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of the Global Fund

## High-Level Panel Issues Interim Report

Panel is reviewing a sample of grants from 40 countries

Final report will provide “detailed, significant and far-reaching” recommendations

In its interim report, submitted on 30 June 2011, the Global Fund’s High-Level Review Panel says that it sees significant areas that require improvement, “but nothing that cannot be fixed.”

The Panel said that in its final report, which it promised to deliver by 15 September 2011, the panel will offer “recommendations to protect the Global Fund’s resources [and] provide assurance to donors.... Our recommendations will be detailed, significant and far-reaching, and will deal with subjects that range from high-level governance to the practices and procedures of the Fund Secretariat and the OIG [Office of the Inspector General].”

The Panel expressed satisfaction with the reforms that the Global Fund has already introduced or is in the process of implementing.

The full name of the Panel is the “High-Level Independent Review Panel on Fiduciary Controls and Oversight Mechanisms.” It was established earlier this year after the mainstream media reported on the misappropriation of grant funds in some countries as detected by the OIG. The Panel is co-chaired by former President of Botswana Festus Mogae and former U.S. Health and Human Services Secretary Michael O. Leavitt.

The interim report does not contain any conclusions or recommendations; it reads more like a progress

report, describing what the panel has done and what its main areas of inquiry are. Although it is working with very tight timelines, the Panel's areas of inquiry are quite broad. For example, with respect to the Global Fund Secretariat, the Panel said that it will review not only the work of the fund portfolio managers (FPMs), but also "the entire structure, incentive schemes, management policies and procedures."

Concerning principal recipients (PRs), the Panel said that its "principal approach is to identify the major weaknesses for each PR in the countries in the representative sample, as indicated by the pre-signature LFA assessments and the Conditions Precedent in the grant agreements, and to track them over time through the documents that describe grant implementation." Among the documents that the Panel is reviewing are original grant agreements; progress updates / disbursement requests (PU/DRs); Phase 2 LFA assessments; Phase 2 decision documents; OIG audit reports; In-country external audit reports; and management letters.

The Panel is looking at a representative sample of grants from 40 countries. By the time its work is finished, the Panel expects to have conducted field visits to 14 countries (Djibouti, Dominican Republic, El Salvador, Ghana, Kenya, Kyrgyz Republic, Indonesia, Malawi, Papua New Guinea, Senegal, Sri Lanka, Tajikistan, Thailand and The Gambia).

The Panel will also review the work of the Office of the Inspector General (OIG). It will examine the governance of the OIG and the OIG's processes and policies, "especially with regard to transparency, including the publication and disclosure of findings from audits and investigations." The Panel will also examine how several other agencies handle the audit function. With respect to the OIG, the Panel said that it will also examine the definition of "loss," as well as the "denominator" against which to compare losses.

One section of the interim report lists the Panel's many areas of inquiry. The following are a few examples:

- nomination and selection of PRs
- selection and supervision of sub-recipients
- Secretariat communications with country coordinating mechanism (CCMs), PRs and local fund agents (LFAs)
- the issue of whether the Secretariat requires a field presence
- contracts and scope of work of LFAs
- scope of work and composition of CCMs; COI issues on CCMs; and expertise of CCM members
- the Global Fund's accountability and risk management frameworks

The Panel has hired a team of seven consultants to work on specific deliverables; and an external professional services firm to assist in the analysis of documentation related to the representative sample of grants and PRs.

The interim report was distributed to all Global Fund Board members and alternates, and to all members of the Board delegations, along with a covering note from the Panel's co-chairs. However, the report is not available on the Global Fund website.

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