Board Report

Progress Update on Agreed Management Actions

GF/B37/13
For information
03-04 May 2017
Kigali, Rwanda

The Global Fund
Office of the Inspector General

Introduction

The objective of this progress update is to provide the Board with: a) a regular update on the current pipeline of outstanding Agreed Management Actions (AMAs), and b) a high level overview of AMAs relevant to OIG's 2016 Annual Opinion. The report also provides the Board with illustrative examples of the current agreed solutions between the Secretariat and the OIG to mitigate the strategic themes cited in the 2016 Annual Opinion.

There are six sections in this report:

-Sections 1-5 contain AMAs from relevant OIG work cited in the OIG Annual Opinion organized by "Significant strategic theme"

-Section 6 shows the pipeline of AMAs being implemented. This information 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. Slides 12-19 give more detail on the 2016 AMA closure performance including overdue AMAs or those due in the future. Included in this section is an update of the implementation status of AMAs from the 2016 Nigeria audit.

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

AMAs from Relevant OIG Work cited in the OIG Annual Opinion

Section 1:
Service quality: scaling-up dependent on leveraging partnerships

Section 2:
Supply chain and procurement: getting the right health products to patients

Section 3:
Risk management and assurance: challenges embedding risk mitigation into business processes

Section 4:
Controls and culture: gaps or non-compliance can weaken impact

Section 5:
Governance: important gaps remain despite recent progress

Section 6:
Annual AMA performance information & Nigeria AMA implementation update

AMA Performance Summary

- In 2017 there have been 19 new AMAs from new reports.

- In 2017 26 AMAs have been implemented by the Secretariat.

- 15 long overdue AMAs (more then 180 days late) remain open.

- OIG highlights the following area for the Board's attention:

  - Implementation of AMAs from the Nigeria Audits and Investigations are almost complete as only 1 of 7 AMAs remain open.

Section 1. Service Quality

As countries scale-up their coverage, there is strain on the quality of services delivered

- Evidence includes decreased patient retention, non-compliance with GF and national guidelines as well as gaps in diagnosis.

AMAs relevant to this Annual Opinion Strategic Theme:
GF-OIG-17-006 Audit of Grants in Mozambique: 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. **Due 31 December 2018**
GF-OIG-16-024 Audit of Grants in Malawi: The Secretariat, in collaboration with the Ministry of Health and partners, will facilitate the development of an action plan to strengthen the quality of testing and laboratory services across HIV and TB programs in Malawi. Specifically, this plan will include:
• Training of relevant health workers on HIV counselling and testing;
• A mapping of existing investments in laboratory systems strengthening for HIV and TB;
• Measures to fill remaining gaps, with a focus on optimizing the use of existing infrastructure and staffing; strengthening management of laboratory commodities; and improving sample transportation. **Due 31 December 2017**
GF-OIG-16-019 Audit of Grants in Zimbabwe: The Secretariat will ensure that the Ministry of Health, in collaboration with partners, develops an action plan to strengthen quality of services across Global Fund funded programs in Zimbabwe. Specifically, this plan will include measures to improve:
• Diagnosis and laboratory services under the three programs;
• Compliance with national policies and guidelines including HIV diagnosis, monitoring of patients on ARVs, diagnosis and management of malaria outbreaks and active case finding for TB and drug-resistant TB; and
• Human resources capacity within the health sector. **Due 31 December 2016**

Section 1. Service Quality:

Important AMAs addressing the Annual Opinion Strategic Theme:

GF-OIG-16-022 Audit of Grants in DRC: The Global Fund Secretariat will work with the Principal Recipients Ministry of Health, SANRU, Cordaid and Caritas to develop an integrated supervision plan for HIV, TB and malaria services supported by the Global Fund. This plan will include:

- TORs for supervision at national, intermediate and peripheral levels conducted jointly by the Ministry and civil society PRs, including joint TB/HIV supervision;

- Supervisions guides and reporting tools; and

- Follow up mechanisms on the recommendations coming from supervision findings. **Due 31 March 2017**

Section 2. Supply Chain

The impact of solutions to supply chain issues has historically been limited by a focus on tackling specific symptoms in the short term

- AMAs are still country focused, rather than envisioning portfolio-wide or strategic solutions. Whilst supply chain solutions, by definition, must be adopted to each local context, OIG still expects that future AMAs will be better informed by the work on supply chain strategy currently under way.
- There will be new AMAs focused on supply chain within the next 60 days based on the publication of an Audit of Supply Chain Processes

Important AMAs addressing the Annual Opinion Strategic Theme:
GF-OIG-16-002 Audit of Grants in Tanzania: The Secretariat and key country stakeholders have instituted a review of the Medical Stores Department to find solutions to the challenges it faces in storing and distributing commodities. The Secretariat will support the government and partners to develop an operational plan based on the findings of this review. Additionally, recognizing that the overall improvements of commodities' flow through the supply chain are critical for improved service delivery, a separate operational plan will be developed and agreed upon between the Secretariat, the government and partners with a view of improving the overall accountability throughout the supply chain. **Due 31 December 2016**
GF-OIG-16-025 Audit of Grants in Cote d'Ivoire: The Secretariat, together with NPSP, MPH and the national disease programs, will strengthen the accountability mechanism over the supply chain and the oversight capacities of the disease programs through the following actions: NPSP and the disease programs, in coordination, will perform regular reconciliation of NPSP inventory with the disease programs' stock data and investigate any differences; the disease programs will validate product orders received by NPSP from the health districts and the largest health facilities; a technical assistance mission will be supported to implement recommendations tailoring the Enterprise Resource Planning system (known as SAGE) to NPSP requirements. **Due 31 July 2017**
GF-OIG-16-024 Audit of Grants in Malawi: The Secretariat will follow-up with the Ministry of Health and partners to strengthen the oversight of the Drug Security and Availability plan that was developed in December 2015. The Secretariat will ensure that the implementation of the Action Plan is delegated to a focal person in the Ministry of Health who will be responsible for planning and coordinating the actions, monitoring progress, mobilizing resources, reporting and ensuring the overall success of all interventions. **Due 30 June 2017**

Section 2. Supply Chain:

Important AMAs addressing the Annual Opinion Strategic Theme:

GF-OIG-16-020 Audit of Grants in Cameroon: Taking into account the findings of the institutional audit of CENAME performed by the Ministry of Public Health and the Ministry of Finance, the Secretariat, in cooperation with in-country partners and relevant ministries, will develop an operational plan to improve in the short and medium term the storage and distribution services at CENAME level, including the responsibilities of the disease programs.

Based on the content of this operational plan, the Secretariat will review its assurance arrangements, including the use of the Local Fund Agent and the Ministry of Public Health's dedicated internal audit unit, with more emphasis on inventory and distribution reviews. **Due 31 March 2017**

GF-OIG-16-020 Audit of Grants in Cameroon: The Secretariat, in co-operation with technical partners and the Ministry of Public Health, will organize and finance an assessment of the supply chain in Cameroon. Such assessment shall be directed towards long-term systematic improvement of the supply chain (e.g. cost effectiveness of the current/future model, considering options for outsourcing to the private sector, etc.). The Secretariat will support the Government and partners to develop a road map based on the findings of this assessment. **Due 30 June 2017**

GF-OIG-16-013 Investigation of Grants in Cote D'Ivoire: Based on the findings of this report, including large stocks of RHZE unaccounted for and missing from the Nouvelle Pharmacie, the Global Fund Secretariat will improve accountability in the supply chain by implementing mitigation measures to prevent further losses. These measures include: - the delivery by PNLT of an operational plan for the procurement of anti-tuberculosis medicines; - the creation of a multi-sectorial technical committee for stock management/control and quantification of anti-tuberculosis medicines; - the delivery by PNLT of a cross validation exercise between the stocks of anti-tuberculosis medicines consumed or distributed to treatment centers and the reported number of tuberculosis cases under treatment for the same period. This analysis will be submitted twice per year with the Progress Update report. - perform a monthly physical count of stocks held at the Nouvelle Pharmacie and reconcile to quantities received and distributed **Due 31 December 2016**

Section 3. Risk Management

An effective organization-wide risk accountability framework, which will be a key part of embedding risk management in the business, 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.
- The Audit of Risk Management Processes will be published in the next 90 days and will have important AMAs focused on risk management.

Important AMAs addressing the Annual Opinion Strategic Theme:

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**

GF-OIG-17-002 Audit of Grants in High Risk Environments: The Secretariat will: a) Develop financial risk management guidelines that outline the: i) main financial risk management tools; ii) roles of the fiscal agent; iii) triggers for use of fiscal agents and the process for appointment and removal of fiscal agents iv) Processes for management of conflict of interest in the roles of the fiscal agents; and v) metrics to measure performance of the agents. b) Centralize annual performance assessments for fiscal agents. **Due 31 March 2017**

Section 4. Controls and Culture

The Global Fund's operational effectiveness and efficiency is partly reliant on how well it oversees and monitors country programs and activities at a central level.

- There is a need for increased formalization of policies and procedures for process compliance, at both the Secretariat and the country level.

Important AMAs addressing Annual Opinion Strategic Themes:
GF-OIG-17-002 Audit of Grants in High Risk Environments: The Secretariat will: a) Develop a system to track countries under the Additional Safeguard Policy (ASP) through its Grant Operational System. b) Update the Operational Policy Note on ASP to clarify the processes for regular monitoring and review of countries under the Policy and revoke it where appropriate **Due 31 December 2017**
GF-OIG-17-002 Audit of Grants in High Risk Environments: The Secretariat will develop: a) Operational Policy Note for Challenging Operating Environments (COEs) that clarifies the process for classification of countries as COEs including further subclassifications and the flexibilities available to the countries and how such flexibilities are approved. b) Guidance for contingency planning for countries facing crisis and emergencies. **Due 30 June 2017**
GF-OIG-17-001 Audit of Treasury Management: The Secretariat will review all policies and procedures that cover the scope of Treasury activities and where necessary make adjustments to ensure that policies are principle based and that procedures are reflective of the processes and controls of the current operating environment. In addition, the Secretariat will make the necessary amendments to include the gaps identified by the OIG including: i) Incorporating requirements for regular review of all policies and procedures; ii) Documenting the current processes and controls for currency swaps used for cash management; iii) Defining the measurement and monitoring of the VaR and the Secretariats' approach to stress testing; and iv) Defining and documenting processes and controls for treasury reporting to ensure adequate and quality control is applied to Treasury reporting for the Audit and Finance Committee. **Closed (due 30 June 2017).**

Section 4. Controls and Culture

Important AMAs addressing the Annual Opinion Strategic Theme:

GF-OIG-16-016 Limited scope review of the processes undertaken to procure services and resources for Implementation of Wambo.org: The Secretariat will strengthen its accountability framework for compliance with the organization's procurement framework. Specifically, this will include:
• Institute reporting to the Management Executive Committee on a quarterly basis the "exception to competition" levels by Division, analysis of rationales provided for exceptions to competition, areas of weakness and actions to correct them.
• Ensuring that relevant staff (sourcing department managers, corporate procurement buyers, budget holders and requesters) incorporate an objective related to compliance with the procurement framework in their performance objectives.
• Training relevant staff involved in the organization's procurement process on their roles and responsibilities and raising awareness among all staff about procurement processes and documentation requirements.
• The Sourcing department working with budget-holders within divisions to strengthen procurement planning and maintaining an up to date preferred list of suppliers at the organizational and divisional level, where applicable. **Due 31 December 2017**

GF-OIG-16-026 Supplier Wrongdoing and Global Fund Non-Compliance with Procurement Regulations: The Secretariat will review its current procurement framework (policies, regulations and procedures) to ensure that its contents are aligned and that they provide greater clarity and adequate guidance about the organization's procurement processes. This review and adjustment will include defining exceptional circumstances that justify single sourcing; determining market rate; reviewing and approving work product and invoices; maintaining auditable records of the various processes; and providing training to staff as appropriate. Regular reporting to and monitoring by the Management Executive Committee to drive compliance. **Due 30 June 2017 & 31 December 2017**

Section 5. Governance

Important gaps remain despite recent progress

- In 2014, at the request of the Board, the OIG performed an advisory review on Global Fund Governance. These advisory reviews do not contain AMAs, and there are no outstanding AMAs focused on Governance. The outcome of the OIG's 2014 Governance Review was notably taken into account by the Board in adopting its enhanced governance structure.

- There will be two audits published in the next-60 days, an Audit of Risk Management Processes and a Follow-Up Review of Governance, that will have important AMAs focused on governance.

Section 6. Nigeria AMA Progress Update

Implementation of AMAs are almost complete, and will be confirmed in an OIG joint audit/investigation follow-up review in 2017

- The Secretariat has implemented, and the OIG has closed, all but 1 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 Secretariat's corrective actions in select areas of focus that will be determined based on risk and other considerations.

Important AMAs requiring Board 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.

Section 6. AMA Progress update

Total open AMAs
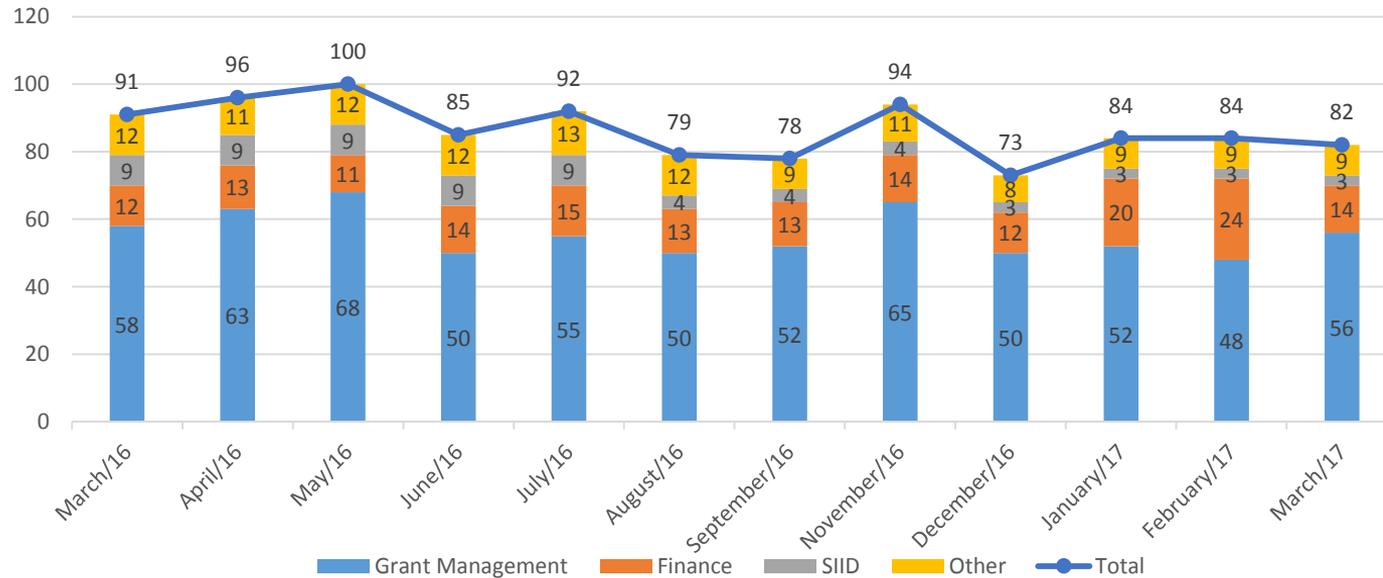
Section 6. AMA Progress update

Total overdue AMAs
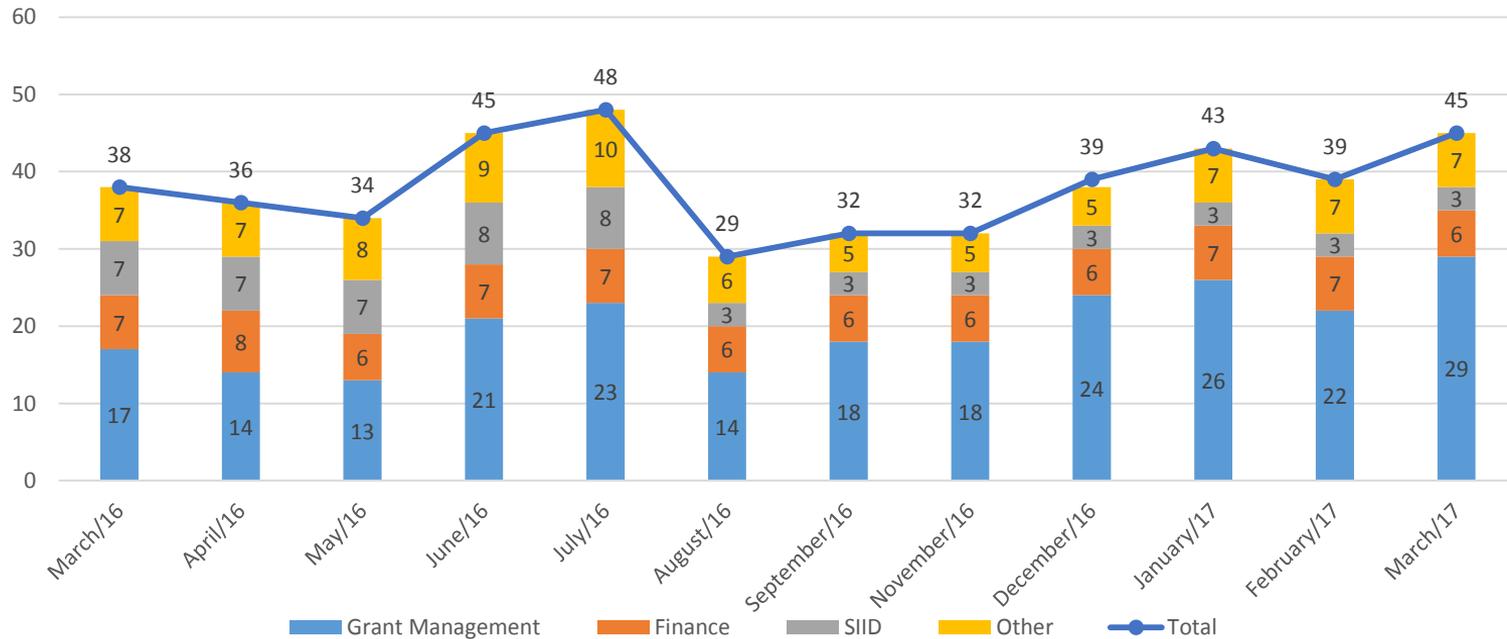
Section 6. AMA Progress update

Overdue AMA aging

	Less than 30 days late	31-90 days late	91 -180 days late	More than 180 days late	TOTAL
Grant Management	5	13	6	5	29
SIID		1		2	3
Finance	3			3	6
Other		2		5	7
TOTAL	8	16	6	15	45

15 AMAs remain long overdue

Section 6. AMA Progress update

Cumulative AMA implementation progress

Cumulative Implementation Progress
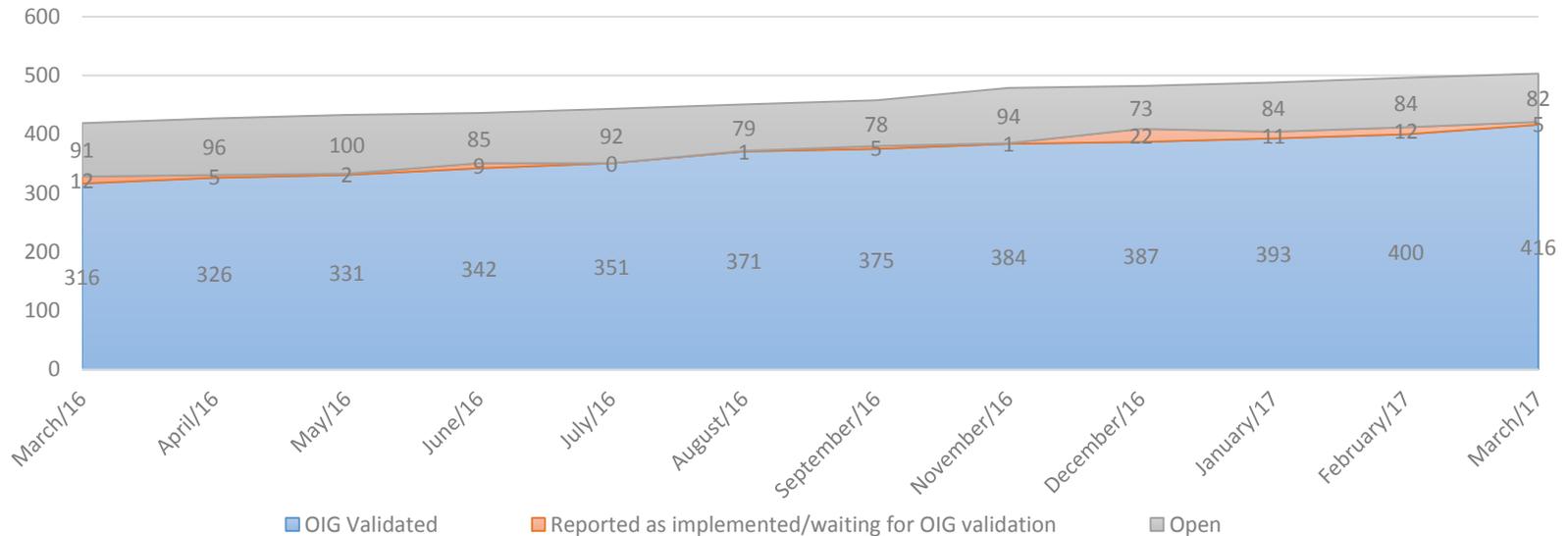
Long Overdue AMAs – SIID

Project Code	Project Name	Project Type	Recommendation Title	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	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.	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	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.	31/03/2015	Osamu Kunii

Long Overdue AMAs – Risk

Project Code	Project Name	Project Type	Recommendation Title	Agreed Management Action	Due Date	Owner
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.	31/03/2015	Rahul Singhal
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.	30/06/2014	Rahul Singhal
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	31/12/2013	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	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.	31/03/2014	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	The Global Fund Secretariat should integrate or merge the action plans produced by the QUART and Implementer Assessment Tool.	31/03/2014	Rahul Singhal

Long Overdue AMAs – Grant Management

Project Code	Project Name	Project Type	Recommendation Title	Agreed Management Action	Due Date	Owner
GF-OIG-16-005	Audit of Global Fund Grants to the Republic of Uganda	Audit	Agreed Management Action 6	The Secretariat will review the findings relating to loss of assets and funds not accounted for and make proposals to the Recoveries Committee on a way forward	30/06/2016	Mark Edington
GF-OIG-16-002	Audit of Global Fund Grants to the United Republic of Tanzania	Audit	Agreed Management Action 6	The Secretariat will review the findings relating to loss of assets and funds not accounted for and make proposals to the Recoveries Committee on a way forward.	30/06/2016	Mark Edington
GF-OIG-15-008	Procurement and Supply Chain Management at the Global Fund	Audit	Agreed Management Action 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).	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	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.	31/12/2015	Mark Edington
GF-OIG-09-014	Country Audit of the Global Fund Grants to Cambodia	Audit	Recommendation 62	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.	30/04/2015	Mark Edington

Long Overdue AMAs – FISA

Project Code	Project Name	Project Type	Recommendation Title	Agreed Management Action	Due Date	Owner
GF-OIG-15-020	Effectiveness of IT controls at the Global Fund	Audit	Agreed Management Action 4.1	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.	30/09/2015	Daniel Camus
GF-OIG-15-008	Procurement and Supply Chain Management at the Global Fund	Audit	Agreed Management Action 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.	30/09/2015	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	4. 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.	30/09/2015	Daniel Camus