Audit Report

Global Fund audit of

The Global Fund Approach to Reallocate Grants Fund

THE GLOBAL FUND
Office of the Inspector General

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1. Executive Summary

1.1 Opinion

Global Fund grants operate within a dynamic environment at the country level. Unforeseen events, new requirements and changing needs can often occur during grant implementation, requiring reallocation of funding both within and across portfolios to ensure grants remain relevant to the country's needs. To support this, the Global Fund Secretariat has established a range of tools and processes to support grant reallocation including the Portfolio Optimization and Grant Revision processes. These have contributed to positive trends in reducing funding carry overs across allocation periods and improving utilization of grant funds.

There has been a continual strengthening of the approach to identify, prioritize, and approve Portfolio Optimization (PO) awards since Grant Cycle 5. An inclusive internal process has been established to leverage expertise and insights across the Global Fund Secretariat to inform decisions around PO awards. The approach also gathers input from multiple external stakeholders, including those at the country level, the partners at the Grant Approvals Committee (GAC), and the Board, resulting in a multi-layered approach to support impactful decision making. However, there are opportunities to strengthen the independent oversight and transparency of decisions concerning the prioritization of PO awards through the Technical Review Panel and the process of reporting to the Board. In addition, the process for converting Audit and Finance Committee-approved funds available for PO into PO funding in grants became lengthier in 2022. Thus, internal controls over the Portfolio Optimization process aimed at ensuring effective and efficient awarding of investments for impact are **partially effective**.

Grant Revision is a key process in the overall grant life cycle, ensuring that grants can be adapted and modified in a controlled and agile manner to ensure grants remain impactful. Overall, the OIG notes that the process has been well designed and there were no material exceptions identified by the OIG in our sample review relating to how revisions have been internally approved and classified within the Secretariat. In addition, the timeliness of the grant revision process has been steadily improving, which supports more agile implementation. However, some bottle necks at the country level lengthen the process time for revisions in a small number of cases. In addition, there were gaps in Country Coordinating Mechanism (CCM) oversight and Secretariat second-line review that resulted in some moderate non-compliance issues with the Grant Revision operational policy notes. These issues increase the risk of incorrect approvals and a lack of country-level oversight over changes to grants. Thus, key controls over grant revision processes to ensure grant revisions are initiated, appropriately classified, and reviewed in line with Secretariat policies and in a timely manner are **partially effective.**

1.2 Key Achievements and Good Practices

Diverse approaches established by Global Fund Secretariat to support grant reallocation and timely use of funds contribute to reduction in funding carry-over between allocation periods
The Secretariat has developed a range of tools, processes, and approaches to improve agility and use of grant funding. These include the Portfolio Optimization process, 'overallocation' to the countries and the grant revisions process. These have contributed to a significant reduction in non-C19RM-related funding carry overs across allocation periods from approximately US$1 billion for GC4 to US$0.7 billion for GC5.

Portfolio Optimization was formally launched in GC5, where it was used to fund US$0.8 billion of Unfunded Quality Demand (UQD) activities and it has continued in GC6 to support US$0.2 billion of activities, including emergency fund top ups,[1] innovative financing deals and advanced procurement of critical commodities.

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[1] Board-decisions /b46/bB46-edp17/ ; and board-decisions /b47/b47-edp17/

For GC6, the Board approved the introduction of an 'overallocation' on top of the country's original allocation in the 2020-22 cycle to allow programs to scale up earlier in the grant.[2] For this cycle, US$0.6 billion (5%) was added to the total allocation amount for grants to optimize the utilization of funds across the portfolio.

Inclusive Secretariat process supports prioritization of Portfolio Optimization awards
The Portfolio Optimization process has been continuously refined and strengthened since its formal launch in GC5. An inclusive approach has been developed to engage technical teams across the Secretariat in developing justifications, prioritizing, and awarding PO funds. Teams including SIID (Strategy, Investment, and Impact Division), GMD (Grant Management Division), Finance & Administration and Risk departments are involved in the process, bringing greater transparency to decisions presented to the Grant Approvals Committee for review and approval. Partners are engaged as part of the GAC and through the disease specific "situation room" meetings for Portfolio Optimization awards ahead of GAC recommendation to the Board. The Secretariat, including the GAC, utilize the Strategy Committee-approved PO Prioritization Framework as the basis for their decision-making.[3]

Timelines for grant revisions have steadily improved since 2019, supporting more agile grant implementation
Since 2019, the time taken to complete HIV/TB/malaria-related grant revisions has reduced.[4] On average, a grant revision took 141 days to complete in 2019 versus on average 52 days in 2022. This is a 63% time reduction despite a 131% increase in the number of revisions in the same period. This improvement is linked to the increased efforts of Country Teams in driving the process forward, as well as the creation of a new team (Grant Operations) to support system and non-content related revision steps.

1.3 Key Issues and Risks

Opportunities to further strengthen independent review and transparency over award decisions in the Portfolio Optimization process.
The Technical Review Panel (TRP) role is focused on reviewing activities for inclusion on the Unfunded Quality Demand (UQD) register, that then can be eligible to be funded through PO awards.[5] The OIG note instances where this TRP review is required but does not necessarily add value (e.g., a second review of activities required where there is only a quantity or unit price change). There are also examples where the review of potential PO funded activities is conducted but limited due to the high-level information available to the TRP and there is no opportunity for a further detailed review. Thus, there are opportunities to strengthen as well as streamline the level of TRP review and to optimize the value add of these reviews to reach a final PO award decision.

Furthermore, the GAC reports to the Board on PO awards thoroughly and comprehensively outlined the final PO process outcomes and proposed PO awards. However, the reporting does not explain the prioritization trade-offs made. This limits the opportunity for an independent review to scrutinize prioritization decisions made by the Secretariat and safeguard against management bias in the process.

Increased end-to-end PO processing time can negatively affect PO efficiency and effectiveness.
The time between AFC approval of PO and PO grants being incorporated into recipient country's grant increased from November 2019 to 2022 from 190 days to 284 days. This was linked to broad issues with capacity to support the timely completion of the PO process which affected all PO waves in 2022 and an intentional pausing of the PO process, uniquely affecting the August 2022 wave. The increased time needed to process PO awards and integrate them into grants hinders country stakeholder's ability to utilize PO funds quickly. Timely utilization of PO funds is critical as many PO awards aim to address urgent country needs such as gaps in essential health products.

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[2] https://www.theglobalfund.org/kb/board-decisions/b42/b42-dp03/

[3] Strategy committee decision GF/SC04/04 from the 21-23 June 2017 meeting

[4] This is not including C19RM-related grant reallocations which were not covered by this audit

[5] The PAAR is a required document submitted and reviewed in conjunction with the funding request. The TRP reviews the PAAR and determines which part constitutes Unfunded Quality Demand (UQD). As needed, the PAAR and UQD register may be further updated during grant making and implementation.

Some moderate control gaps in approval for grant revisions reduce oversight and transparency of revision process. From the OIG sample of revisions, some deviations, and instances of non-compliance with the Grant Revision Operational Policy noted were noted. For 85%[6] of the sampled revisions, there was no documented evidence that the CCM leadership had endorsed the revision before it was initiated, potentially creating gaps in the CCM oversight. In addition, use of the standard Grant Revision Review Form (which outlines, among other elements, technical and risk review of the revision) that should trigger a grant revision process was not available for 58% of the revisions where needed. This entails a risk that the end-to-end compliance review of the revision process was not exhaustive. Without this, the OIG note a potential risk that revisions may be initiated that do not contribute to optimal grant impact.

1.4 Objectives, Ratings and Scope

The overall objective of the audit is to provide reasonable assurance to Global Fund Board on the adequacy and effectiveness of Global Fund's Portfolio Optimization process and key components of the grant revision process. Specifically, the audit will assess the design and effectiveness of the objectives below:

Objective	Rating	Scope
Internal controls over Portfolio Optimization process in ensuring the effective and efficient awarding of investments for impact.	**Partially Effective**	**Audit period** The audit will cover the period January 2019 to December 2022. A sample of HIV-TB-malaria portfolio optimization awards and grant revisions between 2019 and 2022.
Internal controls over programmatic and budget amendments to ensure grant revisions are initiated, appropriately classified, and reviewed in line with Secretariat policies and in a timely manner.	**Partially Effective**	**Scope outs** The audit did not cover C19RM-related Portfolio Optimization processes or related grant revisions.

The audit team:

- Interviewed Technical Review Panel leadership and relevant Secretariat stakeholders including Country Teams and technical support staff.
- Reviewed relevant documents and information including policies, procedures, systems, tools, and processes, budget information, and monitoring and oversight mechanisms.
- Performed data analytical procedures of relevant Secretariat datasets.
- Conducted deep-dive reviews of sampled countries on their grant revisions and Portfolio Optimization.

Scope:

The following grant revision types are included in the scope of this audit:

- End-Date revision[7]
- Additional funding revision[8]
- Program revision[9]
- Budget revision[10]

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[6] This only takes into consideration those revision types requiring CCM endorsement
[7] If extending the grant's implementation period
[8] If increasing total funds, but not extending IP. These are either PO or non-PO related (e.g., emergency funds).
[9] If revising programmatic scope/scale, but not extending IP or adjusting total funds. This could be either material (contradicts the TRP's original or modified review and recommendation on the funding request) or non-material (funding activities included and prioritized in the UQD register or shifting activities and respective budget from one Principal Recipient to another within the same approved funding request).
[10] If changes are solely budgetary and do not impact the Performance Framework

Administrative revisions are excluded from the scope, as well as the revisions relating to C19RM funds. In addition, the audit focused on processes after AFC decisions to make funds available for Portfolio Optimization. It did not cover the forecasting process that identifies and allocates funding for Portfolio Optimization.

15
Countries sampled for Portfolio Optimization

20
Non-material program Grant Revisions covered for classification control

45
Grant Revision transactions sampled for general controls

Legend:
- Portfolio Optimization
- Portfolio Optimization + Grant revision
- Grant revision

- **Portfolio optimization:** Chad, Madagascar, Mauritania, Turkmenistan, Zanzibar, Pakistan and Ukraine
- **Portfolio Optimization + Grant Revision**: Ghana, Rwanda, Sudan, Tanzania, Malawi, Zambia, Indonesia
- **Grant Revision:** Togo, South Africa, Papua New Guinea, Philippines, Guinea

2.   Background and Context

2.1   Overall Context

Grants are established through a three-year grant cycle. The key processes to define grants occur at the beginning of the grant life cycle: Country Dialogue, Funding Request Stage & Grant Making. During grant implementation, there can be multiple triggers that require changes to the grant. Two key processes to re-allocating grant funds after grant signing are Portfolio Optimization (PO) and Grant Revisions.

1) **Portfolio Optimization:** at end of Grant Cycle 4, approximately US$1 billion was not used and carried over into the next allocation cycle, highlighting the significant challenge faced by the organization to use all available funds. To reduce the carry over and maximize use of funds, Portfolio Optimization was created as one of several tools used by the Secretariat to reallocate funds with the aim of maximizing impact of investments. Portfolio Optimization (PO) was first utilized in GC4 (2016) and was fully developed and defined under GC5 and routinely deployed. This included the creation of the Strategy Committee Prioritization Framework (2017) to define how funding can be used.

2) **Grant Revisions:** Grant Revisions are a key grant process and are used as a tool to ensure that funds can be agilely used in a timely way to achieve their full potential. This process allows Global Fund investments to be reallocated within a grant during grant implementation, to ensure the continued effective and efficient use of Global Fund resources.

These two processes are useful tools for ensuring agility in grant investments to maximize the impact of grant funding and meet strategic KPIs.

2.2   Overview of key processes to support reallocation of grant funds

Portfolio Optimization is used to ensure that funds are used in a timely manner to maximize their potential. When countries encounter difficulties in implementing or scaling up programs, there is a risk that the funding allocated to these programs will go underutilized during the grant implementation period, necessitating reallocation of funds across portfolios.

The process is initiated when Finance identifies funding available for Portfolio Optimization through ALM[11] process and presents this to the AFC as part of the financial performance reporting, the Audit and Finance Committee (AFC) renders those funds unused by countries available for portfolio optimization at specific times during the grant lifecycle. The Secretariat support countries to prepare a business case to demonstrate the need to support activity on the existing Register of Unfunded Quality Demand or other emerging priorities that would later be added to the UQD.

The **Grant Revision** process allows Global Fund investments to be reallocated within a grant during implementation. This can be initiated by Country Teams (in collaboration with the Principal Recipient) by sending a request to Grant Operations to launch the formal process at any point during grant implementation to ensure the continued effective and efficient use of Global Fund resources. There are five types of revisions, these are: the end-date revision,[12] additional funding revision,[13] program revision,[14] Budget revision[15] and Admin revision.[16]

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[11] ALM is the mechanism of regularly matching the Sources of Funds to the Uses of Funds on an aggregated portfolio basis for an Allocation Period

[12] If extending the grant's implementation period

[13] If increasing total funds, but not extending IP. These are either PO or non-PO related (e.g., emergency funds).

[14] If revising programmatic scope/scale, but not extending IP or adjusting total funds. This could be either material (contradicts the TRP's original or modified review and recommendation on the funding request) or non-material (funding activities included and prioritized in the UQD register or shifting activities and respective budget from one Principal Recipient to another within the same approved funding request).

[15] If changes are solely budgetary and do not impact the Performance Framework

[16] If changes are only being made to master data contained in Grant Agreement (e.g., updating Principal Recipient/Local Funding Agent contact details).

Figure 1: Overview of the Portfolio Optimization Process

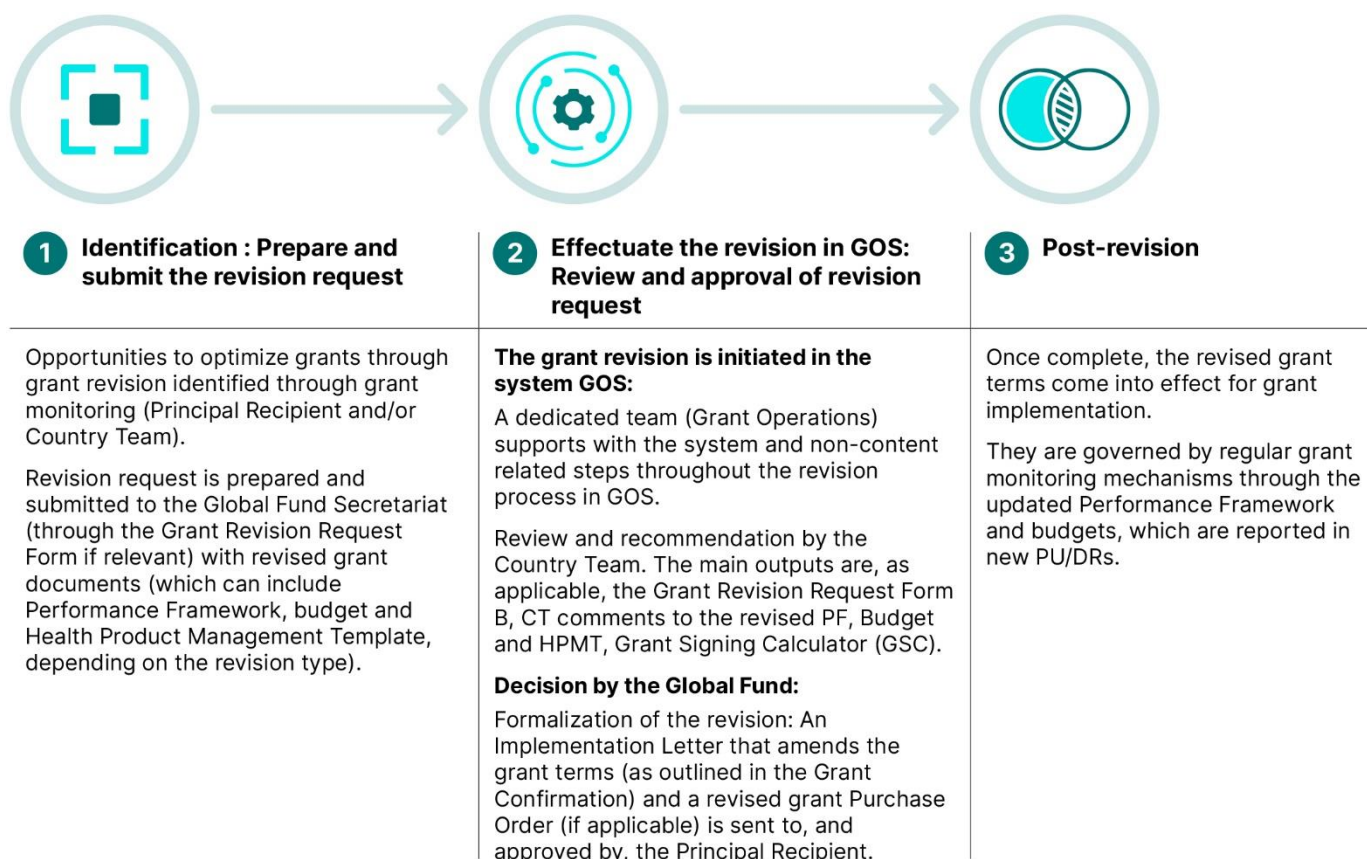| Identify and allocating funds	AFC decision	Prioritization	Awarding	Implementation and post monitoring
Finance identifies funding available for Portfolio Optimization through the ALM process and presents this to the AFC as part of the *Financial Performance* reporting	1. AFC, as an external governance body, decide to make funding available for Portfolio Optimization based on Finance analysis.	1. GAC provides steer to launch the PO process 2. Business owners create business cases including UQD update 3. Secretariat conducts a consultative prioritization exercise, including: i) Harmonization (pre-GAC) and ii) Internal Review and Validation (executive GAC)	1. GAC makes PO awards to selected countries. 2. Notification letters sent to countries 3. Report on awards and prioritization process shared with Board for information, normally together with the report including the first wave of grant revisions.	1. GAC recommends grant revision to the Board. 2. Board approves grant revisions. 3. PO award integrated in grant though grant revision. 4. The regular grant monitoring processes apply once PO funds are integrated.

Figure 2: Overview of the grant revision process

1 Identification : Prepare and submit the revision request	2 Effectuate the revision in GOS: Review and approval of revision request	3 Post-revision
Opportunities to optimize grants through grant revision identified through grant monitoring (Principal Recipient and/or Country Team). Revision request is prepared and submitted to the Global Fund Secretariat (through the Grant Revision Request Form if relevant) with revised grant documents (which can include Performance Framework, budget and Health Product Management Template, depending on the revision type).	**The grant revision is initiated in the system GOS:** A dedicated team (Grant Operations) supports with the system and non-content related steps throughout the revision process in GOS. Review and recommendation by the Country Team. The main outputs are, as applicable, the Grant Revision Request Form B, CT comments to the revised PF, Budget and HPMT, Grant Signing Calculator (GSC). **Decision by the Global Fund:** Formalization of the revision: An Implementation Letter that amends the grant terms (as outlined in the Grant Confirmation) and a revised grant Purchase Order (if applicable) is sent to, and approved by, the Principal Recipient.	Once complete, the revised grant terms come into effect for grant implementation. They are governed by regular grant monitoring mechanisms through the updated Performance Framework and budgets, which are reported in new PU/DRs.

3.   Findings

3.1   Inclusive PO process could be bolstered by enhanced independence and transparency

An inclusive and collaborative Portfolio Optimization process has been established by the Secretariat. To continue maturing, there are some opportunities to further strengthen the independence and transparency over prioritization decisions.

The Global Fund has developed a range of processes and tools to improve grants absorption, including 'overallocation',[17] Grants Revision, and Portfolio Optimization (PO). These have contributed to positive trends in reducing funding carry overs across allocation periods and improving use of grant funds. The allocation carryover reduced from circa US$1.7 billion (GC4)[18] to US$1.2 billion (GC5),[19] and in-country absorption for HTM grants increased from 86% (GC4) to 90% (GC5). For GC6, absorption stood at 75% as of Dec 2022, with approximately 2/3 of the implementation period complete.

Formally launched in GC5, the PO process has played a key role in grant reallocation. The PO process has evolved since its launch in terms of materiality and range of funding. Under GC5 US$0.8 billion was awarded through PO, while in GC6 to date US$0.2 billion was awarded. For GC5, most awards were for Unfunded Quality Demand (UQD) activities that were previously reviewed by the TRP.[20] UQD are prioritized interventions above the allocation request that are reviewed by the Technical Review Panel (TRP) and confirmed to be strategically focused and technically sound. However, for GC6 PO awards supported a broader range of activities with a lower proportion of awards funding initial UQD activities. There has been a continual strengthening of the process, with an inclusive approach across Secretariat teams to help collate, assess, and prioritize PO proposals. End-to-end, the process has inputs from country stakeholders, the Secretariat, the Grant Approvals Committee, and the Technical Review Panel resulting in a multi-layered process to support robust decision making.

The Global Fund Secretariat has established an inclusive process to prioritize potential activities for PO awards. For 2022 PO launches, the Secretariat developed up-to-date justifications for review across multiple departments in the organization to ensure different perspectives and objectives would be considered. The GAC was then provided with details on the prioritization process and focuses its review on ensuring the awards would bring the highest impact by applying the approved prioritization framework criteria. The Secretariat, including the GAC, utilize the Strategy Committee-approved PO Prioritization Framework as the basis of their decision making.[21] While there is a strong and defined role for the Secretariat and GAC in the prioritization process, there are opportunities to streamline this process and revisit the role of the TRP and Board:

The role of TRP can be further focused and enhanced for PO to strengthen independent oversight.
The TRP role in the PO process is focused on reviewing activities for inclusion on the Unfunded Quality Demand (UQD)[22] register. This includes the TRP assessing the technical soundness of proposed activities for inclusion on the

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[17] For GC6, the Board approved the introduction of an 'overallocation' on top of the country's original allocation in the 2020-22 cycle to allow programs to scale up earlier in the grant. For this cycle, US$0.6 billion (5%) was added to the total allocation amount for grants to optimize the utilization of funds across the portfolio: https://www.theglobalfund.org/kb/board-decisions/b42/b42-dp03/

[18] Cumulative budget US$12 billion vs cumulative expenditures US$10.3 billion

[19] Cumulative budget US$12.1 billion vs cumulative expenditures US$10.9 billion

[20] All awards go through TRP review, however in GC5 most were awards reviewed by TRP during funding request stage as opposed to TRP review occurring later through an updated PAAR.

[21] Strategy Committee decision GF/SC04/04 from the 21-23 June 2017

[22] Countries can provide a "prioritized above allocation request" with their funding request. It includes priority investments that should be funded but cannot be funded due to limited resources. The PAAR is reviewed by the TRP, and interventions that are strategically focused and technically sound are registered as "unfunded quality demand."

register, which then can be funded through a PO award.[23] The level of involvement of the TRP during the PO process is based on whether a PO proposal relates to activities that were previously fully approved, partially approved, or not approved as part of the country's UQD:

- If the activities were previously full approved by the TRP and incorporated into the UQD register, there is no further involvement of the TRP. The TRP's initial full approval for UQD is based on reviewing the initial PAAR request[24], and there is no additional detailed review during the PO process.
- If the activities were previously partially approved by the TRP, then an additional TRP review is required. This can include instances where activities were previously approved in the UQD but the quantity or unit price for the activity has changed. In these cases, the TRP review is triggered. Although the TRP's assessment on quantification and unit price changes is not potentially value-added and can lead to a longer PO process.
- If the activities were not previously approved by the TRP, the TRP assess the activities by reviewing the PAAR update, with supporting information provided from the business case presented for PO award.

On the prioritization of PO funding, the TRP does not play a role. The prioritization process for PO is instead led by the teams from the secretariat and approved by GAC in line with the Strategy Committee Prioritization Framework (2017). This is also in line with the current mandate and terms of reference of the TRP and aligned to the TRPs role in other processes.

There are potential opportunities to enhance as well as streamline the role of the TRP in reviewing PO related activities for inclusion as UQD. However, there are trade-offs to be considered in increasing the role of the TRP including longer review times that can increase the overall timeline to approve and integrate PO funding.

Reporting to Board provided sufficient detail on final PO awards but does not include prioritization tradeoffs.
The GAC reports to the Board on PO awards were sufficiently detailed and comprehensive in articulating the final outcomes of the PO process and the final proposed PO awards. This supports the Board to make an informed decision on those proposals. However, the reporting lacks information on the prioritization process, including the reasons why certain business cases were prioritized over others to reach a conclusion. This can limit the effectiveness of Board oversight over the prioritization process as it has limited visibility on the factors considered to prioritize PO justifications and prioritize these against existing approved UQD.

Opportunity to streamline PO proposals early in the approval process to focus efforts on the most viable proposals.
The Secretariat prioritization process is long and comprehensive. However, a reduction in PO funding has limited the number of awards that can be made. For the November 2022 PO phase, there were 38 business cases prepared by the Country Teams with only 10 awarded a PO due to limited funding. Of those deprioritized cases, 14 met one or two out of the five prioritization criteria set by the Strategy Committee. This highlights that an initial screening of PO proposals, based on the prioritization criteria, could help to reduce the burden of reviewing a significant number of proposals.

The Secretariat initiated a financial stress test for the PO process in November 2022 to increase the likelihood of selecting countries whose investments have a higher probability of having an impact. This is undertaken in the later stages of the prioritization process. To help inform decision making early on there is an opportunity to conduct this test earlier on in the process. In addition, the stress test recommendations did not adhere to the agreed-upon criteria and were influenced by programmatic considerations. However, it is important to note that programmatic considerations are the key drivers of decision making with the financial stress test as a key check in the decision-making process.

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[23] For a PO award to be approved, the activities it is funding must be on the register of UQD, which requires TRP approval..

[24] The TRP's initial full approval for UQD is based on a high-level headlines evaluation of activities included in the PAAR, and there is no additional detailed review during the PO process.

Agreed Management Action 1

The Global Fund Secretariat will work to enhance the Portfolio Optimization (PO) process through the development and implementation of:

Part A:

Operational procedures outlining the PO process and approved by the relevant Secretariat approval authority. Such procedures would take account of, among others, streamlined processes and consistent with the Strategy Committee-approved Prioritization Framework (as may be amended) any Board delegated approval authority for PO grant revisions.

Part B:

An end-to-end internal Secretariat monitoring and reporting framework to track PO funding and awards from AFC decision to finalization of the grant revision process integrating the PO funds.

OWNER: Head of Strategic Investment & Impact Division

DUE DATE: 31 December 2025

3.2   Increased end-to-end processing time to support country needs is impacting efficiency and effectiveness of PO process

A clear process has been established for Portfolio Optimization (PO). Increases in the time taken in finalizing PO awards and integration limit the effectiveness and timeliness of funding reallocations, raising the risk of implementation delays at country level for critical needs.

The Portfolio Optimization process has been crucial in reallocating funding across the portfolio based on critical need, resulting in new investments being approved, totaling almost US$1 billion across GC5 and GC6. In many cases, these investments were time sensitive and relied on an efficient process to ensure access to funding. Whereas timelines for GC5 were relatively short, they have increased during and after the pandemic.

Increased time to convert available PO funds into approved grant funding is hampering PO process efficiency
From November 2019 to 2022, there was an increase in the timeframe between when the AFC approved the use of PO and when the corresponding PO grants were incorporated into awarded country's grant.

PO wave	Average time taken between AFC approval and PO grant revision approved
2019 (November Wave)[25]	190 days
2022 (August/November Wave)[26]	284 days

The increase in timelines was due to factors that impacted individual waves, as well as cross cutting root causes that impact timeliness:

Specific PO wave challenges impacting timely completion of the PO process
The initiation of the first round of PO in GC6 was pushed to August 2022, following the GAC's decision to pause the launch until GC6 year 1 results and financial data (closure and absorption) were available. As such, the PO launch occurred 270 days after the AFC decision to approve funding for PO. This was to ensure awards would be based on the most up-to-date and accurate data to support more impactful, data-driven decision-making.

For the November 2022 PO wave, Country Teams that covered 42% of the sampled PO awards, highlighted competing priorities as factors delaying the finalization of key steps of the PO process. These priorities included year-end grant requirements, GC7 allocation processes and COVID-19 funding requirements, as well as year-end holidays. For 67% of the sampled PO awards, Country Teams highlighted that the level of efforts and processing time for developing award justifications and GAC preparation were prohibitive to finalizing reviews in a timely manner. As the GAC is scheduled bi-monthly or monthly, if a GAC window is missed then there is an automatic delay till the next scheduled opportunity.

Lack of end-to-end PO monitoring and approved PO operational guidelines hinder full oversight and timely completion of the process
While internal key performance metrics exist for components of the PO process, there are no overarching targets to monitor the time taken from an AFC decision to the PO grant revision integration. Current PO-related KPIs do not cover key parts of the process, specifically the TRP review, Board approval, GAC approval of a PO revision and PO-related grant revision integration. In addition, there is a lack of agreed roles and responsibilities for following up and monitoring a PO award to ensure timely escalation of delays. This can limit the ability of the Secretariat to address the root cause of these delays and raise the issues in a timely manner to senior management for resolution. Internal

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[25] 2019 PO Wave 4 was the last PO Wave where awards were sampled by the OIG

[26] To calculate this number a FIFO approach was used to match PO awards in August 2022 to AFC funding decisions in October 2021 and July 2022.

metrics also do not cover PO awards associated with emergency funding and innovative financing deals, limiting oversight of the timeliness of these investments.

In addition, there are no written approved PO guidelines to align roles and responsibilities around execution and monitoring of key PO activities within the Global Fund Secretariat. Guidelines are set to be finalized and approved in 2023. However, as a key mitigation, the Access to Funding department shares detailed email guidance with Country Teams during the PO launch to set expectations that support alignment across teams on the process to be followed.

Potential inefficiencies in the current process increase the overall timelines
Every HTM-related PO award is approved by the GAC and then by the GAC and the Board when the award is integrated into the grant, irrespective of the award amount. The multiple approvals increase the time required to approve funding for country level, thereby affecting when funds become available for implementation.

While COVID-19 Response Mechanism (C19RM) awards[27] are by their nature very different to HTM-related PO awards and follow a different process, there are potential opportunities to draw lessons learnt from how these are managed. For COVID-19 awards, the C19RM investment committee can approve funds under a threshold of US$45m, removing the need for a double approval by the GAC on the same investment decision and approval from the board under this threshold.

Overall, the increasing time required to finalize PO awards and their integration into grants, impacts the ability of country stakeholders to use PO funds in a timely manner. This is important as many PO awards relate to urgent country needs (for example, essential health products, or LLINs mass campaigns, which need to be delivered at certain time of the season). There are some mitigation measures in place. For instance, the procurement process can be initiated while awaiting the award integration. However, at the time of the audit, this was limited to obtaining quotations, as the full process cannot begin until Board approval is received. Subsequent to the audit fieldwork, the Pooled Procurement Mechanism OPN[28] was updated to include new processes and tools to allow the PPM advance procurement process during the revision process following a PO award.

The issues highlighted in this finding will be covered through Agreed Management Action 1, namely around the end-to-end monitoring of the PO process to identify bottlenecks, inefficiencies and to mitigate these delays where possible.

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[27] C19RM awards are out of scope of this audit, however the example of the C19RM award approval process is being described to highlight the differences in the approach to HTM-related PO approval processes.

[28] OPN updated on 04 October 2023

3.3 Timeliness of grant revision improves, but process could be more efficient and benefit from strengthened oversight

Timeliness of grant revisions is improving steadily, supporting more agile grant implementation. The process is well defined but further opportunities to enhance controls in some key areas were noted, including ensuring CCM endorsement of the revision, thereby strengthening the second-line reviews.

The grant revision process is key to ensuring that grants continue to deliver maximum impact, align with the inherent need to adapt the grant for emerging challenges and new priorities, and to course-correct where required. The robustness and timeliness of this process is key to ensuring the right changes are made so that grants remain impactful, and activities can be executed within the implementation period.

Some moderate control gaps in approval for grant revisions are reducing the oversight over the revision process.
The grant revision process is outlined by the Operational Policy Note (OPN) on Grant Revision.[29] However, from the OIG sample of revisions, several instances of moderate non-compliance with the OPN were noted: For 85% (22 out of 26)[30] of the revisions requiring CCM leadership endorsement before initiation,[31] there was no evidence of this endorsement. In these instances, the CCM leadership also appeared to not have been made aware of the grant revision before it was initiated. This can lead to gaps in CCM oversight of the portfolio, which can reduce the effectiveness of the CCM in discharging its mandate.

In addition, the Grant Revision Review Form[32] (or similar documentation) was not available for 58% (15 out of 26) of revisions where required by the OPN. This is required to be completed by the Principal Recipient and the Global Fund Country Team before certain grant revisions are initiated in GOS.[33] The Grant Revision Review Form includes evidence of the review and advice by specialist and risk teams. The review itself is important to ensure that the grant revision is impactful and technically sound before initiation. Without this, there is a risk that revisions are initiated that do not support improved grant impact.

The process execution team, the Grant Operations team, oversees the revision procedure and provides support to Country Teams. In addition, there is an OPN consisting of well-defined processes and milestones. Nevertheless, the measures to prevent deviations and guarantee adherence to the OPN are absent. For example, it is possible to finalize revisions despite the absence of some documents or endorsements.

As a result, the lack of clear CCM endorsement at the start of the grant revision process can negatively impact CCM oversight over grants (although the OIG observed that the CCM was informed of the finalized revision at the end of the process). In addition, without a submitted Grant Revision Form to determine the date when a revision was first identified by the Principal Recipient or Country Team, there is limited ability to assess the entire timeline of the revision process beginning with the initial request.

Timelines for revisions have steadily improved, but country-level challenges impact the speed to process revisions
Since 2019, the time taken to complete revisions has reduced. On average, a grant revision took 141 days to complete[34] in 2019, compared to an average of 52 days in 2022.[35] This is a 63% time reduction despite a 168% increase in the number of Grant revisions in the same period. This increase in speed is linked to the concerted efforts of Country

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[29] https://www.theglobalfund.org/media/3266/core_operationalpolicy_manual_en.pdf - For program material revisions, see page 325 – accessed 13 June 2023

[30] Twenty-two did not include evidence of CCM Chair endorsement and did not include the Principal Recipient-submitted Grant Revision Request Form (or similar documentation). For these, there was no indication that the CCM Chair had endorsed or was aware of the revision until it had been completed.

[31] CCM Chair endorsement before initiation of the revision is required for additional funding revisions, extensions and program revisions, according to the Global Fund OPN

[32] The Grant Revision Review Form should be used to submit the revision requests and be completed by the Principal Recipient (where the CCM endorsement is captured) and the Global Fund Country Team. This is applicable for extension requests, additional funding requests and program revisions.

[33] During COVID-19, several "Business Continuity Plans" (BCPs) were in place for key Global Fund processes, including for grant revision. The grant revision BCP waived the requirement for the completed Grant Revision Review Form, given that the same information was provided through other means (for example an email). For those revisions, in the OIG sample that were initiated when the grant revision BCP was in place, the OIG considered that the requirement for the Grant Revision Review Form was waived and also took into consideration other means of providing the information (for example an email).

[34] Time taken from grant revision initiation in the Grant Operating System (GOS) to grant revision completion in GOS

[35] This includes only grant revisions of HIV, TB, and malaria funding. Grant revisions for COVID-19 funding are excluded.

Teams, as well as the creation of the Grant Operations team within the Secretariat to support Country Teams with system and non-content related revision steps related to revisions.

In a sample of revisions reviewed,[36] the OIG noted that key steps of the revision process within the span of control of the Global Fund Secretariat were executed quickly. These steps include generating, updating and downloading key grant documents for the revision and importing updated grant documents in GOS.[37] In addition, key steps were executed swiftly by Principal Recipients. For instance, Principal Recipients took on average less than six calendar days to sign implementation letters[38] for the sample reviewed. This is very timely given that the approval order can be complex and lengthy. However, for some steps, further opportunities to streamline and quicken the process were noted. For example, it took an average of 21 calendar days for the Country Team to finalize and issue the implementation letters after the revision steps were completed in GOS and the revisions were ready to be communicated to the Principal Recipient. This was due to competing priorities at the Country Team level. It is important to note that revised Global Fund budget guidelines were introduced in February 2023 to better define and streamline this process. They establish materiality thresholds for revisions and substitute implementation letters with written endorsements from the Global Fund.

It also took on average 46 calendar days for the Principal Recipients and Global Fund Secretariat to submit finalized documents. This stemmed from complex revisions that often involved negotiations with third parties to support activities that fed into the revision process. In addition, Principal Recipient capacity challenges for finalizing key documents were revealed.

The above highlights the significant progress that has been made in reducing the time it takes to do revisions. However, delays in completing the grant revisions process can increase the risk of delaying grant implementation and disbursements.

No issues noted in program revisions classification, but enhanced oversight and controls would further reduce risks of misclassification

Program revisions are key because they involve changing the programmatic scope and/or scale of a Global Fund grant.[39] These revisions can be classified as material or non-material. The revision is material if certain criteria[29] are met, including if there is a significant redesign from the original approved grant. If deemed material, then the revision is reviewed by the Grant Approval Committee and subsequently by the Technical Review Panel. While no material program revisions were processed between 2020-2023, there were 109 non-material program revisions approved.

The materiality of a revision is the responsibility of the Country Team in consultation with disease advisors and the Regional Manager/Department Head. From the OIG sample of program revisions, no documentation to support this materiality determination process was available. In addition, the definition of a material program revision in the current OPN is qualitative and therefore open to judgement and potential misinterpretation.

Although no issues with classification were noted in the OIG sample, the definition of material program revision can be subject to interpretation and there is a risk that program revisions could be misclassified.

Prior to the OIG Audit Fieldwork, the Secretariat commenced its review of the operational policy on grant revisions, which involved extensive consultation across the Secretariat and also took into consideration the OIG draft audit outcomes through 2023. This review resulted in an updated Operational Policy Note (OPN) and a new Operational Procedures of Revise Grants which were approved by the Executive Grant Management Committee (EGMC), and effective from 01 December 2023. The revised OPN and new Procedure further clarified the definition of material programmatic revisions. As a result, the risks highlighted in the report around material programmatic revisions have been deemed as mitigated.

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[36] The OIG reviewed a sample of 45 grant revisions from 2020 to 2023. The review focused only on HIV, TB and malaria revisions and did not include C19RM revisions. The sample consisted of end-date revisions, additional funding revisions, program revisions and budget revisions.

[37] Average four calendar days to complete for updating and downloading key documents and under 24 hours to import updated documents in GOS.

[38] End of the grant revision process: Country Team sends Implementation Letter to Principal Recipient for signing with amendments to the original grant agreement.

[39] Note this is within an already approved funding ceiling and current implementation period

Regarding the findings on CCM grant revision endorsement, the Secretariat regard the monitoring requirements as stipulated in the revised OPN and new Procedures as comprehensive and sufficient. The Secretariat view is that any additional levels of oversight will result in increased complexity, and time and effort burden for in-country and Secretariat actors to complete, without a demonstrated value-add. As a result, no further management action around CCM endorsement was deemed necessary by the Secretariat.

Annex A: Audit Rating Classification and Methodology

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

Effective	**No issues or few minor issues noted**. 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.
Partially Effective	**Moderate issues noted**. 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.
Needs significant improvement	**One or few significant issues noted**. 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.
Ineffective	**Multiple significant and/or (a) material issue(s) noted.** 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.

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.