

**Audit Report**

**Audit of Global Fund**

# **Approach to Grant Monitoring**

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13 May 2024  
Geneva, Switzerland

# What is the Office of the Inspector General?

The Office of the Inspector General (OIG) safeguards the assets, investments, reputation and sustainability of the Global Fund by ensuring that it takes the right action to end the epidemics of AIDS, tuberculosis and malaria. Through audits, investigations and advisory work, it promotes good practice, enhances risk management and reports fully and transparently on abuse.

The OIG is an independent yet integral part of the Global Fund. It is accountable to the Board through its Audit and Finance Committee and serves the interests of all Global Fund stakeholders.

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# 1. Executive Summary

## 1.1 Opinion

Effective oversight of grants is essential to ensure delivery on targets and achievement of programmatic impact in the fight against HIV, tuberculosis (TB) and malaria. Risk monitoring and management is an integral part of grant management to drive risk levels to a desired target and increase the likelihood of achieving grant objectives. The Global Fund Secretariat monitors implementation of grants through regular engagement with Principal Recipients, Country Coordinating Mechanisms (CCMs) and other in-country stakeholders using both structured and ad-hoc mechanisms to obtain information.

Programmatic performance is routinely monitored through various tools – including Progress Update and Disbursement Request (PU/DR) reports – and tracked through impact, outcome, and coverage indicators within the grant performance frameworks. In most countries, the Global Fund is one of many contributors to health alongside other donors and governments. The contribution model ensures its grants are supporting the delivery of objectives set by national strategies and the program achievements are not expected to be attributed to Global Fund grants alone. This is inherent to the monitoring framework since the Global Fund contributes to national health programs and strategies through investments. Therefore, national level indicators enable monitoring and tracking of the collective impact of the Global Fund partnership, other donors, and Governments.

The Global Fund measures grant performance through coverage, outcome, and impact indicators. To measure Global Fund contribution to impact, it is important to link the coverage indicators with the disease-specific impact and outcome indicators.<sup>1</sup> However, issues including some grant objectives not being SMART, data challenges, and limitations of modelled estimates for projecting anticipated outcomes and impact have limited the setting and effective monitoring of impact and outcome targets in Grant Cycle 5 (GC5) and Grant Cycle 6 (GC6). This contributed to high grant performance ratings despite limited impact being demonstrated through the grants. As the audit progressed, the Secretariat has proactively addressed some of the identified gaps. This includes (i) better linkage between impact and outcome indicators, grant investments and activities, (ii) enhanced controls over performance frameworks to ensure alignment of impact, outcome, and coverage indicators with program goals and objectives,<sup>2</sup> as well as (iii) clearer roles of Country Teams and technical teams in the development of Performance Framework and Monitoring and Evaluation in Grant Cycle 7 (GC7) grants. As a result of these enhancements, the Global Fund approach for monitoring programmatic performance **is partially effective**.

The Global Fund has a comprehensive Risk Management framework. While the approach to risk management has evolved and improved over the years, gaps in mitigation and monitoring have been noted. The inconsistent risk assessment and lack of documentation of the root causes affect the quality of the Key Mitigation Actions (KMAs) and limit the oversight from second line teams. The audit found that there are risks rated above the target risk levels across High Impact and Core portfolios without corresponding KMAs, and when these actions are defined, they are either overdue, in-progress or not started.

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<sup>1</sup> The Performance Framework is constructed on the expectation that achievement of the coverage indicators will in turn lead to the expected outcomes, which in turn lead to impact as defined through the outcome and impact indicators

<sup>2</sup> Performance Framework: Quality Review Checklist updated Dec 2023

Throughout 2023, the Secretariat updated the risk management processes, tools and guidelines to address many of the issues identified in the audit. This included an enhanced Integrated Risk Management Module (IRM), revised risk management guidelines, a new dashboard to track KMA implementation and a new KPI for Performance and Accountability (P&A) to ensure KMAs are better monitored. Second-line focal points have been assigned to High Impact and Core portfolios and they now have full access to the assurance reports provided by the Local Fund Agent. As a result, the design of the risk assessment and monitoring framework and systems in place is **partially effective**. The execution of this framework by all actors involved – country teams, technical teams playing a second-line role and the Risk Department – is critical to identify and mitigate key grant facing risks. The effective execution of updated risk management tools and processes requires time to embed, and therefore it still **needs significant improvement** to support the achievement of the new expanded strategy.

The Global Fund uses a wide range of systems and tools to monitor grant implementation that has continuously improved and evolved. In Q4 2021, the oversight approach was enhanced with the introduction of quarterly self-assessments (Pulse Checks) for Principal Recipients in High Impact and Core portfolio countries. The Secretariat also moved from email-based Principal Recipient reporting to the Global Fund Partner Portal for submission and review of PU/DRs and Pulse Checks, as well as for issuing performance letters to improve efficiency and tracking of the reporting process. Despite these enhancements, which were partly catalyzed by the COVID-19 pandemic, challenges remain due to increased reporting frequency and siloed monitoring resulting in risk of overlaps, reporting fatigue and delays. Initiatives are ongoing at the Secretariat to further adjust the reporting frequency and integrate reporting, especially for in-country supply chain monitoring. Despite the monitoring for C19RM in-country implementation, low in-country absorption of C19RM funds continues to be a challenge. The Global Fund structures, processes, systems, and tools for grant implementation oversight is **partially effective**.

## 1.2 Key Achievements and Good Practices

### Implementation oversight approach revamped to improve reporting efficiency and visibility

An Implementation Oversight Operational Policy Note and Operational Procedures have been developed to guide implementation planning, oversight and accountability. Effective Q4 2021, the Implementation Oversight approach was revamped with key changes to Principal Recipient reporting, including the introduction of quarterly Pulse Checks for Principal Recipients in High Impact and Core portfolio countries. The Pulse Checks were introduced during the COVID-19 pandemic disruptions to provide more timely visibility into HIV, TB, malaria, resilient and sustainable systems for health (RSSH) and COVID-19 Response Mechanism (C19RM) investments to report to the Global Fund. The Pulse Checks also support timely identification of emerging risks and issues to enable more agile course correction.<sup>3</sup> Pulse Checks include self-evaluations by the Principal Recipients to provide updates on implementation progress, challenges, bottlenecks and reporting on a selected number of coverage indicators and financial metrics.

The PU/DR form was also updated to include C19RM financial reporting, tax reporting, Principal Recipient and Local Fund Agent implementation progress assessments, as well as LFA-prioritized recommendations. The Secretariat also moved away from email-based Principal Recipient

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<sup>3</sup> Source: [Guide for PRs on Completing and Submitting Pulse Checks](#) (accessed 18 October 2023)

reporting to use of the Global Fund Partner Portal for submission and review of PU/DR and Pulse Checks, as well as for issuing performance letters to Principal Recipients to improve reporting efficiency. Use of the Partner Portal also facilitates the setting and tracking of deadlines for process reporting.

In 2022, a new rating methodology that moves away from a single rating to three distinct ratings – to better differentiate between grant performance and Principal Recipient performance – was introduced. Two of the three ratings (programmatic<sup>4</sup> and financial<sup>5</sup> ratings) were launched in Q2 2022. The third rating to assess Principal Recipients' performance is still under development<sup>6</sup> and is expected to be launched in 2025.

### **The design of the Integrated Risk Management (IRM) tool has been enhanced to improve accountability, transparency, and efficiency of grant risk management**

The IRM tool was redesigned and rolled out in April 2023. The upgraded tool is integrated with other modules in the Grant Operating System to facilitate data triangulation and reporting efficiency. Key mitigating actions (KMAs) that are assigned to a Principal Recipient, sub-recipient or Technical Assistance provider will be automatically loaded into the Annual Funding Decision (AFD) and the future PU/DR<sup>7</sup> (for tracking) for the respective grants. Country Teams can further configure the AFD and PU/DR by selecting additional mitigating actions for tracking to enhance visibility and accountability of implementation. It also enhances efficiency and accountability through automatic generation, review, and approval of Country Risk Management Memorandum (CRMM) reports within the IRM tool.

The upgraded IRM tool also facilitates collaboration and accountability between the Country Teams and technical second-line teams.<sup>8</sup> All changes to risk information in the IRM module are tracked in the change log. The second-line focal points can review risk information in IRM and provide feedback to Country Teams directly within the module. In addition, the risk heatmap was updated for better alignment with the new strategic priorities.<sup>9</sup>

### **Regularly updated Modular Framework facilitates standardization of performance management and linkage of programmatic and financial data**

The Global Fund Modular framework handbook serves as a reference guide for performance frameworks and grant budgets, and helps to link grant goals and objectives to implementation. It includes standard modules, interventions and performance indicators that are used throughout the grant cycle from funding request to grant implementation and progress reporting. The modular framework has been updated to ensure key strategic priorities are brought into national grants and can be measured, and to ensure alignment with technical partners. For GC7,<sup>10</sup> the Global Fund has further developed guidance on indicator prioritization and selection to ensure that critical indicators are included to monitor grant performance, as well as to increase consistency in

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<sup>4</sup> Programmatic rating is based on quantitative indicator rating (coverage indicator performance) after considering technical adjustments (where applicable)

<sup>5</sup> Financial rating measures In-country Absorption and grant Budget Utilization

<sup>6</sup> Implementation Management Questionnaire has undergone a pilot alongside the Internal Principal Recipient assessment. As of June 2023, PU/DR form updated to include health product procurement and supply chain (PSM) metrics with an initial pilot phase measured for 23 preselected grants in 15 countries.

<sup>7</sup> PU/DR refers to a Progress Update and Disbursement Request. The PU/DR is a comprehensive report completed by the Principal Recipients on grant programmatic and financial progress, as well as management issues. Performance indicators include impact, outcome and coverage indicators and disaggregation of indicators.

<sup>8</sup> In addition to the Risk Department, second-line functions are also carried out by the following teams at the Secretariat: Fiduciary Risk Oversight Team (FRO); Supply Operations (SO); Technical Advice & Partnerships (TAP); Programmatic Monitoring Department (PMD); Community, Rights and Gender (CRG); Grant Portfolio Solutions & Support (GPS); and Health Financing (HF)

<sup>9</sup> Two new Risks were added (Health Financing Risk, with two sub-risks, & RSSH & Pandemic Preparedness' Risk, with three sub-risks). Some existing sub-risks were modified or renamed to align with the new Global Fund Strategy.

<sup>10</sup> GC7 refers to those grants that will be funded from 2023-2025 allocation period

reporting across the portfolio of Global Fund grants. The performance framework quality assurance checklist has been updated and applied to a sample of grants to ensure consistency and quality of reported indicators.

### **1.3 Key Issues and Risks**

#### **Suboptimal design and tracking of performance indicators can contribute to a misalignment between grant performance and programmatic progress**

The Global Fund uses national targets to monitor performance of grants because grants are generally designed to support achievement of national strategic objectives. However, there are limitations in connecting the routine performance measured through coverage indicators and the overall objectives of the programs assessed through outcome/impact indicators. As such, programs may be rated as performing well annually but may not achieve related objectives over a longer period. At the end of GC5, 82% of all Global Fund grants were rated as adequate or above,<sup>11</sup> while 18% of them met or exceeded targets for at least 40% of impact and outcome indicators.

While some of this difference is inherent to the contribution model, it can be reduced to some extent by better designing and implementing the performance frameworks of Global Fund grants. For instance, impact and outcome indicators are not differentiated across country portfolios based on each portfolio's particular interventions. The Guidelines for developing and reviewing performance frameworks in GC5 and GC6 required a common set of impact/outcome indicators and targets to be included in all performance frameworks where multiple Principal Recipients are implementing the same disease component of a grant in-country. Certain common impact/outcome indicators across multiple Principal Recipients are important to ensure alignment to disease impact (e.g., decreased mortality) and reporting on strategy KPIs, where relevant and feasible. However, having specific outcome or impact indicators based on activities funded and implemented is critical to ensure the effectiveness of each implementer's contribution.

In addition, 40% of sampled grant objectives in GC5 and GC6, reflecting national strategic objectives, were not measurable and/or timebound. Inherent data challenges impacting the setting of impact/outcome targets and misalignment between grant investments and national coverage indicator targets hinders the Global Fund's ability to track program performance. Impact and outcome targets set in the Global Fund grant Performance Framework are extracted from National Strategic Plans that often reflect global targets or ambitions, but are not underpinned by overall program investments and coverage targets. Most of these rely on modelled estimates by partners. However, limited capacity at country level and access to tools to reassess the targets – based on available fundings and coverage targets – limit the Global Fund's ability to measure program outcome and impact. As a result, in 46% of reporting instances across all grants, targets were not set and/or results not reported for impact and outcome indicators during GC5. Material grant investments were also not monitored through coverage indicators or Work Plan Tracking Measures (WPTM)<sup>12</sup> in 13% (GC6) and 15% (GC5) of the High Impact grants across the Global Fund portfolio. This impacts effective programmatic monitoring of the implementation of these interventions and, where necessary, course correction. Following the audit fieldwork, the

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<sup>11</sup> During GC5, grants considered performing well or adequately for qualitative indicator ratings as follows: A1 (Exceeding expectations; >100% achievement); A2 (Meeting expectations; 90% - 100% achievement); B1 (Adequate; 60% to 89% achievement)

<sup>12</sup> Work Plan Tracking Measures (WPTM) are qualitative milestones and/or input/process measures that do not have suitable coverage indicators to measure progress over the grant implementation period (e.g., human rights, RSSH interventions)

Secretariat started addressing some of these challenges in the GC7 grants. This include clarifying the roles of Country Teams and technical teams in the development of Performance Framework and Monitoring and Evaluation.

### **Inconsistent risk assessment and lack of implementation of mitigation actions limits Global Fund's ability to manage grant facing risks**

As indicated in section 1.2, significant enhancements to the IRM have improved grant risk monitoring. The effectiveness of grant risk management is, however, hindered by gaps in documentation of risk assessment, mitigation, and monitoring: some 86% of sub-risks reviewed by the OIG in IRM did not include documentation of considerations of impact or severity to justify the residual risk rating. There is no provision for the separate assessment of likelihood and severity within the upgraded IRM tool that allows rating of sub-risks without attributing a root cause.

The audit also noted gaps in the risk mitigation and monitoring through KMAs. Of the 334 KMAs, 66% did not result in changes to the aggregated quantitative risk trajectory upon completion. While multiple elements, including external factors, affect the risk trajectory, quality of risk assessment, prioritization of identified root causes and the adequacy of the mitigating actions to influence the risk trajectory were noted to be variable across portfolios and risks. The due date for a quarter of the KMAs falls at the end of the implementation period and the actions are not always rolled forward into the next cycle or, they are transformed into mitigating actions without any justification.<sup>13</sup> This gap is being addressed through the updated procedures released in Q3 2023. The procedures aim to ensure that once an implementation period has ended for a grant, the relevant Secretariat staff review KMAs and Assurance Activities to ensure KMAs have been appropriately closed or transferred and 'closes' the grant in IRM. In addition, technical second-line teams have limited bandwidth to provide risk management oversight coupled with competing priorities due to the need to balance the dual roles of implementation support to Country Teams and oversight of grant risk management processes. While Country Teams have primary responsibility for grant portfolio-level risks, second-line functions are subject matter experts and their inputs can be useful in identifying risks and selecting appropriate KMAs.

### **Increased Principal Recipient reporting frequency leads to overlap, duplication and gaps in quality and use of monitoring information for decision-making and course correction**

With recent enhancements in reporting, there are risks of reporting fatigue. Pulse Checks and PU/DRs are currently reported in parallel by the Principal Recipients along with other reporting including external audits, spot checks and other LFA reviews.<sup>14</sup> Principal Recipients are therefore continuously engaged in reporting throughout the year. This can lead to reporting fatigue or distraction from implementing activities.

Reporting delays contributed to late decision-making and course correction. For instance, 56%<sup>15</sup> (270 out of 479) PU/DRs for the December 2021 to October 2022 reporting cohorts took more than six months (vs target of 95-110 days) between the PU/DR reporting period end and the issuance of performance letters to the Principal Recipient. In addition, grant implementers are subjected to multiple management actions from different monitoring mechanisms that are in the process of being further streamlined and coordinated to enable follow up and prioritization of actions across

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<sup>13</sup> KMAs assigned to Principal Recipients must be communicated to the Principal Recipient through Performance Letters and are automatically added to the PU/DRs for follow up. Based on Country Team preference, Mas may also be communicated to the Principal Recipient through Performance Letters and followed up through PU/DRs

<sup>14</sup> Local Fund Agents provide various tailored services relating to review of internal controls, systems and processes; risk assessment; and review of implementation arrangements

<sup>15</sup> The delayed issuance of performance letters ranged from 181-437 days as follows: 17% (181-200 days); 34% (201-299 days); 5% (>300 days)



the different monitoring mechanisms such as PU/DR, Pulse Checks, Spot Checks. For GC7, the Secretariat is streamlining the reporting requirements to completely remove overlap between Pulse Checks and PU/DRs. This includes tailoring the assurance requirements for these reports.

### **C19RM monitoring enables early detection of issues but challenges in follow-up and course correction impact utilization of funds**

The Secretariat has in place a mechanism for systematic monitoring of implementation of in-country C19RM investments, enabling early detection of issues. However, low in-country absorption of C19RM funds has been persistent partly due to supply chain constraints, the evolution of the COVID-19 pandemic, implementer workload and competing priorities, and delays in implementation of identified mitigations. As of June 2023, in-country absorption of C19RM funds was 45%.<sup>16</sup> Some of the mitigating measures for the low absorption proposed in Q1 2022 were yet to be fully implemented at the time of the audit, partly due to the evolving factors that required agility and flexibility in line with the evolution of the C19RM pandemic. For example, targeted plans to accelerate fund utilization in top-20<sup>17</sup> countries were yet to be developed as of June 2023. As the pandemic evolved, the targeted plan to accelerate fund utilization was replaced by prioritizing 42 countries including Resilient and Sustainable Systems for Health (RSSH) priority countries (which account for 90% of C19RM available funds) for the strategic shift from COVID-19 emergency response to system strengthening and pandemic preparedness. Delays in execution of the strategic shifts and a new way of applying for and reviewing for C19RM funds contributed to delays in reprogramming of C19RM funds through the portfolio optimization process.

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<sup>16</sup> Based on latest validated expenditure from Finance Department (data extracted on 27 October 2023)

<sup>17</sup> The Secretariat is yet to define the top 20 countries indicated in the C19RM Monthly Update to the Board (report for January-February 2022)



## 1.4 Objectives, Ratings and Scope

The overall objective of the audit is to provide reasonable assurance to the Global Fund Board on the adequacy and effectiveness of the Global Fund's approach for grant monitoring. Specifically, the audit assessed the adequacy and effectiveness of the:

Objectives	Rating	Scope
Global Fund approach for monitoring programmatic performance and impact for decision making and course correction.	Partially effective	<b>Audit period</b> January 2020 to December 2022  <b>Scope exclusion</b> The audit did not review: <ul style="list-style-type: none"> <li>• Monitoring during initial grant making and grant closure.</li> <li>• Adequacy of outcomes of grant monitoring such as annual funding decisions, grant revisions, recoveries, and corporate forecasts.</li> <li>• Portfolio management and the oversight framework for focused<sup>18</sup> portfolios.</li> <li>• In-country assurance (e.g., LFA), monitoring and oversight (e.g., CCM oversight and sub-recipient oversight by Principal Recipients).</li> <li>• OIG's own role in reviewing management and control processes of Global Fund-financed programs at the country level.</li> </ul>
The <b>design</b> of Global Fund's processes, guidelines, and tools to identify, monitor and mitigate grant-facing risks.	Partially effective	
The <b>execution</b> of Global Fund's processes, guidelines, and tools to identify, monitor and mitigate grant-facing risks.	Needs significant improvement	
Global Fund structures, processes, systems and tools for grant implementation oversight.	Partially effective	The review of Global Fund risk management was limited to management of grant-level risks and did not cover the wider organizational level risks, including the corporate risk register.

The audit reviewed:

- The Global Fund's approach for monitoring programmatic performance and impact
- The Global Fund Secretariat structures, approaches and tools for grant implementation oversight

<sup>18</sup> Refers to relatively small grant portfolios with low allocation (i.e., < US\$30 million), low disease burden and low risk

- The Global Fund's processes, guidelines and tools for grant-facing risk identification, mitigation and monitoring
- The Roles and responsibilities for grant implementation oversight and risk management

The OIG team interviewed relevant stakeholders and reviewed relevant documents and Secretariat processes/controls for monitoring and oversight. The OIG also performed data analysis procedures on relevant Secretariat datasets and leveraged prior OIG audit findings from reports published between 2020 and Q2 2023.

Details about the general audit rating classification can be found in **Annex A** of this report.

## 2. Background and Context

### 2.1 Overall Context

Effective implementation and oversight of grants is essential to ensure delivery of targets and achievement of programmatic impact in the fight against HIV, TB and malaria. Grant implementation oversight and risk management involves multiple stakeholders at the Global Fund Secretariat and country levels.

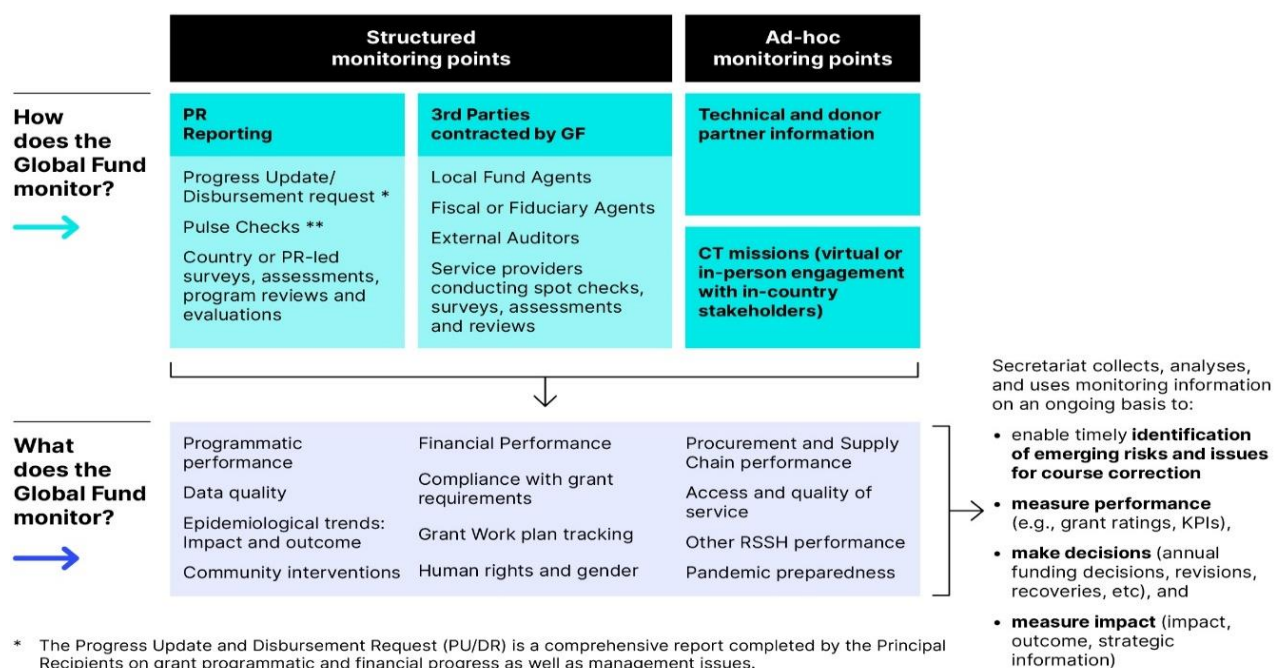
At country level, the Principal Recipients are responsible for implementation of grant activities and accountable for performance, including activities of sub-recipients and other service providers. The Principal Recipients are also responsible and accountable to the Country Coordinating Mechanism (CCM). The Global Fund Secretariat monitors grant implementation on an ongoing basis in coordination with Local Fund Agents, other assurance service providers and in-country partners.

At the Secretariat level, the Country Teams play a central role in grant monitoring and risk management with technical support and oversight from other Secretariat divisions and departments.

### 2.2 Grant implementation oversight

Implementation of a Global Fund grant is led and owned by the Principal Recipients with CCM oversight at the country level. The Global Fund Secretariat monitors implementation of grants through regular engagement with Principal Recipients, CCMs and other in-country stakeholders. The Global Fund Secretariat employs both structured and ad-hoc monitoring points to obtain information for grant monitoring. Grant implementation oversight information is used to measure performance, make decisions, and measure programmatic impact as illustrated in *Figure 1* below.

*Figure 1: Summary of Global Fund monitoring approaches (illustrative not exhaustive)*



\* The Progress Update and Disbursement Request (PU/DR) is a comprehensive report completed by the Principal Recipients on grant programmatic and financial progress as well as management issues.

\*\* Pulse Checks include quarterly self-evaluations by the Principal Recipients to provide updates on implementation progress, challenges, bottlenecks and reporting on selected number of coverage indicators and financial metrics.

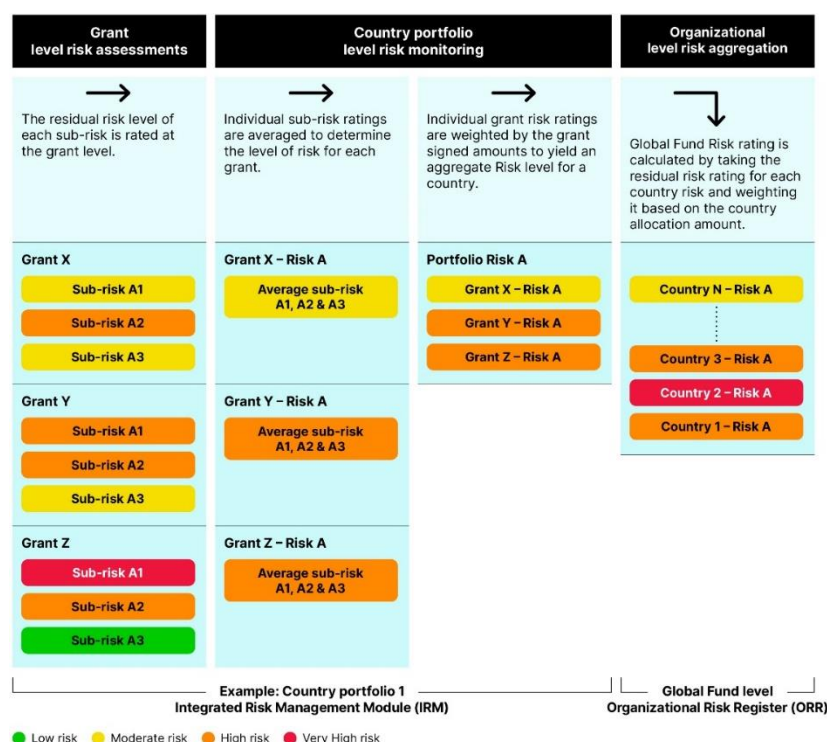
## 2.3 Grant risk management

Risk management is an integral part of grant management, both at country and Secretariat levels. A grant risk is an uncertain event or condition that, if it occurs, will adversely impact the achievement of grant objectives. Each activity undertaken to reach grant objectives has inherent risks that should be managed through the application of internal controls and/or mitigating actions to determine the residual risk level.

Global Fund grant risks are assessed through 13<sup>19</sup> pre-defined risks, which are further sub-divided into 35 sub-risks. Grant risks are monitored at grant level, then subsequently aggregated at the country portfolio level and consolidated further to derive the aggregate risk level for the organization. See *Figure 2* below.

The Global Fund's Risk Management Framework uses the three lines model<sup>20</sup> in defining roles and responsibilities for risk management at the Secretariat. The Country Teams play a key role in risk management including identification, prioritization, mitigation and monitoring of grant risks in the execution of their first-line role. Risk department and other second-line functions<sup>21</sup> play a support, technical advisory and oversight role over first-line risk management processes. Independent assurance, including the Office of the Inspector General (OIG), constitutes the third-line assurance providers.

*Figure 2: Simplified illustration of grant risk aggregation from grant, country portfolio to organizational level*



The Integrated Risk Management Module (IRM) in the Grant Operating System is used by Country Teams to manage grant risks within their grant portfolio and is the primary tool used to gather and aggregate risk level information for the defined risks. The aggregated organization-level risks are summarized in the Organizational Risk Register (ORR). The ORR catalogues the Global Fund's key organizational risks and the various controls and mitigations in place and planned to maintain or reduce the risk level.

<sup>19</sup> The 13 pre-defined grant risks include: HIV – Program Quality; TB – Program Quality; Malaria – Program Quality; RSSH & Pandemic Preparedness; M&E; Human Rights and Gender Equality; Procurement; In-Country Supply Chain; Quality of Health Products; Grant-related Fraud & Fiduciary; Accounting & Financial Reporting by Countries; In-Country Governance; and Health Financing risks.

<sup>20</sup> A generally accepted way to describe roles & responsibilities for risk management and internal control in an organization, where management control is the first line of defense, the various risk, control and compliance oversight functions established by management are the second line of defense, and independent assurance is the third (Source: [The Global Fund Enterprise Risk Management Framework](#)).

<sup>21</sup> In addition to the Risk Department, second-line functions are also carried out by the following teams at the Secretariat: Grant Finance Management (GFM); Fiduciary Risk Oversight Team (FRO); Supply Operations (SO); Technical Advice & Partnerships (TAP); Programmatic Monitoring Department (PMD); Community, Rights and Gender (CRG); Grant Portfolio Solutions & Support (GPS); and Health Financing (HF).

## 3. Findings

### 3.1 The design and implementation of the grant performance framework for material or high-risk grants need improvement to better track and monitor impact

**A better alignment of investments with coverage and impact/outcome indicators would help the Global Fund to enhance the monitoring of programmatic performance. This would be further reinforced by improved oversight from technical teams to ensure the investments are tracked through robust coverage indicator targets.**

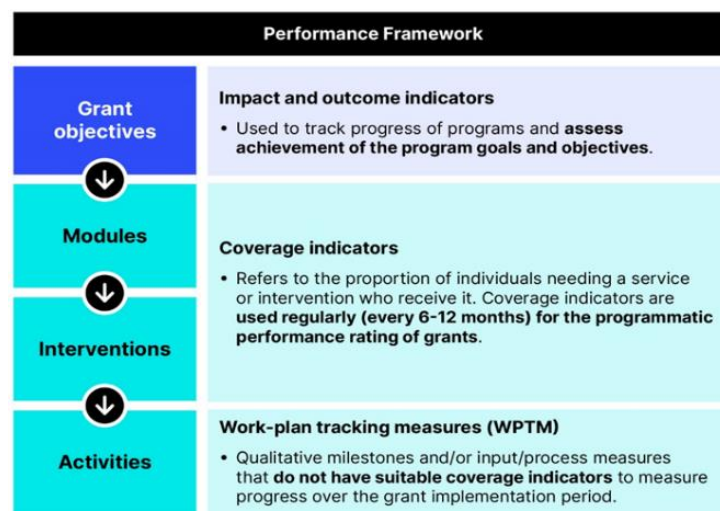
Programmatic performance is routinely monitored through tools including Progress Update and Disbursement Requests (PU/DRs)<sup>22</sup> and tracked through coverage indicators within the grant performance framework. The grant performance framework is used to track performance and impact, which is reported by Principal Recipients over the grant term. It outlines (i) grant goals and objectives, (ii) associated impact and outcome indicators and (iii) coverage indicators. The impact and outcome indicators relevant to each of the three diseases are used to assess achievement of the overall program goals and objectives. The coverage indicators are measuring different areas of programming (modules) comprised of activities funded by the Global Fund. These indicators are considered integral elements for monitoring the achievement of impact and outcome indicators, and are reviewed regularly (every 6-12 months) to assess grant performance. The performance framework sets the targets for impact/outcome and coverage indicators to support measuring grant performance. It ensures grants are progressing in the intended direction to achieve impact.

The Global Fund contributes to national health programs and strategies through grants. The contribution-based model is a strategic and foundational decision by the Global Fund. The contribution model ensures our grants are supporting national strategies, as such the program achievements are not expected to be attributed to Global Fund grants alone. This is translated in the monitoring framework, as impact, outcome and coverage indicators are national and not grant-specific. The national-level indicators enable monitoring and tracking the collective impact of the Global Fund partnership and the national programs. They reflect overall programmatic performance across multiple interventions, many of which are funded through multiple channels, including Global Fund grants, government, or partner programs. Across the Global Fund portfolio, two thirds of coverage indicators in GC5 and GC6 report national-level results. Hence, in cases where a grant successfully implements planned activities, but does not have material coverage in the national response, grant performance will not reflect overall program performance.

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<sup>22</sup> The Progress Update and Disbursement Request (PU/DR) is a comprehensive report completed by the Principal Recipients on grant programmatic and financial progress, as well as management issues. Performance indicators include impact, outcome and coverage indicators and disaggregation of indicators.

To do so, the Global Fund has put in place a modular framework which facilitates standardization and linkage of programmatic and financial data across the Global Fund portfolio. The modular framework guidelines help link grant goals and objectives to implementation and serves as a reference guide for performance frameworks and grant budgets. It provides guidance to countries and Global Fund Public Health and Monitoring and Evaluation (PHME) specialists on how to link grant objectives with impact/outcome and coverage indicators in relation to budgeted interventions. The linkage of grant goals and objectives to implementation is explained in *Figure 3*.



The performance monitoring architecture above facilitates the alignment between grant performance and achievement of grant programmatic objectives under the contribution model. At the end of GC5,<sup>23</sup> 82% of the 316 of all grants were rated adequate or above<sup>24</sup> and only 18% met or exceeded targets for at least 40% of the associated impact and outcome indicators. While some of this misalignment is inherent with the multifactorial nature of disease outcome and impact, it is important that Global Fund closely monitors achievement of impact in addition to assessing the performance of coverage indicators to ensure strategic investment of its resources.

### **Lack of SMART<sup>25</sup> grant objectives derived from national strategies limits Global Fund's ability to monitor long-term progress or impact**

The Global Fund guidelines for developing and reviewing performance frameworks specify that impact and outcome indicators should be linked to the program goals and objectives, as well as to a set of coverage indicators, to measure performance on a routine basis. Designing SMART grant objectives is critical to the Global Fund's ability to cascade them to activities and measure by means of impact, outcome, and coverage indicators. The Global Fund is reliant on partners to support the development of National Strategic Plans with clearly defined and SMART objectives, with Secretariat technical teams approving those objectives for inclusion in grant documents. However, more than 40% of grant objectives across the Global Fund portfolios in GC5 and GC6<sup>26</sup> are not measurable and/or timebound. In most cases, grant objectives are derived directly from the National Strategic Plans,<sup>27</sup> without considering whether they are specific, measurable, achievable, relevant to our investments, and time-bound (SMART). Out of a sample of 29 GC5 High Impact and Core portfolio grants, 43% of the 155 grant objectives did not have corresponding impact and outcome indicators to enable monitoring of program progress.

The Global Fund measures grants performance through coverage indicators. These are national indicators and are associated to grant activities implemented by each of the grant's Principal Recipients. To assess program performance, it is important to link the coverage with the disease-

<sup>23</sup> GC5 is short for Grant Cycle 5, which refers to grants implemented under the 2017-2019 funding cycle

<sup>24</sup> During GC5, grants considered performing well for qualitative indicator ratings as follows: A1 (Exceeding expectations; >100% achievement); A2 (Meeting expectations; 90% - 100% achievement); B1 (Adequate; 60% to 89% achievement)

<sup>25</sup> SMART, in this context, stands for Specific, Measurable, Achievable, Relevant, and Time-Bound

<sup>26</sup> 42% in GC5 and 45% in GC6

<sup>27</sup> National Strategic Plans are country-owned national documents that follow country priorities and provide strategic direction over a period of time



specific impact and outcome indicators. For the same sample of 29 GC5 High Impact and Core portfolio grants, 41% of 245 impact and outcome indicators included in performance frameworks were not linked to a coverage indicator. In addition, 10% of coverage indicators were neither linked to specific grant objectives nor impact and outcome indicators.

This misalignment is mainly due to using the same impact and outcome indicators across multiple Principal Recipients implementing the same disease within a country portfolio. The Global Fund guidelines for developing and reviewing performance frameworks in GC5 and GC6 required the same set of impact and outcome indicators and targets to be included in all performance frameworks in case multiple Principal Recipients were implementing the same disease, without considering their contribution to specific activities and indicators (e.g., prevention vs treatment for HIV, vector control vs case management for malaria). Different grant implementers usually target different populations and/or interventions and contribute to different program objectives. Certain common impact and outcome indicators across multiple Principal Recipients are important to ensure alignment to disease impact (e.g., decreased mortality) and reporting on strategy KPIs, where relevant and feasible. However, having specific outcome indicators based on activities implemented is critical to ensure each implementer's contribution to impact is tracked. The Secretariat is addressing this in the GC7 guidelines, which acknowledges the need to have dedicated impact and outcome indicators linked with activities implemented by each Principal Recipient.

### **Inherent data challenges, and misalignment between grant investments and coverage indicator targets, hinders the Global Fund's ability to track program performance**

Impact indicator targets are set in the grant performance frameworks at the beginning of each implementation period and are tracked through PU/DRs. Across all grants, in 46%<sup>28</sup> of reporting instances, targets were not set and/or results not reported during GC5. One of the key contributing factors hindering timely target setting and reporting is that data is often collected from population-based surveys and estimates based on mathematical modelling by technical partners, such as WHO and UNAIDS. This can make it difficult to set targets and report on impact indicators on time, as the timing of data collection and estimation may not align with grant reporting timelines.

As per the Global Fund guidelines, targets for coverage indicators should be based on the epidemiological situation and investments in related program areas. However, contribution of material<sup>29</sup> grant investments was not consistently monitored through coverage indicators<sup>30</sup> or work plan tracking measures (WPTM)<sup>31</sup> across the Global Fund portfolio. In GC6, 13% (15% in GC5) of the total High Impact grants had at least one instance where contribution of a material investment was not monitored through coverage indicators or WPTM. While financial investments through Global Fund grants are monitored both using financial and programmatic reporting, it is desirable that contribution of material grant investments is monitored.

Without ensuring an alignment between the level of investment and targets set for coverage indicators, there is a risk that grants show good performance despite implementation of activities not being on track. Past and current OIG audits<sup>32</sup> have shown instances in which coverage

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<sup>28</sup> At the time of reporting, 23% of impact/outcome indicators had neither results nor target; 21% of indicators had no results reported but with target and 2% of indicators had no targets but had results reported

<sup>29</sup> Grant module investments that exceed 15% of the total grant budget excluding program management costs

<sup>30</sup> Refers to the proportion of individuals needing a service or intervention who receive it. Coverage indicators are used regularly (every 6-12 months) for the programmatic performance rating of grants.

<sup>31</sup> Work Plan Tracking Measures (WPTM) are qualitative milestones and/or input/process measures that do not have suitable coverage indicators to measure progress over the grant implementation period (e.g., human rights, RSSH interventions)

<sup>32</sup> Pakistan, Indonesia, Madagascar, Ethiopia, Cambodia, Thailand



indicator targets have been achieved even if the budget allocated to those activities funded solely by the Global Fund (e.g., prevention for key population, TB active case finding) was not spent.

The performance framework is developed by the country applicants/implementers, and it is reviewed by the Public Health and Monitoring & Evaluation (PHME) specialists with support from the Technical Advice & Partnerships (TAP) team or the Monitoring & Evaluation and Country Analysis (MECA) team. A new Programmatic Monitoring Department has been created to improve program performance by supporting and strengthening in-country and Secretariat M&E systems and platforms, data collection, processing, and analytics, with the goal of strengthening data use for decision-making.

The Secretariat started to address some of these challenges in preparation for the GC7 grants. It has enhanced the controls on Performance Frameworks in December 2023 through an updated Performance Framework Quality Assurance Checklist. This describes the controls to be performed by the MECA team over performance frameworks to ensure that outcome and coverage indicators align with program goals and objectives. The roles of Country Teams and various technical teams in the development of Performance Framework and Monitoring and Evaluation have been better clarified.

### **Agreed Management Action 1**

The Secretariat will establish and/or revise its mechanisms to improve use of programmatic, financial and supply operations data to strengthen, grant and program performance monitoring, organizational oversight of grant and program performance results. This will include clarification of program monitoring roles and responsibilities.

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OWNER: Chief Risk Officer and Head of Programmatic Monitoring and Risk

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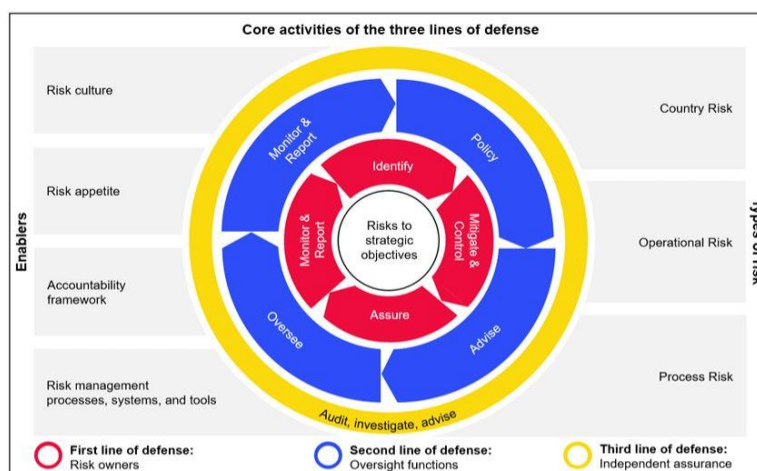
DUE DATE: 30 June 2025

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### 3.2 Improvement needed in the execution of risk management processes to ensure effective identification, prioritization, and monitoring of grant risks

Recent enhancements to risk management processes and tools have improved accountability, transparency, and efficiency of grant risk reporting. However, inconsistent risk assessment and insufficient risk mitigation and monitoring limit the organization's ability to manage grant risks effectively.

The Global Fund has a comprehensive Risk Management framework that defines the key steps of effective risk management, the actors involved, risk governance and tools as detailed in *Figure 4*.<sup>33</sup> Grant level risks are monitored and updated throughout the grant lifecycle. At the Secretariat, the Country Teams are primarily responsible for identification, prioritization, and monitoring of grant risks. The Risk department and other second-line functions<sup>34</sup> support, advise and oversee the Country Teams' risk management processes. Country Risk Management Memorandums (CRMMs) are generated annually for High Impact and Core portfolios and are used to inform senior management and to obtain their approvals for grant risks, mitigations, and trade-offs. The Integrated Risk Management Module (IRM), which is the primary tool used by Country Teams to document and aggregate risk level information and manage grant risks, has been enhanced. The IRM tool has continuously evolved and an improved version (IRM2.0) was rolled out in April 2023.



The Portfolio Performance Committee (PPC) is the primary forum for decision-making on country level risk trade-offs. It provides organizational sign-off on risk mitigation strategies, including any risk trade-offs, and ensures accountability for implementation and decision-making. The PPC is co-chaired by the Chief Risk Officer and the Head, Grant Management, and includes senior-level representatives<sup>35</sup> from the various departments/divisions and technical specialists/advisors. Decisions are made on a country-by-country basis through the review and approval of CRMMs, and – where necessary – a combination of country portfolio reviews (CPRs)<sup>36</sup> and executive sessions. The PPC conducts CPRs of High Impact and Core portfolios, within which prioritized risks are assessed. CPRs play a critical role in enabling the Secretariat to balance fiduciary risk and programmatic impact.

While the approach to risk management has evolved and improved over the years, the effective risk management of grant-facing risk is affected by (i) inconsistent risk assessment across various

<sup>33</sup> Operational Policy Note on Country Risk Management, November 2023

<sup>34</sup> In addition to the Risk Department, second-line functions are also carried out by the following teams at the Secretariat: Grant Finance Management (GFM); Fiduciary Risk Oversight Team (FRO); Supply Operations (SO); Technical Advice & Partnerships (TAP); Programmatic Monitoring Department (PMD); Community, Rights and Gender (CRG); Grant Portfolio Solutions & Support (GPS); and Health Financing (HF)

<sup>35</sup> Senior-level representatives from Grant Management Division, Finance & Administration, Legal & Governance, Risk, Strategy Investment Impact Division (SIID), Strategy and Policy Hub and Supply Operations. Technical specialists/advisors are also invited to attend reviews.

<sup>36</sup> Country Portfolio Reviews were established in 2018

portfolios, (ii) insufficient risk mitigation and monitoring and (iii) limited oversight from second-line teams.

### **Inconsistent risk assessment practices and unclear expectations undermine the effectiveness of grant risk prioritization at portfolio level**

Global Fund grant risks are assessed through 13<sup>37</sup> pre-defined risks, which are further sub-divided into 35 sub-risks. These are monitored at grant level, then subsequently aggregated at the country portfolio level and consolidated further to derive the aggregate risk level for the organization. The Country Teams are primarily responsible for identifying risks that may prevent the grant from achieving its objectives.

The Secretariat has developed risk definition and rating guidelines for the respective grant risks and sub-risks. As part of risk identification and prioritization, Country Teams are expected to review the risk definition and apply it to the country, program, and grant context. In IRM2.0 the documentation of likelihood and severity ratings has been excluded in the assessment of risks, but Country Teams are requested to select the residual risk ratings based on their determination of where the grant context best fits across the four<sup>38</sup> risk levels as per the risk guidance, using their judgement in assessing root causes for the risks identified. Despite this, the OIG found that justification of risk assessment was missing in 86% of the sub-risks sampled. While the updated risk guidelines include considerations for the severity/impact across the four risk levels (low, moderate, high, very high), there is no requirement for Country Teams to document these considerations in IRM. Similarly, the tool allows rating of sub-risks without attributing a root cause. As of May 2023, 24% of the 455 sub-risks were rated high or very high without corresponding root causes assigned to them. Documenting the rationale for risk ratings and root causes is important for enabling seamless continuity in case of changes in the Country Teams or second-line teams and, above all, ensuring that the right key mitigation actions are selected. The absence of documented rationale for risk ratings and root causes hinders effective technical second-line oversight and input. This creates challenges in maintaining consistency and rigor in risk assessments and ensuring appropriate mitigation and assurance plans are in place across different portfolios.

Because Country Teams are expected to manage a wide range of grant risks (i.e., 13 pre-defined grant risks that are further sub-divided into 35 sub-risks), it is important to provide adequate guidelines on the assessment approach and ensure the first line is properly trained on an accurate and consistent approach in the application of risk guidance and tools. Between 2020-2022, there were no specific grant risk trainings for Country Teams and technical second-line functions. New online training modules have been developed and deployed in Q1 2023 following the roll-out of the upgraded IRM tool.

These challenges affect the identification, assessment and prioritization of key risks and resulting mitigating actions (MAs), restrict their effectiveness in reducing grant risks. As of December 2022, there were 5,257 MAs, of which 23%<sup>39</sup> were classified as key mitigating actions (KMAs). Of the 334 KMAs, 66% did not result in changes to the aggregated quantitative risk trajectory upon completion. While there are multiple elements affecting the risk trajectory, quality of risk assessment, prioritization of identified root causes, and the adequacy of mitigating actions to

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<sup>37</sup> The 13 pre-defined grant risks include: HIV – Program Quality; TB – Program Quality; Malaria – Program Quality; RSSH & Pandemic Preparedness; M&E; Human Rights and Gender Equality; Procurement; In-Country Supply Chain; Quality of Health Products; Grant-related Fraud & Fiduciary; Accounting & Financial Reporting by Countries; In-Country Governance; and Health Financing risks.

<sup>38</sup> The four risk levels used to rate grant risks are Low, Moderate, High and Very High risk

<sup>39</sup> Of the KMAs, 15% (184 out of 1,231) were overdue; 27% (334 out of 1,231) were met; 53% (652 out of 1,231) were in progress; and 5% (61 out of 1,231) were not started.

influence the risk trajectory were noted to be variable across portfolios and risks. For instance, the [2022 OIG audit of Global Fund grants in Mozambique](#) highlighted gaps in grant risk management and oversight processes for procurement, supply chain and programmatic risks, such as failure to identify key risks and missing root causes and mitigating actions.<sup>40</sup> The [2023 OIG audit of Global Fund grants in Ghana](#) found that the Secretariat did not capture risks relating to delays in collection, monitoring and use of income from sales of Global Fund-supported malaria medicines (ACT) despite the risk materializing.<sup>41</sup>

### **Insufficient identification and follow-up on key mitigating actions limit Global Fund's ability to effectively manage grant-facing risks**

According to the Global Fund's guidelines, Country Teams in collaboration with implementers and country stakeholders design, plan and facilitate the implementation of prioritized mitigating actions and controls that will reduce the likelihood of a risk event materializing, or its impact, should it occur. As of December 2022, 20% (48 out of the 238) risks rated above the target risk levels across all High Impact and Core portfolios did not have corresponding KMAs for the underlying sub-risks. While the mitigating action guidelines do not require KMAs for all sub-risks rated high or very high, Country Teams are encouraged to focus their risk assessment on KMAs and other prioritized mitigation actions (MA) that will directly address key bottlenecks to the program achieving grant objectives.

When KMAs are defined, it is important to monitor and report throughout the implementation cycle. In GC6, 27% of the 1,231 KMAs have due dates that correspond with either the grant end date or within the last reporting period of a grant. When KMAs are overdue at the end of the implementation cycle, they can be rolled into the next cycle if not implemented. At the end of GC5, 37% of the 68 sampled<sup>42</sup> outstanding KMAs were not rolled forward into the GC6 grants. Furthermore, 33% of the 43 KMAs rolled forward were reclassified as MAs in GC6 without a documented justification. The downgraded MAs in GC6 are subject to less scrutiny and oversight from second-line functions. Global Fund risk management guidelines<sup>43</sup> require risk closure reviews by the Country Teams and Risk Specialists for grants undergoing financial closure. Where a grant continues with the same Principal Recipient, it is critical that residual risks not mitigated during the previous implementation period are documented by Country Teams and carried forward into the new grant implementation period, if relevant. This gap is being addressed through the updated procedures released in Q3 2023. These aim to ensure that once an implementation period has ended for a grant, the relevant Secretariat staff review KMAs and assurance activities to ensure KMAs have been appropriately closed or transferred, thereby 'closing' the grant in IRM. The Secretariat has also updated the P&A metrics to include percentage of KMAs completed and cumulatively due at the end of a reporting period.

The limited span of control of Country Teams, implementer capacity and country complexities, coupled with competing priorities, is a key contributing factor to gaps in risk mitigation. Country Teams have limited control over the implementation of KMAs, with in-country grant implementers

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<sup>40</sup> In Mozambique, IRM module did not accurately reflect key risks, such as low ART retention and high HIV loss to follow-up, as reflected in the previous Country Portfolio Review in October 2019. Root causes for key risks were not defined; 12% of MoH risks identified were missing root causes and mitigation actions.

<sup>41</sup> In Ghana, the OIG estimated US\$2.2 million of revenue from Global Fund ACT sales in 2021-2022. However, only US\$0.6 million was held in the dedicated bank account at the end of 2022 and no GC6-related income was used for Global Fund activities. Neither the Ministry of Health nor the Global Fund Secretariat had yet determined the Global Fund income accrued for this period.

<sup>42</sup> Based on an analysis of a sample of 68 outstanding KMAs as of December 2020 (end of GC5) across seven portfolios (1 core & 6 High Impact)

<sup>43</sup> According to IRM 2.0 User Guide for Country Teams and 2nd Lines, Risk Closure Review is required to ensure that all risk information of the grant that is undergoing financial closure has been properly reviewed and updated and, when relevant, formally carried forward into the new grant implementation period. This is consistent with the Operational Policy Note on Risk Management across the Grant Lifecycle (issued June 2018).

responsible for implementation of 82% of the 698<sup>44</sup> KMAs. Therefore, it is important for Country Teams to communicate and follow up with implementers to ensure implementation of KMAs. In addition, the number of pre-defined grant risks and sub-risks tracked by the Global Fund has increased<sup>45</sup> over time in line with new strategic priorities. Given the competing priorities and increased number and complexity of grant risks, Country Teams do not prioritize follow up on risk mitigation actions. As of December 2022, 56% of KMAs were either overdue, in-progress or not started.<sup>46</sup> A dashboard has recently been created to help monitor execution of KMAs by region/country/risk specialists. The monthly grant deliverables report prepared by the Operational Efficiency team and the internal country risk management tracker have been updated to include the number of completed and overdue KMAs.

On an annual basis, the PPC Co-Chairs review and approve the CRMMs that document the risk levels, root causes, and prioritized KMAs for High Impact and Core portfolios. In addition, a prioritized number of High Impact and Core portfolios are selected to present a CPR. CPR coverage was heavily affected in 2020 and 2021<sup>47</sup> due to the COVID-19 pandemic. That said, the OIG found that 39%<sup>48</sup> of the 54 High Impact and Core portfolios continued for three to five years across GC5 and GC6, without undergoing a CPR.<sup>49</sup> More than half of the 21 portfolios without CPR had at least one very high/high grant-facing risk and one third of them were classified as Challenging Operating Environment (COE) portfolios.

CPR plays a key role in risk monitoring and mitigation, but CPR actions are either not timebound and/or overdue, or without documentation of progress for 46% of actions for 2021. In 2022, there was substantial improvement, with 97% of actions updated in the PPC action tracker having an action owner and a timeline. However, implementation and tracking remained behind, with 38% of the 2022 actions remaining overdue at the time of the audit, and not being updated after the CPR. This restricts the impact of CPR decisions and the rigor of their implementation. The Secretariat recognized this and revised the PPC Secretariat Terms of Reference to include tracking of action items for completion on a six-monthly basis.

### **Improvements are needed to better define the oversight role of the second-line teams**

Country Teams exercise judgement in determining risk ratings, selecting KMAs, and closing them, with no requirement for review or 'no objection' by a second-line function. It is optional for Country Teams to consult second-line functions, if deemed necessary. The second-line focal points can provide review comments for the Country Team's consideration in the IRM. However as part of differentiation, second-line focal points are not set up for all portfolios. For instance, 80%<sup>50</sup> of the 55 High Impact and Core portfolios do not have a second-line focal point set up for Program Quality risks (HIV, TB and malaria). In addition, technical second-line teams have limited bandwidth to provide risk management oversight, due to competing priorities and a need to balance their dual roles of implementation support to Country Teams and oversight of grant risk management processes. Given the wide range of grant risks and sub-risks, involvement of technical second-line focal points enhances grant risk management. These focal points provide tailored technical advice to Country Teams and assess consistency and alignment with the Global Fund's risk framework. However, clarity on focal points for a country/portfolio at the technical team level is another

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<sup>44</sup> Relates to KMAs due on or before 31 December 2022

<sup>45</sup> Defined grant risks increased from 11 grant risks (24 sub-risks) at the start of 2020-2022 grant allocation cycle to 13 risks (35 sub-risks) in 2023.

<sup>46</sup> For KMA due on or before 31 December 2022, 44% (304/698) were met; 32% (226) in progress; 23% (160) delayed and 1% (8) not started.

<sup>47</sup> CPRs were deprioritized/cancelled from March 2020 until Q2 2021 due to the COVID-19 pandemic disruptions

<sup>48</sup> 5 High Impact and 16 Core portfolios

<sup>49</sup> These portfolios represent 16% (GC5) and 15% (GC6) of the total grant allocations and 8%-13% of the estimated disease burden for HIV, TB and malaria (8% of the HIV, 10% of Malaria and 13% of the TB burden)

<sup>50</sup> 16 High Impact and 28 Core portfolios

challenge. While Country Teams have primary responsibility for grant portfolio-level risks, second-line functions are subject matter experts, and their inputs are crucial in identifying risks and selecting appropriate KMAs.

In addition, proper execution of second-line roles by technical teams is dependent on availability of resources, clear articulation of roles and responsibilities, as well as the effectiveness of cross-departmental collaboration and coordination. To help mitigate the issues highlighted, the Secretariat has taken steps to enable cross-departmental collaboration and coordination for risk management. In the upgraded IRM tool, risk specialists and relevant second-line focal points will be notified of key changes made by Country Teams of High Impact and Core portfolios during the previous quarter for review and comments, if needed. In July 2023, the Secretariat finalized system enhancements in the Local Fund Agent services application that will enable technical second-line teams to have direct access to all Local Fund Agent reports and executive summaries in the Grant Operating System. This will help in early identification of issues and course correction.

## Agreed Management Action 2

The Secretariat will strengthen the operationalization of its risk management processes for monitoring of Key Management Actions (KMAs) and Principal Recipient reporting to address key risks and drivers of risk, to enhance accountability and collaboration to address implementation bottlenecks. This includes:

- Reviewing and updating metrics on KMA compliance
- Defining an approach to train first- and second-line line teams on updated risk guidance
- Updating guiding principles for CPR country selection

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OWNER: Chief Risk Officer and Head of Programmatic Monitoring and Risk

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DUE DATE: 30 June 2025

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### **3.3 Improved but fragmented Principal Recipient reporting tools cause risk of reporting fatigue and delays for implementers**

**Significant progress has been made to enhance Principal Recipient reporting efficiency and visibility. However, with increased reporting, there are risks of duplication, reporting fatigue and delays that potentially divert attention from in-country grant implementation oversight and coordination.**

Grant monitoring information is used to measure performance (e.g., grant ratings, KPIs), make decisions (e.g., annual funding decisions, revisions, recoveries), and evidence impact (programmatic impact and outcomes). The Global Fund Secretariat employs both structured and ad-hoc mechanisms to obtain information. There is a differentiated approach to Principal Recipient reporting with increased reporting frequency for High Impact and Core portfolios. The standard reporting requirements include PU/DRs, Pulse Checks and Audit Reports with differentiation for focused countries.

In Q4 2021, driven by the need for increased insights into the C19RM given the rapidly evolving epidemic, the implementation oversight approach was revamped, with key changes to Principal Recipient reporting, including the introduction of quarterly Pulse Checks for Principal Recipients in High Impact and Core portfolio countries. The Pulse Checks were introduced during the COVID-19 pandemic disruptions and provide visibility of HIV, TB, malaria, RSSH and C19RM investments for reporting to the Global Fund Board. The Pulse Checks also support timely identification of emerging risks and issues to enable more agile course correction. The Secretariat also moved from email-based Principal Recipient reporting to use of the Global Fund Partner Portal for submission and review of PU/DRs and Pulse Checks, as well as for issuing performance letters to Principal Recipients to improve reporting process efficiency and visibility.

While these changes have increased grant monitoring information reported to the Secretariat, this raised risks of excessive reporting in terms of frequency, low relevance of reported information, duplication and reporting fatigue. This potentially diverts implementer attention away from in-country implementation oversight and coordination.

#### **Need to further streamline and rationalize Principal Recipient reporting to minimize duplication and reduce reporting burden on grant implementers**

Increasing complexity and scope of Global Fund-supported programs requiring closer monitoring has contributed to increased reporting requirements, multiplicity of Principal Recipient reporting mechanisms to the Global Fund, as well as siloed monitoring across technical teams as described below:

*Reporting frequency leading to overlap of required formal reporting for High Impact and Core portfolios:* Grant Principal Recipient in high impact and core portfolios is expected to report every quarter through the Pulse Checks and semi-annually on Progress Updates and annually on the PU/DR. In addition, the Secretariat receives annual financial audits, LFA review and assurance reports,<sup>51</sup> and other assessments like Health Services and Supply Chain spot checks undertaken during COVID-19 in 2022 and in 2023. For certain reporting periods, Principal Recipients are required to report via Pulse Checks, PU/DRs, and submit annual audit reports in the same quarter. The Secretariat is aware of the impacts of these requirements on implementers, and has reduced mid-year reporting requirements when the Progress Updates (PUs) coincides with Pulse Check

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<sup>51</sup> Local Fund Agents provide various tailored services relating to review of internal controls, systems and processes; risk assessment; and review of implementation arrangements.



reporting for the remainder of GC6, starting with the reporting period ending 30 June 2023.<sup>52</sup> For GC7, the Secretariat is streamlining the reporting requirements to completely remove the overlap between Pulse Checks and PU/DRs. This includes tailoring the assurance requirements for these reports. These improvements are planned to be rolled out from Q1 2024.

*Tracking and reporting on strategic priorities require additional information:* The GC5 and GC6 routine monitoring mechanisms cannot track some strategic priorities such as health system strengthening, human rights, gender and health equity. According to the new Global Fund Strategy (2023-2028) Key Performance Indicator (KPI) Framework, 13% of KPIs are expected to be covered through new data sources to enable reporting on some of the KPIs, mainly for measurements in RSSH<sup>53</sup> or Community Leadership and Engagement. So far, these measurements have not been included in the routine grant reporting and monitoring mechanisms.

*Siloed monitoring approach* results in duplications and delays in implementation of key cross-cutting monitoring initiatives. The Global Fund has multiple technical teams that complement and support the Grant Management Division. The respective technical teams have different information requirements and have developed their own monitoring dashboards for addressing those needs. To optimize, and minimize duplication there is a need for central coordination of these dashboards.<sup>54</sup>

In addition, a siloed monitoring approach has delayed activating key cross-cutting monitoring initiatives. For instance, in June 2023, the PU/DR form was updated to include key health product procurement and supply chain (PSM) metrics with an initial pilot phase for 23 pre-selected grants in 15 countries. While this is a positive evolution, the rollout has been delayed by over two years after the initial pilot was planned for 2021. Through a phased implementation planned until 2025, the PSM metric performance will be integrated into PU/DR reporting and will contribute to the Principal Recipient rating (which will also include aspects of program implementation, financial and risk management). The phased approach approved by the Grant Life Cycle (GLC) Steering Committee is due to a dependency on different teams with Global Fund system workstreams,<sup>55</sup> which need to change their existing monitoring systems to integrate into mainstream reporting.

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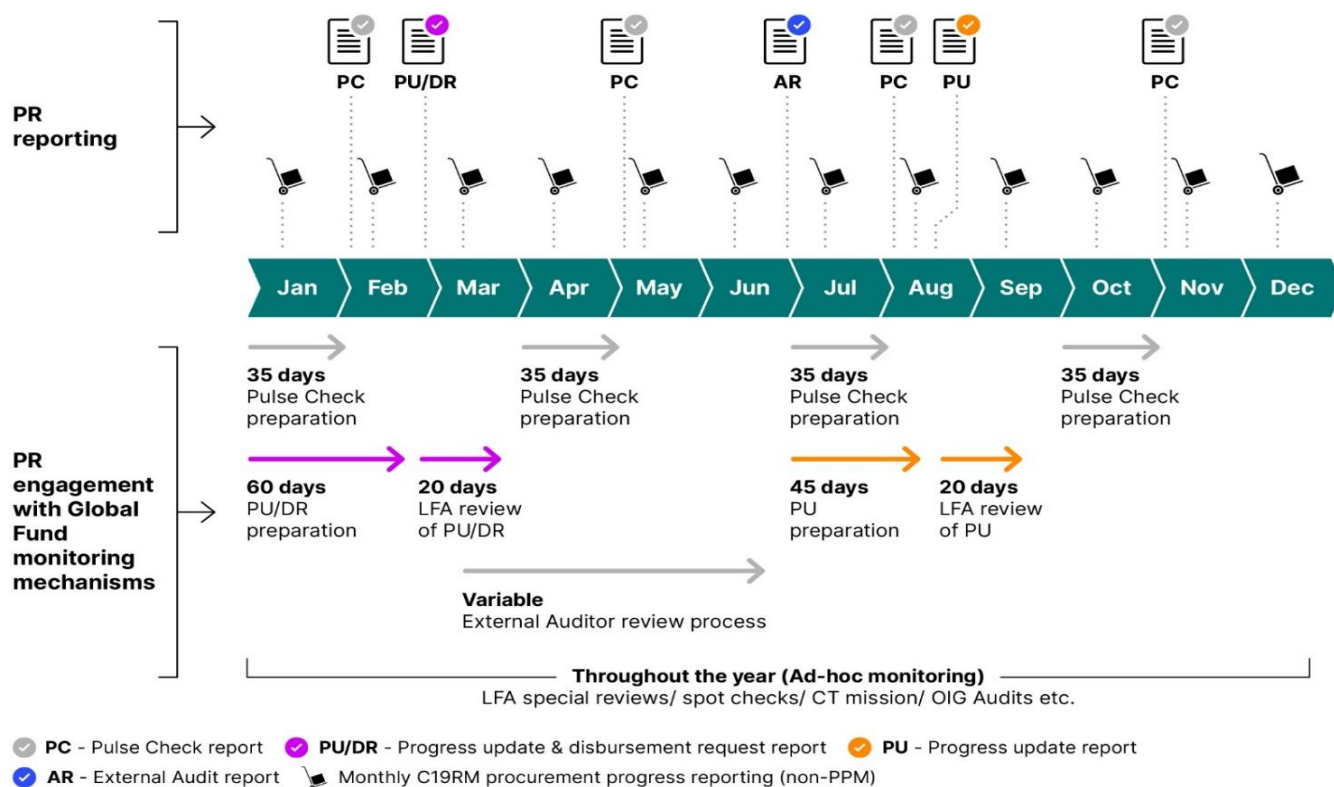
<sup>52</sup> Starting with the reporting period ending 30 June 2023 for High Impact and Core grants when the Progress Update (PU) coincides with Pulse Check (PC) reporting, the Principal Recipient expenditure reporting sections will be included for completion in the PC and removed from the PU and selected Coverage Indicators and Principal Recipient Self-evaluation sections in the PCs removed.

<sup>53</sup> RSSH is short for resilient and sustainable systems for health. This is one of the cross-cutting components funded through Global Fund grants.

<sup>54</sup> For example, the Grant Management Division launched the Data and Analytics platform to be used across Secretariat teams; MECA developed the M&E System Profile to consolidate key data related to the status and functioning of M&E systems in countries; Supply Operations use the Supply Chain & Health Services Spot Checks dashboard to summarize results of the quarterly spot checks.

<sup>55</sup> For instance, an implementation management questionnaire was rolled out, along with pilot Principal Recipient internal assessment in June 2023

Figure 5: Illustration of Principal Recipient (PR) reporting in a calendar year (assuming Jan-Dec reporting cycle)



The increased reporting frequency, complexity and scope of Global Fund-supported programs and siloed monitoring approach risk diverting Principal Recipient time and focus away from grant implementation. Reporting delays, especially for the PU/DRs and supply chain spot checks, contributed to delayed decision-making and course correction. While there have been considerable improvements to Principal Recipient reporting timelines over time,<sup>56</sup> analysis of December 2021 to October 2022 reporting cohorts indicated average reporting delays of 56 days (PU/DRs) and 54 days (PUs) between reporting period end and the issuance of a performance letter to Principal Recipients. Further, 56%<sup>57</sup> (270 out of 479) of PU/DRs for the December 2021 to October 2022 reporting cohorts took more than six months (vs target of 95-110 days) between the reporting end and issuance of the letters.

Similarly, since Q4 2021, only 50% (three out of a potential six) monitoring rounds of Supply Chain spot checks have been launched and finalized. For the Q2 2022 (round 3) spot checks, meant for the quarter ending June 2022, the training for the service providers was only completed in mid-September 2022, with reports submitted in November and December 2022. The Secretariat also paused the 2022 Q3 and Q4 spot checks due to competing priorities and the need to re-evaluate the reporting mechanisms.

While use of information from official Principal Recipient reporting such as PU/DR is clearly streamlined throughout the grant lifecycle, in some instances, information generated from other monitoring mechanisms is not consistently used to inform key decisions. For example, Pulse

<sup>56</sup> The [2017 OIG Audit of Global Fund Monitoring Processes for Grant Implementation](#) reported that on average, it took Principal Recipients 129 days to submit Local Fund Agent (LFA) verified Progress Updates to the Global Fund compared with the required 75 days. Analysis of December 2021 to October 2022 reporting cohorts, indicated an improvement with an average of 97 days to submit LFA verified reports (vs target of 69 days).

<sup>57</sup> The delayed issuance of performance letters ranged from 181-437 days as follows: 17% (181-200 days); 34% (201-299 days); 5% (>300 days)

Checks provide rapid updates on implementation challenges and bottlenecks and facilitate corporate reporting, including for C19RM implementation. However, use of this information varies across different Country Teams and regions/departments. Pulse Check forms cannot be customized by respective Country Teams to tailor for key areas of focus, per portfolio or grant, given that they are automated standard tools.

Limited use of information from Supply Chain Spot Checks was also noted. Information is mainly used by Supply Operations to report on corporate strategic and operational KPIs and not used by Country Teams to monitor grant implementation. One of the limitations to the use of information is completeness and timeliness of reporting. As described above, there are ongoing initiatives to adjust the reporting rhythm and integrate supply chain monitoring into Principal Recipient reporting.

In addition, grant implementers are subjected to multiple management actions from different monitoring approaches (refer to *Figure 1* on page 8),<sup>58</sup> which require further streamlining and prioritization. There is no system for consolidating and tracking all management actions for implementers from the respective monitoring mechanisms. Consolidating various management actions would help to avoid duplication and would encourage systematic follow up and prioritization of actions across the monitoring mechanisms. It will also reduce work overload and reporting fatigue by implementers.

Since early 2023, the Secretariat has been working to address and implement appropriate changes as part of the Implementation Oversight launch, for both Grant Cycle 6 and Grant Cycle 7. These improvements have been captured in the revised OPN and Operational Procedures on Implementation Oversight, to be issued in Q2 2024 whilst the enhanced Pulse Checks and PU/DR forms are under development, with system releases ongoing until Q3 2024. Timely implementation of these initiatives is critical to ensure the risks highlighted in the report related to complex Principal Recipient reporting requirements and siloed monitoring are mitigated.

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<sup>58</sup> The Global Fund Secretariat employs both structured and ad-hoc monitoring points to obtain information for grant monitoring

### **3.4 C19RM monitoring enables early detection of issues but challenges in follow-up and course correction impact the use of funds**

The Secretariat has implemented a mechanism for systematic monitoring of C19RM in-country implementation, enabling early detection of issues. However, low in-country absorption of C19RM funds has been persistent partly due to supply chain constraints, the evolution of the COVID-19 pandemic and delays in implementation of identified mitigations.

In April 2021, the Global Fund developed the C19RM M&E framework, which provides an integrated approach to monitor Global Fund C19RM investments with end-to-end visibility from inputs to outcomes. Upon the Board approval<sup>59</sup> to extend the use of C19RM funds to 31 December 2025, the Secretariat developed a modular framework in Q1 2023 for evaluating the performance of C19RM awards. At the Secretariat level, monitoring and oversight dashboards with country-specific information on programmatic, supply operations and financial information have been developed.

Between June 2021 and March 2023, in a rapidly changing environment with scarce information, monthly C19RM reports were prepared for the Management Executive Committee (MEC), the Board, as well as for the Global Fund external website.<sup>60</sup> The [OIG Audit of the COVID-19 Response Mechanism 2021](#) reported that the design of the Monitoring and Oversight framework was comprehensive to address Board requirements and support internal decision making.

However, low in-country absorption of C19RM funds has been a persistent issue since the mechanism's inception in 2020. This is partly due to supply chain constraints and the evolution of the COVID-19 pandemic necessitating the shift in C19RM funding priorities from emergency response to longer-term investments in health system infrastructure and capacities for pandemic preparedness and response. As of June 2023, in-country absorption of C19RM funds was 45%.<sup>61</sup> The absorption rate indicates an improvement compared to 42% as of December 2022, but remains suboptimal and below the 85% target.

While the issue of low absorption was identified early by the Secretariat with mitigating measures proposed in Q1 2022, the situation has evolved to require agility and flexibility in line with the evolution of the C19RM pandemic. For example, in Q2 2022 the Secretariat observed that country priorities were shifting from acute pandemic response to strengthening systems for health and pandemic preparedness, and recovery of HTM programs. The Secretariat responded by initiating C19RM portfolio optimization, and reinvestment/reprogramming aimed at aligning investments with identified priorities.<sup>62</sup> One of the mitigating measures to accelerate use of C19RM funds and in-country absorption was to develop targeted plans to accelerate fund utilization in top-20<sup>63</sup> countries. However, the targeted plans were not developed as of June 2023, and the targeted plan was replaced by prioritizing 42 countries, including RSSH priority countries (which account for 90% of C19RM available funds), for the strategic shift from COVID-19 emergency response to system strengthening and pandemic preparedness.

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<sup>59</sup> [GF/B48/DP03](#) - Extension of the COVID-19 Response Mechanism (C19RM)

<sup>60</sup> [COVID-19 Monthly Update to the Board](#)

<sup>61</sup> Based on latest validated expenditure from Finance Department (data extracted on 27 October 2023)

<sup>62</sup> These priority areas include: (a) surveillance system strengthening, (b) improvements to laboratory systems and diagnostics, (c) human resources for health and community strengthening, (d) medical oxygen, respiratory care and therapeutics, and (e) health product and waste management systems

<sup>63</sup> The Secretariat is yet to define the top 20 countries indicated in the C19RM Monthly Update to the Board (report for January-February 2022)

There were also delays in reprogramming C19RM funds through the portfolio optimization (PO) Wave 1 process which awarded an additional US\$547 million. C19RM Investment Committee decisions were due by September 2022, but finalized in December 2022 and January 2023. Awards requiring Board approval were finalized by April 2023.<sup>64</sup> Likewise the Secretariat initially aimed to complete the assessment of funding for PO Wave 2 in July 2023 and instead this was finalized in December 2023. The delay of C19RM portfolio optimization and subsequent grant revisions was influenced by various factors. These include: the revised process of application and review for C19RM funds for countries, the need for an iterative process to ensure visibility of proposed investments, the due diligence to assess obligations and commitments, the need to define implementation support prior to formalizing strategic shifts, as well as competing priorities at the Secretariat and country level, including grant making for GC7.

While the low absorption is driven by the nature of these investments and the local capacity to implement complex activities, the Global Fund's ability to monitor, identify and mitigate this risk through implementation oversight is critical. The low absorption and delayed remediation risks failure to use earmarked C19RM funds by December 2025. This will hinder the realization of the impact of C19RM investments, which have been repurposed towards health system strengthening that underpins pandemic preparedness, a key component of the 2023-2028 Global Fund Strategy.

As the Secretariat further streamlines Principal Recipient reporting across the Global Fund grant portfolio (see *Finding 3.3*), it is important to consider the good practices and lessons learned from the C19RM Monitoring and Oversight framework. This includes addressing the challenges of follow up and implementation of identified mitigations.

Based on lessons learnt, the Secretariat has strengthened its overall approach to C19RM M&O, with cohort monitoring that focuses on implementation acceleration and course correction to maximize impact and use of funds. C19RM M&O is finalizing detailed implementation monitoring plans for the 17 priority countries to enable early detection of issues and accountability for execution of follow-up actions. The Secretariat will continue to leverage C19RM M&O approaches and centrally managed initiatives to identify and mitigate implementation issues and drive C19RM absorption.

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<sup>64</sup> Wave 1 of C19RM Portfolio Optimization took place between August 2022 and January 2023, US\$547 million in funding was made available to eligible countries and US\$420 million (77%) of these funding decisions required Board approval (the Global Fund website – accessed on 29 November 2023)

## Annex A. Audit Rating Classification and Methodology

<b>Effective</b>	<b>No issues or few minor issues noted.</b> Internal controls, governance and risk management processes are adequately designed, consistently well implemented, and effective to provide reasonable assurance that the objectives will be met.
<b>Partially Effective</b>	<b>Moderate issues noted.</b> Internal controls, governance and risk management practices are adequately designed, generally well implemented, but one or a limited number of issues were identified that may present a moderate risk to the achievement of the objectives.
<b>Needs significant improvement</b>	<b>One or few significant issues noted.</b> Internal controls, governance and risk management practices have some weaknesses in design or operating effectiveness such that, until they are addressed, there is not yet reasonable assurance that the objectives are likely to be met.
<b>Ineffective</b>	<b>Multiple significant and/or (a) material issue(s) noted.</b> Internal controls, governance and risk management processes are not adequately designed and/or are not generally effective. The nature of these issues is such that the achievement of objectives is seriously compromised.

The OIG audits in accordance with the Global Institute of Internal Auditors' definition of internal auditing, international standards for the professional practice of internal auditing and code of ethics. These standards help ensure the quality and professionalism of the OIG's work. The principles and details of the OIG's audit approach are described in its Charter, Audit Manual, Code of Conduct and specific terms of reference for each engagement. These documents help safeguard the independence of the OIG's auditors and the integrity of its work.

The scope of OIG audits may be specific or broad, depending on the context, and covers risk management, governance and internal controls. Audits test and evaluate supervisory and control systems to determine whether risk is managed appropriately. Detailed testing is used to provide specific assessments of these different areas. Other sources of evidence, such as the work of other auditors/assurance providers, are also used to support the conclusions.

OIG audits typically involve an examination of programs, operations, management systems and procedures of bodies and institutions that manage Global Fund funds, to assess whether they are achieving economy, efficiency and effectiveness in the use of those resources. They may include a review of inputs (financial, human, material, organizational or regulatory means needed for the implementation of the program), outputs (deliverables of the program), results (immediate effects of the program on beneficiaries) and impacts (long-term changes in society that are attributable to Global Fund support).

Audits cover a wide range of topics with a particular focus on issues related to the Impact of Global Fund investments, procurement and supply chain management, change management, and key financial and fiduciary controls.