

July - August 2016 - Update for the Board

I. Update from the Board Leadership

The International AIDS Conference in Durban demonstrated the tremendous progress in reducing the spread of HIV/AIDS during the past decade, thanks, alongside others, to the success of the Global Fund as an institution and partnership. Rich debates and discussions at the Conference gave ideas on what we can do more and better, but we should bear in mind, as we've seen in the draft Results Report, which will be launched in Montréal, that the Global Fund is on the right track to end the epidemics and that it should continue on the path outlined in its existing and new 2017-2022 Strategy.

Despite summer holidays, all three standing committees have been very active. We congratulate the Governance Focal Points elected from each Board constituency with whom the EGC will engage throughout its term with the objective of ensuring effective engagement with the Board.

The Board Leadership had phone calls with committee leadership to check in how they are coping with their workload and what improvements could be envisaged. We acknowledge that the first quarter of committee activity involves some learning curve and adjustment from new committee members. Nevertheless, it came out quite prominently from the calls that committees' workload is too high, and the volume of documentation circulating on a daily basis is almost impossible to "digest" for those who are having full-time jobs elsewhere. This initial feedback requires further reflection about striking an appropriate balance between strategic items and technical detail, delegating and trusting the Secretariat with more technical work, and providing committee leadership and members with stronger advisory rather than administrative support, where necessary.

The Board Chair reached out to the Gavi Board Chair to discuss cooperation between both organizations, and agreed to develop a roadmap of synergies going forward. Beyond the move to common premises in early 2018, Gavi and the Global Fund can identify areas of closer cooperation while pursuing their specific mandates.

01 Coordinating Group

The Coordinating Group met virtually on 25 July and focused on Prioritized Action Plan, oversight of risk and CCMS, and foreign exchange rate assumptions for the replenishment and the amount of resources available for allocation to countries.

The CG welcomed important improvements made to date in the 'Prioritized Action Plan to Accelerate Management for Impact' and looks forward to further work and progress with the implementation of the PAP. The list of ongoing initiatives per country is enclosed to this update.

As part of a regular deep dive risk review, the CG discussed the Procurement and Supply Chain Management (PSM). It was noted that the PSM is the biggest impediment for the Global Fund's mission of saving lives, and all the weaknesses in the system need to be thoroughly considered,

including involvement of political decisions and political commitment to reform supply chains. The CG members then exchanged their views on how to best share the roles of EGC and SC in ensuring proper oversight of CCMs, and agreed to further discuss it during the upcoming committee meetings on 13-14 October 2016. The call was concluded by deliberations on Replenishment conference and amounts to be announced, with thorough consideration of foreign exchange rates and communication strategy around it.

The CG advised the Director of External Relations to pro-actively engage with Board constituencies ahead of the replenishment conference and the Board meeting in November to help ensure consistent understanding about pledges and subsequent allocations. Minutes of the CG meetings are available on the extranet site for Board members.

The next Coordinating Group virtual meeting is scheduled on 7 September and will serve to review agendas of the upcoming Committee and Board meetings, provide feedback on results of the Committee Self-Assessment, receive update on the Organizational Register Risk Q2, and learn the latest ahead of Replenishment Conference to be held on 16-17 September in Montreal, Canada.

02 Audit and Finance Committee (AFC)

During the months of July and August the AFC reviewed a series of reports prepared by the Office of the Inspector General going to the Board for final clearance prior publication on the Global Fund site. There was further follow up on the action items coming out of the first AFC committee meeting held in June 2016, as well as development of a preliminary agenda for the October discussions in collaboration with the Secretariat. An indicative meeting agenda for the 2nd AFC Meeting planned for 13-14 October will be shared the week of 19th September. Lastly, a focal point for market shaping and sourcing matters was identified among the AFC membership to join monthly information calls organized by Secretariat with her counterpart on the Strategy Committee. Same as in the past, these monthly calls aim at enabling collaboration and oversight across committees.

03 Ethics and Governance Committee (EGC)

During July and August, work has continued on key work streams under the EGC's oversight responsibility, in preparation for a full agenda at the 2nd EGC meeting in October. The EGC has established a network of Governance Focal Points with one representative per constituency nominated to engage in consultation processes. The objective of this network is to ensure transparency, and effective interaction and constructive engagement with the Board, as the EGC works with the Secretariat to develop proposals to embed an ethical culture, and strengthen Global Fund governance. The EGC will engage regularly with the network, to promote effective information-sharing, discussion, consultation, and consideration of constituency positions. In that regard, the first consultation processes will take place during the month of September, to inform proposals for consideration at the 2nd EGC meeting in October in relation to the process for the selection of Board Direct Reports. In addition, the EGC and OBA will engage with the Implementer Group at their annual retreat in relation to proposed revisions to the Constituency Funding Policy.

04 Strategy Committee (SC)

Over the summer months of July and August, the Strategy Committee focused on three main areas: the first was working with Technical Partners to develop an initial, coherent prioritized list of activities for funding from the Catalytic Investment funding stream. Two committee conference calls were held on 7 and 29 July 2016, supported by additional consultations held by the Technical Partners in late July and early to end-August to further refine the list for discussion by the

Committee at its upcoming conference call on 13 September 2016. The finalized list will be brought to the Committee for a final discussion at its October meeting, in view of being recommended to the Board in November 2016.

A second area of focus over the summer was the identification and selection of new members for the Technical Evaluation Reference Group (TERG) by the TERG Recruitment Working Group under the guidance of SC leadership. The new members identified were approved by electronic vote by the Committee on 31 August 2016.

The third area of focus was refining the Terms of Reference and the approach to recruit new members for the Technical Review Panel (TRP). Since the end of June, the Working Group has held several conference calls to revise the ToRs, agree on the recommended composition of the Panel, and provide input into the basis and modalities for differentiation of the access to funding process. Following the closure of TRP recruitment period, the Working Group will oversee the process by which the Strategy Committee will be presented with the final shortlist of TRP candidates for review at the October SC meeting and electronic approval shortly thereafter.

II. Other

01 OIG news update

The Office of the Inspector General (OIG) published the following five reports over July and August.

All reports are available in full [here](#). Tous nos rapports sont également disponibles en français [ici](#)

Grant closure follow up audit

In this follow-up review of a 2013 audit, the OIG noted significant improvements in the overall design of Global Fund grant closure policies and processes as well as simplified grant closure procedures. However, the auditors identified various gaps in compliance. For example, 65% of grants due for closure between 2013-2015 had still not been closed at the time of the audit.

South Sudan investigation

An investigation in South Sudan identified 97 unexplained bank transactions, worth US\$447,564, carried out by Caritas Torit, a sub-recipient of Global Fund grants for a malaria program under Principal Recipient Population Services International. The investigators also found a transaction of US\$53,000 used to pay salaries for an HIV program funded by another donor. As the OIG was unable to obtain reasonable assurance that the funds had been used for their intended purposes, a total of US\$500,564 is considered non-compliant expenditure and therefore potentially recoverable. The Global Fund is putting in place corrective actions including pursuing an appropriate recoverable amount and requiring Population Services International to strengthen financial controls on its sub-recipients.

Zimbabwe audit

An audit of grants in Zimbabwe found that implementation arrangements and internal controls over the use of grants funds were generally effective. However, the auditors found areas for improvement, notably in the quality of health service provided to patients and the supply chain management system affecting the distribution of medicines in the country. With the help of its partners, the Global Fund Secretariat is putting in place remedial actions to address the issues highlighted in the OIG report including developing plans to improve quality of service and supply chain management. The Secretariat will also review the funds that cannot be accounted for and make proposals for potential recoveries.

Cameroon audit

The OIG found supply chain controls and assurance mechanisms were ineffective after an audit of grants to Cameroon. The auditors found that health products were stored in poor conditions leading to risks of spoilage or theft. The Global Fund, in co-operation with technical partners and the Ministry of Public Health, is currently examining long-term systematic improvements of the supply chain.

Review of a Global Fund Recoveries Report

In this review, the OIG audited how the Global Fund reports on recovering funds that have been misused or not spent in compliance with grant agreements. The OIG found that the Global Fund Secretariat has significantly improved the recoveries process including recruiting a full-time recoveries officer and maintaining better recoveries data. In the period from 2009 to 2015, the OIG confirmed that the Secretariat recovered US\$45.4 million of misused or non-compliant funds. The OIG found, however, variances between the amounts reported by the Secretariat and underlying supporting documentation, particularly regarding legacy cases, which point to weaknesses in the reporting process.