



## Board Report

# Progress Update on Agreed Management Actions YTD 2016

GF/B36/12

For Board information

16-17 November 2016

Geneva, Switzerland

 **The Global Fund**

Office of the Inspector General

 The Global Fund  Le Fonds mondial  El Fondo Mundial  Глобальный фонд  全球基金  الصندوق العالمي 

# Introduction

## Progress update on Agreed Management Actions

The objective of this progress update\* is to provide the Board with a high level overview of the implementation status of Agreed Management Actions (AMAs).

This report is shared on a monthly basis with the Management Executive Committee in order to track closely actions designed to correct and strengthen Global Fund systems and processes. It is also shared with the Audit and Finance Committee at its meetings.

There are four sections in this report:

-Sections 1-3 focus on specific thematic areas that require the Board's attention.

-Section 4 shows the pipeline of AMAs being implemented and how the Secretariat is performing. Slides 15-19 give more detail on the overdue AMAs or those due in the future.

AMAs related to the recovery of funds are not included in this report. The Secretariat communicates on this issue in its "Recoveries Report".

\*Report data has been updated since the AFC02 October 2016 meeting and is current as of 10 October 2016.

**Section 1:**  
Risk Management

**Section 2:**  
Procurement and Supply  
Chain

**Section 3:**  
Nigeria AMA Progress  
Update

**Section 4:**  
AMA Progress update

# Executive Summary

- Year to date there have been 73 new AMAs through the publication of new reports.
- Year to date 91 AMAs have been closed.
- 17 long overdue AMAs (more than 160 days late) remain.
- The OIG highlights the following three areas for the AFC and the Board's attention:
  - Risk Management, due to the cross-cutting nature of the outstanding issues
  - Procurement and Supply Chain Management, due to the materiality of funds affected, potential effect on program impact, and prioritization of long-term strategic projects
  - Progress on AMAs in Nigeria, due to the sensitivity of this portfolio and meeting agenda points regarding Secretariat's follow-up actions
- The AFC was presented with this information and has taken note of the Secretariat's reported progress.

# Section 1. Risk Management

An effective organization-wide risk accountability framework is yet to be implemented

- The creation of an organization-wide risk accountability framework is significantly overdue: There are 2 related AMAs that have been outstanding since 2013. See below.

## Important AMAs requiring AFC attention:

**GF-OIG-13-024 Internal Audit of the Integration of Specialists into Country Teams:** 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. **Due 31 December 2013**

**GF-OIG-14-006 High level audit of the Global Fund Assurance Model:** 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. **Due 30 June 2014**

## Section 2. Procurement and Supply Chain

There is a high concentration of outstanding AMAs related to Procurement and Supply Chain

Total Supply Chain AMAs	57	
Closed (either verified or obsolete)	32	<p>Common AMA topics:</p> <ul style="list-style-type: none"><li>• Strengthening quantification and forecasting,</li><li>• Development of plans for eLMIS and LMIS</li></ul> <p>While 60% of these AMAs were closed recently (Q2, Q3 2016) many had been outstanding for 12-24 months</p>
Open	15	<p>Common AMA topics:</p> <ul style="list-style-type: none"><li>• LMIS strengthening,</li><li>• storage and warehousing,</li><li>• Quantification and Forecasting</li></ul> <p>Countries: Tanzania, Cameroon, Zimbabwe, Guyana, Ivory Coast, Guinea Bissau, and Uzbekistan.</p>

## Section 3. Nigeria AMA Progress Update

Implementation of AMAs are on track, and will be confirmed in an OIG follow-up in 2017

- The Secretariat is on track for implementation of the 2016 Nigeria Audit AMAs. The OIG will be returning to country in 2017 for a follow-up review to confirm the effectiveness of the AMA implementation.
- On the next two pages, we list 4 AMAs that warrant the Board's attention to ensure timely and effective implementation, and 5 recently closed audit AMAs.

# Section 3. Nigeria AMA Progress Update

Four AMAs warrant the AFC's attention to ensure timely and effective implementation

## Important AMAs requiring AFC attention:

### Audit of Global Fund grants to Nigeria (GF-OIG-16-014)

- **Due 31 December 2016:** Based on the outcome of the capacity assessment, the Secretariat will take the necessary measures to introduce additional controls and consider alternative implementation arrangements for key processes to ensure that key risks in the portfolio are adequately mitigated and the achievement of grant objectives under the Global Fund grants Nigeria.
- **Due 31 December 2016:** In conjunction with the Risk Management department, the Grant Management Division will develop and implement a consolidated risk and assurance plan for the Nigeria portfolio. This plan will at a minimum:
  - include a holistic view of the grant objectives and the associated risks to the achievement of those objectives and provide an analysis of the current controls in place and evaluate any additional controls that need to be in place to mitigate the risks
  - detail the current and the desired level of assurance by the country team and outsourced assurance providers to monitor the risks and rank these risks in terms of materiality (qualitative and quantitative against the grant objectives).
- **Due 31 December 2016:** The Secretariat will develop an implementation plan for Nigeria with involvement and sign off from executive management at the Secretariat. The plan should, as a minimum, contain the following:
  - Analysis of the current situation and clear plan with milestones and deadlines;
  - Analysis of options to work with State Governments being Principal Recipients of the Global Fund for high burden states and as Sub Recipients for the low burden states or the ones with low capacity;
  - Analysis of options to consolidate the remaining functions at federal level (coordination, regulation, resource mobilization, reporting).

### Investigation of Global Fund grants to Nigeria (GF-OIG-16-015)

- **Due 31 December 2016:** The Secretariat will address and mitigate the risk of poor oversight by NACA, the Principal Recipient, of its sub-recipients and will expand the terms of reference of the Local Fund Agent's routine spot checks of sub-recipients to include intensified validation of training-related claims and expenditures. This will include random on-site validations of a sample of sub-recipient training events and meetings as they are held, and periodic post-event validations of invoices with suppliers and participants.

# Section 3. Nigeria AMA Progress Update

Five more agreed actions implemented, and closed by OIG

## Closed Audit AMAs:

### Audit of Global Fund grants to Nigeria (GF-OIG-16-014)

- **Due 30 June 2016 and closed on 16 September 2016:** The Secretariat will assess the internal control deficiencies identified by the OIG audit and determine non-compliant areas that require further review (e.g. by the LFA). The Secretariat will refer any relevant issues from the reviews' findings to the OIG investigations department.
- **Due 30 June 2016 and closed on 5 August 2016:** The Secretariat (Grant Management in collaboration with Finance and Risk Management) will conduct a capacity assessment relating to Government of Nigeria Principal Recipients. The capacity assessment will include the internal control environment (governance and oversight, financial and fiduciary management, health services and products and program management) as well as an assessment on the implementers' ability to deliver key grant objectives under the Global Fund grants to Nigeria.
- **Due 30 June 2016 and closed on 16 September 2016:** The Secretariat will perform an assessment of its short term and long term plans for the Nigeria portfolio in order to ensure the achievement of grant objectives under the Global Fund grants to Nigeria. This will include the key strategic and operational activities that need to be performed by the Nigeria Global Fund country team. Based on this assessment, Secretariat will evaluate the current composition of the Nigeria country team against and where necessary make adjustments to the country team composition to ensure that there is adequate personnel to oversee the implementation, monitoring and oversight over key grant objectives and risks.

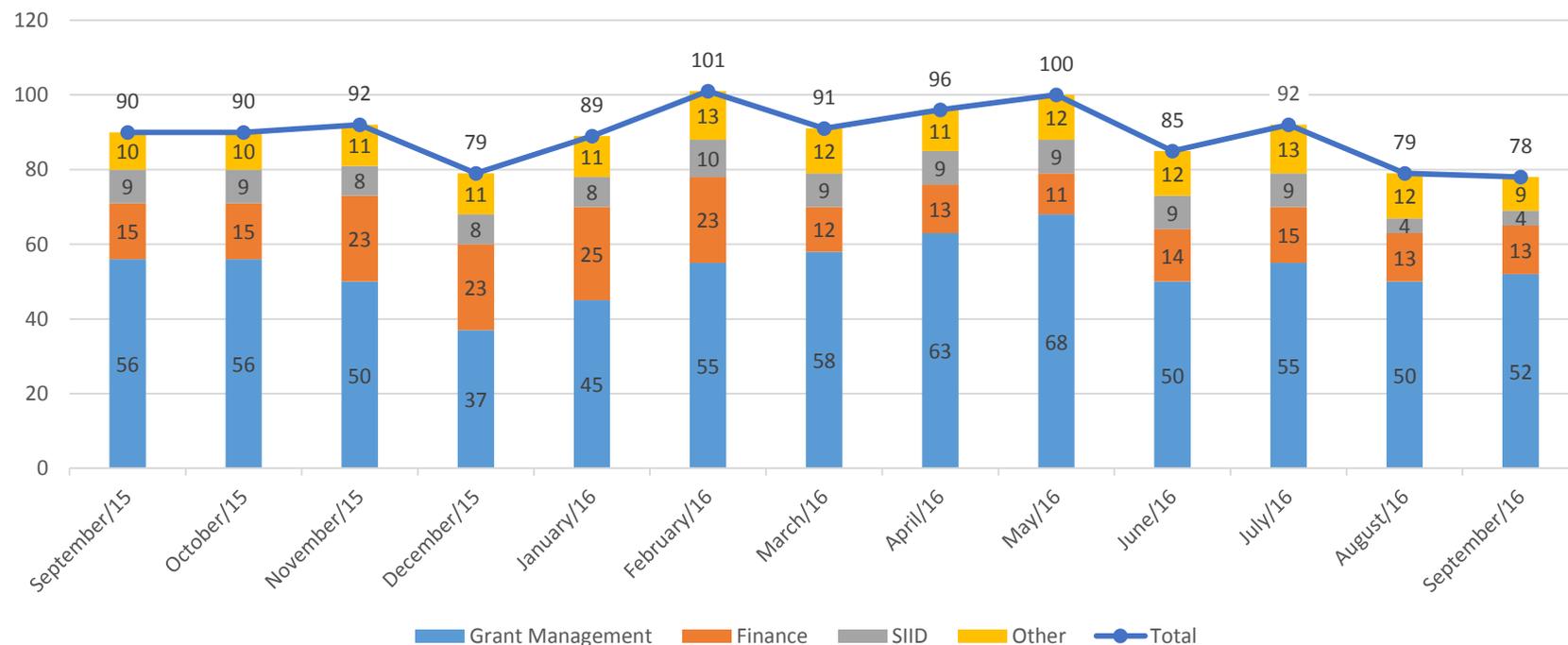
### Investigation of Global Fund grant to Nigeria (GF-OIG-15-003)\*

- **Due 15 December 2015:** The Secretariat will instruct the LFA to visit the state medical stores to ensure delivery and installation of the fixtures. The payment of the balance to Axios will only be paid after the Secretariat is satisfied with the delivery.
- **Due 31 July 2015:** The Secretariat will require NACA to urgently rectify the defects in relation to the renovation work carried out by Omolara Aries Nig. Ltd. at no additional cost to the Global Fund grant program.

\* Two AMAs related to Nigeria have been closed since the AFC02 meeting in October

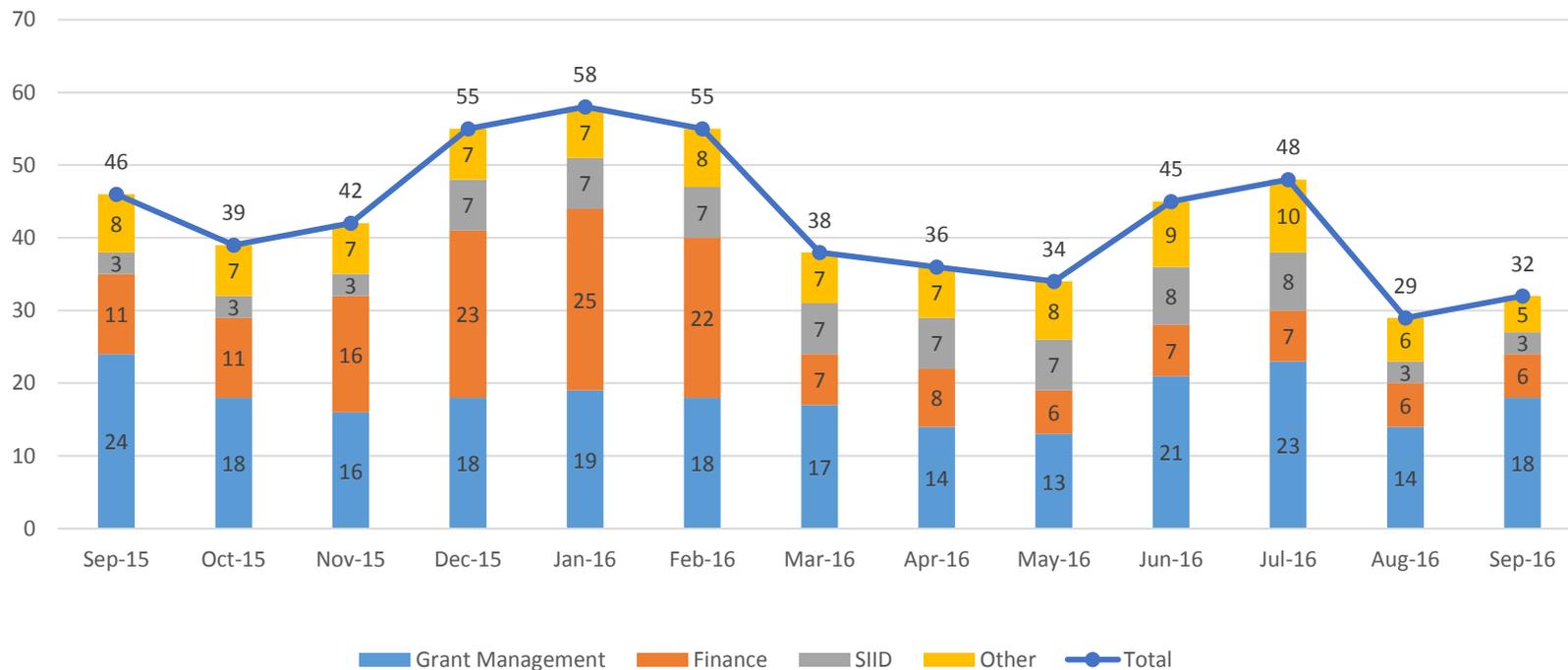
# Section 4. AMA Progress update

## Total open AMAs



# Section 4. AMA Progress update

## Total overdue AMAs



# Section 4. AMA Progress update

## Overdue AMA aging

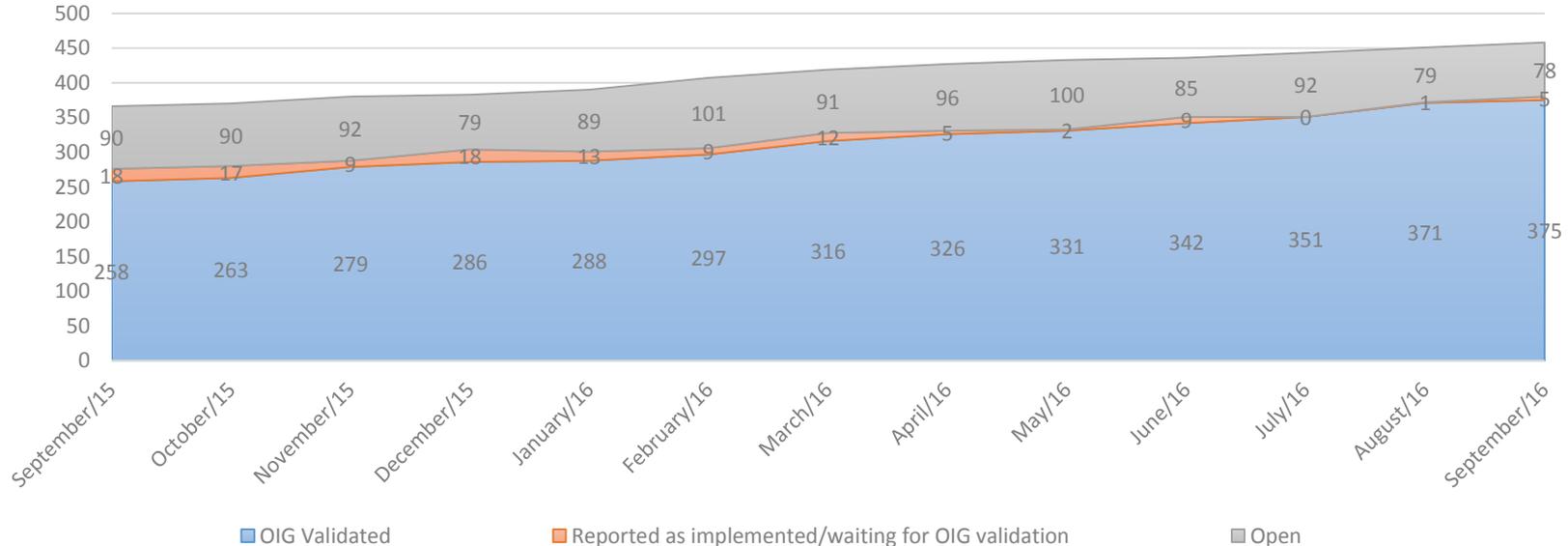
	Less than 30 days late	31-90 days late	91 -180 days late	More than 180 days late	TOTAL
Grant Management	7		7	4	18
SIID			1	2	3
Finance				6	6
Other				5	5
<b>TOTAL</b>	<b>7</b>		<b>8</b>	<b>17</b>	<b>32</b>

17 AMAs remain long overdue

# Section 4. AMA Progress update

## Cumulative AMA implementation progress

Cumulative Implementation Progress



# Long Overdue AMAs – Risk

Project Code	Project Name	Project Type	Agreed Management Action	Due Date	Owner
GF-OIG-15-005	Internal Financial Controls	Audit	Agree Management Action 3.2	31/03/2015	Rahul Singhal
GF-OIG-14-006	High level audit of the Global Fund Assurance Model	Audit	Recommendation 2	30/06/2014	Rahul Singhal
GF-OIG-13-024	Internal Audit of the Integration of Specialists into Country Teams	Audit	Recommendation 3	31/12/2013	Rahul Singhal
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 2	31/03/2014	Rahul Singhal
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	31/03/2014	Rahul Singhal

# Long Overdue AMAs – FISA

Project Code	Project Name	Project Type	Agreed Management Action	Due Date	Owner
GF-OIG-15-020	Effectiveness of IT controls at the Global Fund	Audit	Agreed Management Action 3.2	30/09/2015	Daniel Camus
GF-OIG-15-008	Procurement and Supply Chain Management at the Global Fund	Audit	Agreed Management Action 3	30/09/2015	Daniel Camus
GF-OIG-15-005	Internal Financial Controls	Audit	Agreed Management Action 2.3	31/12/2015	Daniel Camus
GF-OIG-15-005	Internal Financial Controls	Audit	Agreed Management Action 2.2	31/12/2015	Daniel Camus
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 4	30/09/2015	Daniel Camus
GF-OIG-13-030	Assurance at Country Level: External Audit of Grant Recipients	Audit	Recommendation 1	31/12/2015	Daniel Camus

# Long Overdue AMAs – Grant Management

Project Code	Project Name	Project Type	Agreed Management Action	Due Date	Owner
GF-OIG-15-008	Procurement and Supply Chain Management at the Global Fund	Audit	Agreed Management Action 1	30/09/2015	Mark Edington
GF-OIG-13-001	Audit of Global Fund Grants to the Socialist Republic of Viet Nam	Audit	Recommendation 7/9	31/12/2015	Mark Edington
GF-OIG-09-014	Country Audit of the Global Audit Fund Grants to Cambodia		Recommendation 62	30/04/2015	Mark Edington
GF-OIG-09-014	Country Audit of the Global Audit Fund Grants to Cambodia		Recommendation 33	31/12/2014	Mark Edington

# Long Overdue AMAs - SIID

Project Code	Project Name	Project Type	Agreed Management Action	Due Date	Owner
GF-OIG-15-016	Country Audit of Global Fund Grants to the Republic of South Sudan	Audit	Recommendation 3	31/03/2016	Osamu Kunii
GF-OIG-14-014	Audit of Global Fund Grants to the Republic of Guinea-Bissau	Audit	Agreed Management Action 2	31/03/2015	Osamu Kunii