been done to address the substance of this AMA.
- Explanation and evidence that new processes have mitigated the Risk identified by this AMA

Target date: 22 February 2017

SIID

SIID AMA Implementation Update:

	Long Overdue	Total Overdue (Long Overdue + <180 Days Overdue)	Open Not Yet Due	Total
Total as at 30 June 2016	6	8	1	9
Total as at 10 October 2016	2	3	1	4

*Note that these figures do not reflect the numbers of AMAs added, closed or changing category during the period, but only the starting and ending total for each category.

Guinea Bissau:

Agreed Management Action (AMA)

1. 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.

(AMA 2 GF-OIG-14-014)

Progress Update

The new OPN on ADMF was rolled out and revised in June 2016 and an Annual Funding Decision for the Guinea Bissau TB grant has been processed in July 2016. Board approval of the HIV grant is expected imminently as of the date of this paper and an Annual Funding Decision will be processed within a couple of weeks.

Program and Data Quality:

Agreed Management Action (AMA)

The Secretariat will review its policies and guidelines on the use of Global Fund grants funds for construction and renovation projects, and consider how to best update the Health System Strengthening Information Note to ensure that normative guidance from technical partners is referenced.
(GF-OIG-15-016)

Progress Update

The original deadline for this recommendation was set on March 2016. However, it needed to be aligned with the GF strategy and to have discussions in the Strategy Committee and consultations with partners. Now that these steps have been taken, the RSSH Information Note has been drafted and been reviewed by partners. It serves as the guide for the Global Fund funding for construction and renovation projects. The document will be finalized before the end of the year of 2016 and will be available by the time of launching the next funding cycle.

Program and Data Quality:

Agreed Management Action (AMA)

1. Audit of Processes and Controls Relating to Quality of Services of Global Fund-supported Programs. **(AMA 2 GF-OIG-14-010)**
2. Audit of Processes and Controls Relating to Quality of Services of Global Fund-supported Programs. **(AMA 3 GF-OIG-14-010)**
3. Audit of Processes and Controls Relating to Quality of Services of Global Fund-supported Programs: The Department will, with partners, develop minimum standards for quality of services. **(AMA 4 GF-OIG-14-010)**
4. High-Level Audit of the Adequacy and Effectiveness of Controls around the Performance Measurement System **(AMA 2 GF-OIG-14-012)**
5. Audit of Processes and Controls Relating to Quality of Services of Global Fund-supported Programs. **(AMA 2 GF-OIG-14-010)**

Progress Update

These five AMAs pertaining to GF-OIG-14-010 and 012 have been closed by OIG September 2016.

- A Program and Data Quality assessment and improvement strategy was developed, reviewed by senior management, and then operationalized through an Operational Policy Note (OPN) on program and data quality that was approved by Executive Grant Management Committee in the context of the Differentiation for Impact OPNs package and approach.
- The OPN is operational and the strategy is being implemented already in close collaboration with Grant Management and the Risk Team. Building on what's already in place, there is work ongoing now to put all the strategic documents together into one Program Quality Framework, including the Program and data quality assessment and improvement strategy and the M&E strategy, both existing, but this is largely an exercise of combining existing strategies in one place and is a next step beyond the AMAs at issue, since we are always seeking to improve.