



Independent observer  
of the Global Fund

## Agreed Management Actions Progress Report from the Global Fund's Office of the Inspector General

The Office of the Inspector General (OIG) presented the 46<sup>th</sup> Board meeting with its progress report on Agreed Management Actions (AMAs): the situation as of 30 September 2021.

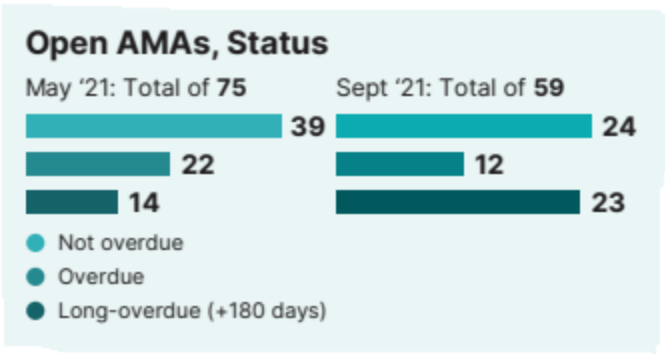
The source of information for this article is the document for the Board meeting held on 8-10 November 2021.

This report covers two areas: (i) it presents trends in AMA completion; and (ii) it analyses risks posed by high-risk overdue AMAs for Board attention.

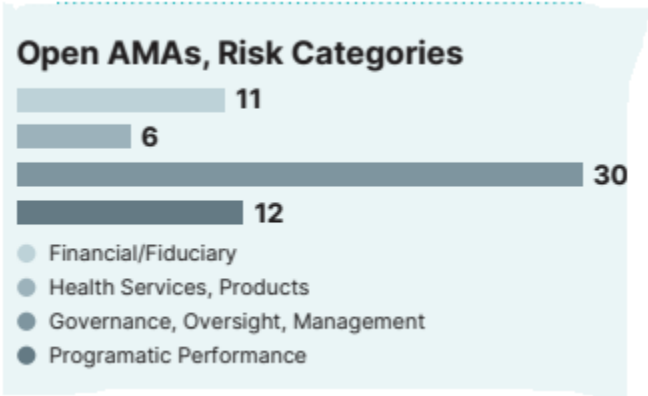
Progress in addressing AMAs

Total number of open AMAs

As the figure below shows, the total number of open AMAs has reduced by 16 (from 75 in May 2021 to 59 in September 2021). This is due to a concerted effort to close 27 AMAs, the majority of which related to the Grant Management Division.



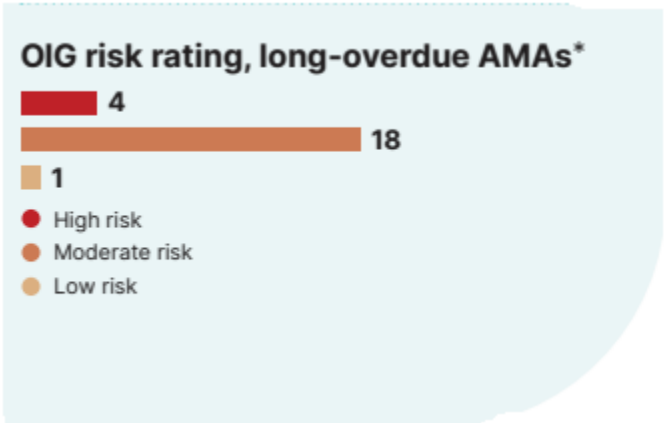
16 of the 27 AMAs closed were long-overdue, including the high-risk AMA previously reported to the Board on a framework for sexual exploitation, abuse, and harassment (SEAH).



However, COVID-19 disruptions, competing priorities in signing new grants, and challenges in selecting implementers continue to hinder the Secretariat’s ability to implement AMAs that require extensive engagement with in-country implementers. As such, long-overdue AMAs increased from 14 (May 2021) to 23 (September 2021). Four of the 23 long-overdue AMAs pose a high risk.

Status of previously prioritized, high-risk AMAs

In July 2021, the OIG highlighted four high-risk AMAs to the Audit and Finance Committee. Since then, one of the four has been closed (the SEAH AMA mentioned above). Two have made good progress (Managing investments in resilient and sustainable systems for health (RSSH), tuberculosis (TB) procurements through the Global Drug Facility), resulting in their risk levels reducing to Moderate. The risk relating to the Integrity Due Diligence AMA remains high, with little progress made.



## Four long-overdue AMAs pose high risks to the organization

As previously noted, and seen in the figure above, four AMAs remain open and they represent a high risk to the Global Fund. In addition to (i) the AMA on the rollout of Integrity Due Diligence (IDD) at the country level, there are three following long-overdue actions: (ii) assurance over grants managed by International Non-Government Organizations (INGOs); (iii) Mozambique: Actions to address low retention rates of patients on antiretroviral medicine (ART); and (iv) Nigeria: Country Coordinating Mechanism (CCM) Roles and responsibilities for countries under Additional Safeguard Policies (ASPs).

### Integrity Due Diligence

This is a high risk, long overdue AMA relating to GF-OIG-19-016, Audit of Managing Ethics and Integrity at the Global Fund, AMA 6, which reads: 'Complete the roll-out of the IDD project, such that a risk-based approach is applied to all Global Fund counterparties, including implementers and suppliers.' It was due on 30 June 2020 and thus was 400+ days overdue.

### Progress towards closing this AMA

The Secretariat has developed and deployed a risk-based integrity due diligence (IDD) approach for most counterparty groups. This accountability matrix for staff, consultants, suppliers, private sector partners, and Global Fund governance officials is approved and operational. Some progress has also been made in addressing IDD risks for the largest stakeholder group – grant implementers. A process is now in place to perform due diligence checks on Principal Recipient (PR) entities and signatories as well as reactive enhanced due diligence at lower tiers of implementation. Due diligence requirements for implementers have also been incorporated in the recently developed SEAH framework.

### What remains to be done?

The Secretariat has not made any major progress on this AMA. The organization has not agreed on an approach for IDD checks and controls at the grant level, where material risks exist. This is the most substantive action, and the AMA cannot be closed until there is organizational alignment on the approach to IDD in relation to implementers, as part of a broader approach in addressing misconduct at the grant level. The Ethics Office had previously drafted a proposal that revises implementer accountabilities to include the performance of due diligence on third parties that they contract, including sub-recipients; however, this has yet to be reviewed and approved by the Management Executive Committee and subsequently operationalized.

### Potential loss of impact and risks to the Global Fund

Ethical, Integrity: without this framework, the Secretariat is limited in its ability to identify, monitor, and mitigate Ethics and Integrity risks at the implementer level. Implementers may act in contravention of the Global Fund's Codes of Conduct or applicable policies on ethical behaviour and conduct. In terms of the organizational corporate risk register, this risk is linked to the SEAH and Misconduct risk which is rated as High.

Financial: donor funding could be at risk if the organization cannot demonstrate that it has taken concrete actions on priority risks such as ensuring the integrity of implementers. This is related to the Future of Funding risk in the organizational risk register, rated as Moderate and on an increasing trend.

Reputational: activities carried out by Global Fund implementers represent the core operations of the organization. Implementers operate across various geographies and political contexts with different risk profiles, and inadequate IDD of implementers could expose the organization to reputational risks, which

are rated as High in the organizational risk register.

#### Assurance arrangements over grants managed INGOs

This is also a high-risk long-overdue AMA from GF-OIG-19-006, Global Fund Grants in the Democratic Republic of Congo: Tender manipulation and overpricing in Malaria grant, AMA 4 which reads: 'The Global Fund will review assurance arrangements with other INGOs to determine whether revisions are required to their respective assurance arrangements and/or framework agreements, and will develop a plan to implement any revisions identified.' It was due on 30 December 2020 and is thus 250+ overdue.

Progress has been made in closing this AMA

INGOs manage Global Fund grants in at least 30 countries (including in relatively high-risk environments), amounting to \$1.3 billion in NFM3 funding. The Risk Department along with Finance and Grant Management Division have completed assessments for four INGOs (Save the Children, World Vision, Plan International, and Catholic Relief Services) and these focused on the INGOs' assurance arrangements and internal controls around four functional areas: (i) Governance; (ii) Programmatic and M&E; (iii) Financial Management and (iv) Health Product Management. In September 2021 the assessment reports were shared with the respective INGOs for further consultation and agreement.

What remains to be done?

The Secretariat is yet to reach alignment with the INGOs on the outcome of the assessments, including recommendations for course correction and deadlines for implementation. The AMA cannot be closed until the results of the assessment are translated into clear action plans to address the weaknesses identified. This is expected to include roles and responsibilities for overseeing the implementation of the agreed actions.

Potential loss of impact and risks to the Global Fund

Financial and Fiduciary Risk: Inadequate assurance arrangements at INGOs could potentially result in misuse of funds to the organization, given the sub-optimal internal control environments of the implementers. The assessment reports identify gaps and opportunities for improving the design and operational effectiveness of financial controls. Financial & Fiduciary Risk is rated as High in the organizational risk register, with an increasing trend.

Reputational: inadequate assurance mechanisms for programs implemented by INGOs can result in significant internal control weaknesses not being detected, leading to sub-optimal program quality or misuse of funds (as was noted in the DRC OIG Investigation report). As INGO's play a critical role in the implementation of GF-funded programs, such instances can harm the GF reputation and its ability to effectively manage the implementing partners it works with. This is related to Reputation risk in the organizational risk register, rated as High.

Programmatic: The absence of adequate and effective assurance controls affects the quality of program delivery, as sub-optimal service delivery, wastage and inefficiencies may go undetected. All four INGO assessment reports noted gaps in programmatic assurance, the absence of mechanisms for program quality assessments, and opportunities for M&E system strengthening. Program Quality for all three diseases is rated as High (Very High for TB) in the organizational risk register.

Mozambique: national sample-based study to track lost-to-follow-up cases on ART

This is a high-risk long-overdue AMA, GF-OIG-17-006, Audit of Global Fund Grants to Mozambique, AMA: '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.' It is, shockingly, more than 1,000 days overdue (its due date was 31 December 2018).

What progress has been made in closing this AMA?

The implementation of this AMA was affected by Partner funding issues and the COVID-19 pandemic. The methodology for the required study of lost-to-follow-up (LTFU) patients on ART was completed in 2019 and in-country ethical approval was obtained in early 2020. The study, which focused on the root causes for the low retention of patients on ART, was completed in August 2021.

What remains to be done?

The outcomes of the study, and key actions to improve ARV retention rates in the country, are still being developed. The Grant Management Country Team, in collaboration with the Technical Assistance & Partnerships team, is engaging with in-country implementers to develop a roadmap to improve the retention of patients on antiretroviral treatment (ART). A 2017 OIG audit reported that only 66% of patients on ART in the country were retained on treatment after 12 months. This had marginally increased to 67% as of 2020 against the WHO benchmark retention rate of at least 90% for national HIV programs, indicating challenges still exist. This AMA cannot be closed until the roadmap is developed, which is expected to be before the end of 2021. The OIG is currently performing an audit of GF grants to Mozambique and the design and effectiveness of programmatic implementation, which will include a detailed review of ARV coverage and retention rates.

Potential loss of impact and risks to the Global Fund

Programmatic: Inability to keep patients on treatment could reduce the overall outcome and impact of Global Fund investments in the country. Retention of patients on ART cross Global Fund Portfolios could be further worsened by the COVID-19 pandemic. This is linked to HIV Program Quality in the organizational risk register, rated as High.

Value for money: Initiating patients on ART involves many activities that are supported by Global Fund grants. Losing at least one in five patients after 12 months of initiation (using the WHO set benchmark) affects the efficiency and effectiveness of grant resources

Nigeria: CCM Roles and responsibilities for countries under ASP

This is another high-risk long-overdue AMA GF-OIG-18-005, Follow-up Audit of Grants to Nigeria, AMA 1: 'The Secretariat will submit to the relevant Board committee revised guidance on CCM roles and responsibilities for countries under ASP. Based on the approved guidance, the Secretariat will set specific expectations for the Nigeria CCM.' It was due on 31 December 2018 and is 1,000+ days overdue.

What progress has been made in closing this AMA?

Revised guidance on CCM roles and responsibilities for countries under ASP was submitted and approved by the Board in early 2019. In late 2020 and 2021, the Secretariat prioritized the new funding cycle, work on the COVID-19 response and program adaptations. In 2021, the Secretariat developed a roadmap for a potential exit from the ASP. Several inputs went into the development of the roadmap, including consultation with key stakeholders in Nigeria (including CCM, Government and Partners) through an ASP survey. The roadmap includes actions to be implemented by the various stakeholders in Nigeria, including the CCM and the Government of Nigeria.

What remains to be done?

The Nigeria portfolio has been under ASP since 2016 without an approved road map for potential exit, contrary to the Secretariat's operational guidelines. The roadmap prepared by the Secretariat is at advanced stage and expected to be approved by Senior Management. After the internal approval, the Country Team is expected to engage with the CCM Nigeria and the relevant Government authority to approve the roadmap. An approach for monitoring and verifying milestones will have to be agreed upon between all relevant stakeholders. The Secretariat anticipates concluding negotiations by the end of 2021.

#### Potential loss of impact and risks to the Global Fund

In-country governance: Unclear roles and responsibilities for CCMs under the ASP, and the lack of an exit strategy, could result in the CCM being unable to provide governance and oversight for implementers selected by the Global Fund, and hold them accountable for performance. In-country Governance is rated as Moderate on the organizational risk register, however on an increasing trend.

Reputational: The ASP enables grant implementation in challenging environments. It also helps in mitigating fiduciary and programmatic risks and transitioning from it needs to be managed carefully. However, it could be seen as limiting country ownership if a road map to gradually transition from ASP is not agreed between the Global Fund and the Country.

Annex 1 describes the factors inherent in the OIG Methodology for Classifying and Selecting High-Risk AMAs.

The Board Document GF/B46/18, Agreed Management Actions Progress Report, should be available shortly at <https://www.theglobalfund.org/en/board/meetings/46>

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