Global Fund Approach to Risk Management

LFA TRAINING 2019/2020

The Global Fund / Karin Schermbrucker
Global Fund Risk Management Framework
Delivering results and impact

Achieving Health Impact through Grant Objectives (Mission)

Activities to reach Grant Objectives (Execution)

- Program Activities
- Flow of Data
- Flow of Funds
- Flow of Commodities
- Program Management

Inherent Risks of Activities

- Program Quality
- Strategic Data Quality & Availability
- Accounting & Financial Reporting
- Procurement
- • Grant-Related Fraud & Fiduciary
- • In-Country Supply Chain
- • Quality of Health Products
- • National Program Governance and Grant Oversight

Assurance Mechanisms (Local Fund Agents, Partners, External Audit, etc.)

1st Line of Defense:
- Business Functions (e.g. Grant Management)

2nd Line of Defense:
- Oversight Functions (e.g. Risk Department, Program Finance)

3rd Line of Defense:
- Independent Assurance (e.g. OIG)
The four stages of our risk management lifecycle.

<table>
<thead>
<tr>
<th>Evidence based Risk identification</th>
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<tbody>
<tr>
<td>• A risk statement identifies the affected objective, the element of uncertainty, and the root cause.</td>
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<tr>
<td>• The risk is rated based on the likelihood and severity of the foreseen risk.</td>
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<tr>
<td>• The risks are prioritized for strategic action.</td>
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<table>
<thead>
<tr>
<th>Risk mitigation</th>
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<tbody>
<tr>
<td>• Mitigation strategies address the root causes of the risks identified</td>
</tr>
<tr>
<td>• Mitigating actions are consistent with, and appropriate to the risk level</td>
</tr>
<tr>
<td>• Clearly identify responsibilities and milestones.</td>
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<thead>
<tr>
<th>Monitoring and reporting</th>
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<tbody>
<tr>
<td>• Ensures policies, procedures and guidelines are in place and kept up to date to provide a proper, auditable control environment.</td>
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<tr>
<td>• Key milestone tracking to allow for early warning when there are deviations from the plans.</td>
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<thead>
<tr>
<th>Assurance</th>
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<tbody>
<tr>
<td>• Assurance activities verify that mitigating actions are having the intended effect of manage the risk to an acceptable level</td>
</tr>
<tr>
<td>• An assurance activity is planned for all key risks and mitigating actions that have been identified in a grant.</td>
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Global Fund Risk Management framework
Why the emphasis on risk management?

- The need for strong risk management at all levels is critical to ensuring that the Global Fund fulfills its mission.

- Since 2014, significant advances in establishing necessary risk management architecture and operationalization of policies to deliver on the board approved risk management framework.

- Effectiveness of the Global Fund’s risk management strategy dependent on CCMs, PRs and other implementers who are in charge of actual implementation of programs.

What are we trying to achieve?

✓ In-country ownership of risk management monitoring
  - Enhanced capacity for accurate and agile risk identification and effective risk mitigation at country level: PR, SR, CCM
  - Increased consistency in risk management activities, including:
    - LFA to pro-actively monitor changes in risk profile and communicate emerging risks to the Global Fund
    - introduction of guidelines for PR risk management practices
    - guidelines for risk management oversight by CCMs

✓ Proactive risk management by Country Teams
The Global Fund has developed its risk management framework and designed / enhanced a number of tools and processes:

- The **Integrated Risk Management module** integrates capacity and risk assessments and is used by all High Impact and Core portfolios;

- The **Portfolio Performance Committee reviews** offer a platform to understand program performance, financial absorption, risk assessments, make trade off decisions, and accept risk;

- **In-country risk workshops** have taken place in most High Impact and Core portfolios; and

- **Risk appetite has been** set to provide a structured framework for taking more informed risk trade-off decisions and accept risks.
Global Fund Risk Management Framework
Risk Appetite

• The Global Fund Board approved Risk Appetite for 9 organizational risks in May 2018.

• Reflects the risk management philosophy that our Board wants the organization to adopt and, in turn, influences our risk culture, operating style and decision-making.

• Risk Appetite is the amount of risk that the Global Fund is willing to accept in pursuit of its strategic objectives. It is a resource that helps:
  • balance fiduciary risks and programmatic impact
  • understand and approve levels of risks
  • make trade off decisions in an informed manner
  • assess and approve grant flexibilities in different environments
  • hold stakeholders accountable, especially when risks are to be reduced

• In the course of the next 3-5 years, particular attention needs to be paid to Program Quality, M&E Systems and Data Availability, Quality and Use, and In-Country Supply Chain: to reduce all 3 from high to moderate.

• Effort also needs to be invested to ensure fraud and fiduciary risk as well as accounting and financial reporting by countries remain at a moderate level.
## Global Fund Risk Management Framework

### Board Approved Risk Appetite

<table>
<thead>
<tr>
<th>Key Grant-Related Risk</th>
<th>Current Risk</th>
<th>Risk Appetite</th>
<th>Target Risk</th>
<th>Indicative Timeframe for Achieving Target Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. In-Country Supply Chain</td>
<td>High</td>
<td>High</td>
<td>Moderate</td>
<td>4-5 years</td>
</tr>
<tr>
<td>2. Program Quality</td>
<td>High</td>
<td>High</td>
<td>Moderate</td>
<td>4-5 years</td>
</tr>
<tr>
<td>3. Strategic Data Quality and Availability</td>
<td>High</td>
<td>High</td>
<td>Moderate</td>
<td>3 years</td>
</tr>
<tr>
<td>4. Grant-Related Fraud &amp; Fiduciary</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Moderate</td>
<td>N/A</td>
</tr>
<tr>
<td>5. Procurement</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Moderate</td>
<td>N/A</td>
</tr>
<tr>
<td>6. Accounting and Financial Reporting by Countries</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Moderate</td>
<td>N/A</td>
</tr>
<tr>
<td>7. National Program Governance and Grant Oversight</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Moderate</td>
<td>N/A</td>
</tr>
<tr>
<td>8. Quality of Health Products</td>
<td>Moderate</td>
<td>Moderate</td>
<td>Moderate</td>
<td>N/A</td>
</tr>
</tbody>
</table>

- - Very High
- - High
- - Moderate
- - Low/Moderate
- - Low
Global Fund Risk Management Framework
Integrated Risk Management module

- 53 HI/Core grant risks were assessed using the IRM module.
- IRM integrates capacity assessment with risk assessment. It also is linked to GF disbursement module.
- There is far more transparency on root causes as they are standardized for each risk and focus is now made to align assurances to key mitigating actions and root causes.
- Outcomes indicators are used to triangulate with the risk levels determined.
- The grant ratings from the IRM are used to assess whether the organization is within the Board set Risk Appetite
Global Fund Risk Management Framework
Integrated Risk Management module

21 Risks at grant level

Each Risk has identified and standardized root causes

Mitigating Actions to address root causes

Assurance Actions

21 risks rated at grant level from Low to Very High level

Outcome Indicators

Triangulation

LFA Input:
Capacity Assessments
PU – Key Findings and Recommendations
Providing Assurance
Effective risk management tools and systems at Secretariat and implementer levels

Alignment across partners on risks, mitigation and assurances

Risk Appetite framework to support decision making and trade offs

Integrating risks in decision making processes

Global Fund Risk Management Framework
Integrating Risk Management in Grant Management
Embedding Risk Management

Effective risk management

Achieving impact starts at the grant level, managed by in-country stakeholders working in partnership with the Global Fund:

- Are the **risks rated appropriately** following the risk definitions?
- Is the **risk prioritization** based on a clear logic (risk levels and root cause analysis)?
- Ability of the **mitigation actions** to have positive effect (critical look at the nature of the activity and responsible party/availability of budget etc.) and help accomplish grant objectives and impact
- Are the **assurance activities** matching the prioritized risks?
- Is there a **balance** between programmatic, supply chain, and financial assurance plans?
- Is there a good **mix of assurance providers** considering factors such as country context, availability and quality of providers?
- Ongoing update & real-time use in grant making decisions **throughout the grant cycle**.

Robustness in risk prioritization and rating as well as actionable mitigating actions with balanced assurances are critical to effective risk management and achieving progress towards health outcomes.