Investing in our future
The Global Fund
To Fight AIDS, Tuberculosis and Malaria

The Office of the Inspector General

Managing the risks involved in phasing out the Administrative Service Agreement

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Executive Summary

I. Since the Global Fund was established in 2002, basic administrative services have been obtained from the World Health Organization (WHO) under an Administrative Services Agreement (ASA) covering activities in the fields of finance, human resources, security, informatics, infrastructure and logistics support. The Board has decided this arrangement should cease on 31 December 2008.

II. This audit was undertaken as one of the early priorities of the Inspector General to assess the Secretariat's readiness at a point when there was still time to take account of the findings of the audit before the transition takes place. The objective is to assess the controls and governance arrangements in place to manage the risks involved in phasing out the ASA by 31 December 2008 and provide assurance to the Board of the Global Fund that all appropriate steps are being taken to plan and manage effectively the transition to a stand-alone organization.

III. OIG examined each of the main administrative services and activities affected by the transition to determine the level of risk[1], controls and mitigating actions in place, as measured against 7 guiding principles approved by the Board. Examples of key risks that OIG considers the transition should avoid are delays and other operational problems, loss of staff or reduced staff morale, errors in pay, procurement, travel, extra costs or failure to achieve cost savings, or damage to the public image or corporate memory of the Fund. Given the fast pace at which the Secretariat are operating a number of developments have taken place subsequent to the audit on which the Secretariat will no doubt brief the Finance and Audit Committee and the Board. What follows, therefore, is OIG's assessment made at the conclusion of the audit in late August 2008.

IV. OIG observes that the transition is very ambitious and the time frames set by the Board are extremely tight. OIG identified specific risks in all the main service work streams, especially compensation, benefits, pensions and the related enterprise resource planning services. OIG assesses these risks as high, medium or low in each work stream, and the five high risks are:

[1] In this audit, an activity or event to which OIG attaches a high risk probability is time-sensitive with many others leading into it or depending on it, and no clearly recognized or resourced contingency plans. A medium risk activity is one that is time sensitive and recognized by management, but not clearly planned or resourced. A low risk activity is one with negligible impact on the critical path and/or action is already in hand by management.

- The ASA transition is highly dependent on a positive staff reaction to the adoption of *new human resources policies* and a new classification structure with the associated compensation and benefits, including pension provisions. More can be done to communicate these to staff in a comprehensive fashion. As well, the dates for formally advising staff of the change of employment status should not be missed and are critical to a successful transition on January 1, 2009. Change management plans are under development, but this initiative lags behind all others.

- Establishing the *pension fund* is a key milestone on the critical path. The details are complicated and need to be carefully considered as they have long term impacts. This is a high risk item in the current plan for the ASA transition because on-time implementation is dependent on FAC making key decisions during September.

- New travel, procurement and other administrative policies and procedures are being developed. OIG assesses the risk in the *contracts/procurement* area as high at the current time. Although there are no service standards in the ASA and no historical information about actual service times in the past, this information should be collected now.

- The *implementation of an Enterprise Resource Planning System (ERP)* as part of the ASA transition is putting a lot of stress on the organization. This is significantly compounded by the delayed implementation of the WHO's new ERP "Global Management System" (GSM), and a requirement of WHO that the Global Fund participate in GSM for the remainder of the ASA. As a result, staff have had to focus on GSM implementation issues, diverting resources from the Global Fund's own ERP. Choices have been made to fit the time pressures and meet the organizational needs. Decisions are required to provide the resources needed to ensure the system is ready for January 2009. These include resources for data cleansing and user acceptance testing that had not been identified at the time of the audit. Until testing, training and communications plans for the ERP are fully developed; it is difficult to assess the likelihood of success. The specialist 'master consultant' engaged by the Secretariat is confident that the ERP can be sufficiently operational to facilitate the transition on time.

- The *governance structure* for the transition is now well established. Nevertheless, the risk is high. A summary of the transition plan was being prepared for management decision-making for the first time during our audit and is not yet fully developed. As a result, the ASA Executive Steering Group has not been able to review the overall critical path for the programme and monitor and develop contingency plans for slippage in key dates, such as sending out the offer letter to staff. The ASA Executive Steering Group will have to focus more on the overall picture and critical activities in the next 4 months.

V. In summary, OIG concludes that this is a very high risk project because:

- Some policy decisions are still needed (e.g. pension, medical services), so the attendant procedures are not developed;
- Some resources and resource needs had not been determined at the time of the audit (e.g. for data cleansing);
- Some operational decisions are not made (e.g. freeze, possible no fly, no hire period); and
- Until these decisions are taken and better summary information about the work in progress is available, the Secretariat cannot identify the critical path activities and take appropriate action.

VI. Management and staff are strongly committed to implementing a difficult programme in a very short time. Some of the inherent risks associated with the transition (such as the introduction of WHO's Global Management System) are beyond the control of the Secretariat; others could only have been reduced by taking a different approach. And some are still within the capacity of the Board and Secretariat to correct.

VII. At the time of the audit, the controls and information in place to manage these risks were inadequate. The Secretariat had not presented OIG with a detailed timeline, risk analysis and contingency plans to demonstrate the difficulties of meeting the target date of 31 December 2008 set by the Board for the end of the ASA. Preparing a detailed timeline and providing it to the ASA-ESG and then to the Board Chair and Chair of the FAC would be helpful to give all concerned a more realistic view of the difficulties of meeting the target.

VIII. At the April Board meeting the FAC noted: "Because of the delayed systems development and the desirability of allowing the necessary time to conclude work on aspects of compensation and benefits, the Secretariat had asked the FAC to consider recommending an extension to the ASA". As WHO had offered to continue to provide payroll services for Global Fund staff until September 2009 according to the WHO compensation and benefits structure, FAC recommended that the 31 December 2008 termination date be maintained. However, WHO advised the Secretariat in May that this arrangement was not technically feasible. At that time a detailed timeline, risk analysis and contingency plans along the lines referred to above would have been particularly helpful to all concerned.

IX. The Secretariat has taken measures to rectify most of problems found in this audit, and OIG has noted those steps in the report. OIG has made recommendations to help the Board and the Secretariat gain a more realistic assessment of the risks and take appropriate steps to plan and manage effectively the transition to a stand-alone organization:

- Setting up the Provident Fund Management Board and a related change management initiative as soon as possible;
- Identifying the operational implications of a freeze, possible no fly, no hire period;
- Providing all the resources necessary for data conversion and cleansing and user acceptance testing; and
- The ASA-ESG reviewing overall critical path events from now to 31 December and reporting on them at the FAC meeting.

X. OIG believes that the steps already taken, and those recommended here will reduce the risk of serious adverse consequences at the end of the ASA. OIG cannot provide assurance that the principles adopted by the Board for the transition, such as operating administrative services with a high degree of efficiency and effectiveness, can be achieved. The end of the ASA represents a preliminary step only, and the end of Phase 1. Throughout our discussions with management it became apparent that many improvements in services would be deferred to Phase 2 in 2009 and perhaps later. Thus, in order to ensure the Fund has the reputation of a leading international organization with an efficient and effective administrative structure, considerable further enhancements will be needed in the coming year. Lessons learned from Phase 1 should be carried forward, such as getting started earlier or allowing longer implementation spans. In addition, a sense of urgency will continue to be needed to facilitate improvements in human resources, travel, procurement and grant management such as electronic approval of transactions.

Management's response

XI. The Secretariat's response to the report is attached as Annex 2. OIG note with concern that the Secretariat decided not to complete the matrix provided with the customary responses to each recommendation, action to be taken, by whom and a completion date. The Secretariat informed us that they had decided not to do so given the dynamic environment, and because of time and resource constraints but have indicated subsequently that they would be pleased to answer questions at the Finance and Audit Committee on the actions in hand. OIG is also concerned by the implication that the audit team had not interviewed a number of key staff and that others interviewed may have had limited opportunity to provide detailed clarification and confirmation on what was a fast evolving project. As Annex 3 shows 26 stakeholders were interviewed, some more than once, and asked if there were others that should be interviewed. The answer was usually negative. OIG structured its work so that it was informed on the subject matter through document review prior to interviewing busy people. Subsequently it sought confirmation and clarification on key points raised with the responsible manager or through a review of TGF documents. The IG is satisfied that the OIG team met all the key stakeholders needed to form an opinion, and had provided the Secretariat with good opportunity to furnish clarification and confirmation, not least by sharing the penultimate draft of this report for comment.

Introduction

1. This audit was listed and scheduled in the paper "Priorities for the Office of the Inspector General" approved by the 17th Session of the Board in April 2008.

Objectives and scope of the audit

2. The audit objective is to assess the controls and governance arrangements in place to manage the risks involved in phasing out the Administrative Services Agreement (ASA) by 31 December 2008 and provide assurance to the Board of The Global Fund that all appropriate steps are being taken to plan and manage effectively the transition to a stand-alone organization.

3. OIG examined each of the main administrative services and activities affected by the transition to determine the level of risk, controls and mitigating actions in place, as measured against 7 guiding principles approved by the Board in decision point GF/B14/DP32 on 3 November 2006[2]. Examples of some key risks considered during the audit are :

- Delays in services (e.g. travel, procurement, recruitment, operational consequences);
- Loss of staff or reduced staff morale;
- Errors in pay, procurement, travel;
- Extra costs to run parallel systems, train staff, transitional learning
- Loss of corporate memory;
- Simplifying the administrative systems does not happen; and
- Public image of TGF suffers.

4. The audit assessed the Secretariat's readiness at a point when there was still time to take account of the findings of the audit before the transition takes place. The work consisted of review of documents and interviews. It was undertaken between 16 June and 30 August 2008, at a time when the Secretariat was involved in intensive work to prepare for the transition. In order to minimize delays and distractions for busy staff, the field work was conducted entirely in two

[2] GF/B14/9 paragraph 10 states: "A number of key principles should guide the Board's decision-making on this issue. These include:

a. The Board is the supreme governing body of the Foundation.
b. The Executive Director is responsible to the Foundation Board for the day-to-day management of the Foundation, and for specific duties and responsibilities assigned to him or her by the Foundation's Board.
c. The Global Fund should retain its independent legal personality.
d. The Global Fund should continue to operate with a high degree of efficiency and effectiveness, with operating costs, including the administrative expenses of the Secretariat, comprising a minimal portion of total annual expenditures.
e. The Global Fund should retain a close partnership with the UN system on operational issues.
f. Current Global Fund staff should not be materially disadvantaged by any change in administrative arrangements.
g. There should be minimum disruption or hindrance to core business of the Global Fund during or following any administrative transition.

seven-day periods, a planning phase visit in June and the examination phase visit in August. While the audit inevitably placed some demands on staff, especially senior staff, the OIG team was able to work around their operational priorities, as well as their scheduled leave and travel. The OIG team also met members of the Staff Council.

5. Because of its timing during implementation, this audit was not able to review the costs and service levels of administrative services. Similarly, OIG could not review the papers being prepared for the Board, except to ensure that certain policy proposals on pensions, compensation and benefits reflected the views of the subject matter experts who had been consulted. Also excluded from this audit was the grant management system and the eventual integration of transactional aspect of grant management with the ERP.

6. The main lines of audit enquiry, detailed audit criteria, and potential audit questions were shared with the Secretariat in advance of the examination phase field visit. The criteria are listed in Appendix 1, and significant observations about particular criteria are highlighted in the text.

Background

7. Since the Global Fund (TGF) was established as a Foundation under Swiss law in 2002[3], TGF has obtained basic administrative services from the World Health Organization (WHO). These have included 33 separate services mainly in the fields of finance, human resources, security, informatics, infrastructure and logistics support.

8. Services are provided based on an ASA first signed on 24 May 2002 and, in accordance with section 8, it is subject to an annual review on or before 1 December each year and then adjusted by mutual agreement for the coming year. The latest Agreement was formally signed on 31 July 2007 and covered the year 2007. It has been extended to cover 2008.

9. An Annex to the Agreement lists the services, their expected volumes and costs, but not the details such as the service standards that will apply. Some are subject to a fixed charge while others are back charged based on actual usage. The estimated total cost for 2008 is US$2.6 million.

10. At the time the first agreement was signed, the TGF secretariat was expected to be small. But from the beginning, it was understood that TGF as a separate and distinct legal entity would want to change the initial arrangements offered and provided by WHO. Following the signing of the Headquarters Agreement with Switzerland in December 2004, the Board in 2005 requested an

[3] which came into effect at the first meeting of the Board on 28-29 January 2002,

analysis of alternative arrangements, costs, and an implementation plan for a possible transition from the current administrative arrangements with WHO.

11. In response, the Secretariat initiated a transition options project and analyzed the available options in a paper presented to the FAC in September 2006, and endorsed by the Board in November 2006 which decided to discontinue the ASA after appropriate preparations for administrative independence were made. The Board also asked the Secretariat to present a detailed plan for approval in April 2007 consistent with the seven key principles (see footnote 2); including of significance:

- administrative costs should continue to operate with a high degree of efficiency and effectiveness[4] and continue to be a minimal portion of total expenditures;
- staff should not be materially disadvantaged by any administrative changes; and
- there should be minimum disruption during or following the administrative transition.

12. In addition, the WHO informed the FAC in 2006 that a substantial number of WHO administrative services were not included in the charges, and that should WHO continue to provide administrative services beyond 2006-2007, there would be a substantial increase in the cost (estimated to reach the $5 million level).

13. There were a number of developments before the next Board meeting in April 2007, including the decision of WHO to introduce a new Global Management System (GSM), an Oracle based enterprise resource planning system to replace legacy systems. During this period, the Secretariat was able to report progress including some preliminary cost estimates towards resolving human resources, pension, insurance, UNLP and tax issues. As they were not able to review a detailed plan, the Board noted progress, authorized the Secretariat to proceed with negotiation and costing of administrative arrangements, and requested a fully-costed implementation plan for decision at the next Board meeting.

14. At the next Board meeting in November 2007, the Secretariat presented a paper on the costing and timelines for the transition[5]. The set-up costs were estimated at US$18.4 million: US$ 6.4 million to buy licenses and develop systems, policies and procedures for the transfer, and US$12 million to ensure staff retain the value of all pension contributions already made. In addition, incremental running costs were estimated at US$ 5.1 million and total running costs at approximately US$ 4.9 million a year including 5 staff. The Board decided to discontinue the ASA no later than 31 December 2008, in accordance

[4] Para 10 of GF/B14/9. It is unclear what was the basis for the assessment of current administrative services as efficient and effective.
[5] Ref GF/FAC9/03

with the principles, processes and timelines proposed. The Board also requested the Secretariat to propose a new cash balance pension scheme and delegated authority to the FAC to approve it.

15. In the period leading up to the next Board meeting in April 2008, the Secretariat engaged in detailed consideration of matters relating to the transition and undertook to hire a master consultant to oversee it[6]. Delays and complications cast doubt on the feasibility of having new policies and systems fully operational on 1 January 2009. For example, the Secretariat was presented with the need to transition to the new GSM in mid-year, because it was not feasible for WHO to continue operating the existing systems until the end of the year. Nevertheless, interim arrangements and alternatives were considered for the termination to take place on the planned date. The Board approved these interim arrangements and decided to delegate authority to the FAC to approve an interim HR policy in order to avoid delay before the next Board meeting.[7]

16. Since the April 2008 Board meeting, preparations were delayed for several reasons. An important interim arrangement approved by the Board in April was the expectation that WHO would continue to provide payroll services for up to 9 months after 1 January 2009, using WHO pay scales and regulations. Although this offer was made by WHO representatives, in May WHO advised the Secretariat that this was not technically feasible. In addition, while some expert consultants were engaged to start work on salaries allowances and pensions, the contract for the master consultant was late in being awarded and the firm did not begin work until May, and consequently other consultants began work later still. Moreover, the impact of WHO's GSM has been much more difficult than expected because of implementation problems, and the implementation was still not complete in late-August. As a result, the design of TGF's ERP was delayed as resources were devoted to the GSM. Other timelines envisaged in the 2007 FAC paper have also slipped, in particular those critical decision points leading to establishing the new pension fund by January 2009.

Observations

<u>Very high risk environment</u>

Many factors have already influenced the ASA transition and have created a very high risk environment. Some of these factors were unforeseen and beyond the control of the Global Fund and some are within TGF's control. These complicate the Secretariat's task of meeting the Board's guiding principle of maintaining or improving the current level of administrative services, and in particular they raise the risk of reduction in service during the transition period.

[6] Ref GF/B17/6 report of the FAC
[7] Decision GF/B17/DP21

17. Even though it is well recognized already by all concerned, OIG must note that the transition programme faces many complicating factors. There are contextual factors that complicate the timing of the transition such as:

- The restructuring of the Secretariat and recruitment of both layers of director positions (22 senior positions)
- Growth of grant activity and of the Secretariat;
- Completion of the Local Fund Agents retendering and appointment process
- Unexpected and longer than expected implementation of WHO's GSM, which involved a freeze on contracts and expenditures for several months and is still not completed;
- Five-Year Evaluation of the Global Fund;
- Major Review of the Grant Architecture;
- Ongoing development of the Affordable Medicines Facility for Malaria; and
- Voluntary pooled procurement initiative under discussion.

18. There are also project-related factors that raise the risk level:

- the slow/late start, especially the selection of the master consulting company which began work in May;
- The Global Fund's ERP will be developed in less than 6 months when normally such systems take one to three years to develop. This is an "out of the box" implementation with some configuration choices but little or no customization in the first phase (requiring subsequent phases to achieve some long term benefits) in order to achieve a shorter implementation time. Even so, there is no time for running parallel systems; and
- The possible need for signing contracts (such as with local fund agents), for hiring, for staff changes and for travel during the pre- & post-transition, even during the cut-over or black-out which is for many a holiday period.

19. In this environment, OIG identified specific risks in all the main service work streams, especially compensation, benefits, pensions and the related ERP services. OIG assesses these risks as high, medium or low in each work stream,[8] and in summary they are:

- Some policy decisions are still needed (e.g. pension, medical services), so the attendant procedures are not yet developed;
- Some resources and resource needs are not yet determined (e.g. for data cleansing); and
- Some operational decisions are not made (e.g. freeze, possible no fly, no hire period).

[8] See footnote 1.

These key risks are described in the observations that follow.

Human Resources

The Secretariat is developing Human Resources Policies and Regulations for FAC approval. They are also developing the principles for a compensation scheme that requires Board approval. The ASA transition is highly dependent on a positive staff reaction to these initiatives. More can be done to communicate these to staff in a comprehensive fashion. As well the dates for formally advising staff of the change of employment status should not be missed and are critical to a successful transition on January 1, 2009. The OIG rates this as high risk.

20. Global Fund staff are WHO employees solely assigned to the Global Fund; this is one of the more important elements of the current relationship with WHO. The employees have the same classifications as WHO employees, the same highly complex compensation and benefits plans including membership in the UNJSPF. It is therefore important that, prior to the transition from WHO, TGF has in place the necessary human resources policies and compensation structure including benefits and pension plan. TGF Board directed that staff should not be materially disadvantaged and that the current structure of Pay and Benefits could be extended until September 2009 to allow for the development of a new structure. A new pension plan would need to be developed as of the transition date.

<u>Policies are being developed in a timely fashion</u>

21. The management of TGF has been diligently preparing HR policies needed to administer the staff of TGF. As the policies are confirmed, regulations and procedures need to be developed in order to configure the ERP. Through "conference room" pilots, the ERP process configurations have been identified. However, the HR group would like to customize some of the modules, a change that would be difficult to accommodate prior to the implementation date. A clear decision concerning customization is needed in order to ensure the transition date is respected. Then a post-transition strategy is needed to ensure that the desired customization is undertaken in a timely and efficient manner.

22. A key policy is the Dispute Resolution Mechanism with the appropriate processes. Management and staff have both expressed an interest in the ILO being the dispute resolution mechanism. Management has made informal contact with the ILO to test their readiness to accept TGF as a member. OIG was informed that ILO had been helpful in initial discussions and suggested that it may be possible for the Global Fund to recognize the jurisdiction of its Administrative Tribunal, but that ILO cannot be formally requested to perform this role until policy decisions are made.

Recommendation 1
Management should clearly decide on the policy of customization of the ERP and communicate this to both the consultants and staff working on the various modules.

<u>Compensation and Benefits require significant attention to meet the transition dates</u>

23. TGF takes responsibility for the design and application of its compensation and benefits system in January 2009. To establish its own identity and to simplify the rules and procedures concerning pay and benefits within the UN system, TGF decided to establish its own scheme based on a market analysis of employers. The Secretariat commissioned a salary survey and is proposing a new salary structure to the Board for implementation January 1, 2009. Management is also recommending a benefits scheme that in their view better suits TGF's environment. There is still, however, considerable detailed work on the salary and benefits to be completed. Decisions of the Board are required before some detailed work can proceed. The Board has already decided that staff are not to be disadvantaged as a result of the transition.

24. Management has worked closely with the Staff Council and staff working groups to review and include the emoluments that are important to keep or extend and those that could be dropped from future compensation packages. Principles are being proposed to protect current staff's compensation levels, in keeping with the Board's direction to safeguard staff's interests. This reduces the risk of staff rejection of the package offered but may increase costs marginally. As full costing of the various options was not complete, OIG cannot provide an opinion.

25. Employees have indicated some concerns with a new scheme and fear they may lose some longstanding benefits without appropriate replacement. Staff have been advised of the pay structure and potential changes to the benefits plan being proposed by the Secretariat. Nevertheless, employee uncertainty is high because the new pay structure and classification scheme have not been developed in detail and the decision to proceed rests with the Board. The Board had authorised management to retain the current compensation scheme until September 2009. Whether the new scheme is implemented 1 January 2009 or later, it still needs to be defined as part of the letter of offer that is being made to each staff member in mid-October 2008.

Key Audit Criteria

- The new policies should be communicated to staff on a general and specific basis, that is, individual employees should know the impact of the new structure on them.

26. Management recognizes that some current members of staff may choose to leave as a result of the transition from the UN system. Three options have been explained to staff in a letter dated August 27, 2008. Option 1 is a transfer to a TGF

position but the specifics of the compensation and benefits are not known. There is an explicit commitment to overall equivalency. Option 2 is a negotiated separation and Option 3 is the application of WHO staff rules applicable to abolition of posts. Some will see the negotiated separation as an attractive option, especially if they have other opportunities within the UN system that would preserve their pension status. A few employees have "Life Service Contracts" with WHO that they would be unwilling to give up and may prefer option 3. While the Secretariat considers it low risk, there is a chance, regardless of the offer that some employees may see the change to TGF as the employer as an opportunity to obtain an indemnification per WHO staff rules and retain a job with TGF. If this were successful, there would be significant financial implications to TGF.

27. The current proposals to the FAC explaining the options that will be provided to staff appear to meet the legal obligations of TGF and WHO to make the transition without a significant payment to staff members who accept positions with TGF. OIG's one concern is the very tight time lines. Standards of good faith, equality and fairness call for providing the staff members with adequate information on the options available and sufficient time to consider and take a decision. The new system should also refrain from unduly favouring certain individuals or categories of staff and should not apply retroactively.

28. It is therefore important that TGF provides each staff member with sufficient time to consider their decision as to whether or not to accept the proposed arrangements. On the whole OIG believes the risk of significant loss of employees or significant indemnification as low provided the planned "notice and offer" dates are met.

29. To meet staff concerns, management has had several "Brown Bag" lunches and Town Hall sessions for staff. As well, communiqués and newsletters to all staff have described the different options under consideration. In addition the Staff Council has been providing Working Group Reports directly to the ASA-ESG and has shared those reports with all staff. Subjects such as: Taxation, Allowances, Pension and Classification levels have all been presented independently. However, staff have not been presented with a comprehensive view of all the parts of the package together. Such a presentation would go a long way to alleviating the anxiety that some staff members feel.

30. Service providers have been contacted to provide the various insurances under the compensation scheme and contracts could be in place within the prescribed time frame. Management is still investigating the options of using a service provider (UNOPS) or an internal solution to deliver the payroll package. This is an important decision to ensuring the transition date is met. An internal solution, while in the long run more efficient and effective, places stress on the current organization that is dealing with multiple changes. It is also probable that

the Secretariat will use interim pay measures to ensure that the payroll is correct prior to going live with the system.

Recommendation 2
Management should prepare a comprehensive overview of the compensation package and present it to all staff.

Recommendation 3
Management should ensure that the dates for the formal letters to staff concerning their new employment contracts are not missed.

Recommendation 4
Management should prepare a detailed costing of the new compensation and benefits package compared with the current package for presentation to the FAC.

The Provident Fund (pension fund) is late being established

Establishing the pension fund is a key milestone on the critical path. The details are complicated and need to be carefully considered as they have long term impacts. This is the highest risk item in the current plan for the ASA Transition.

31. The structure of the pension plan has been developed by expert consultants and a proposal is being made to FAC to establish the Global Fund Provident Fund as a cash balance pension scheme. This was the direction given by the Board, with a delegation to FAC to make the pension decision. The Secretariat has developed a number of options on various key aspects of the scheme for consideration by the FAC. However, in its paper to FAC, one option that the Secretariat is proposing is a Defined Contribution Scheme that the Secretariat considers to be outside the remit of FAC to approve and as such would need to go to the Board for approval. Much work still needs to be done to develop the Provident Fund rules and regulations and set in place the governance structure. A significant part of the pension fund discussion has been around the amount of the transfer available from the UNJSPF. Costing has been difficult due to the lack of information available. Preliminary costs did not take into account the full complement of staff nor estimate the potential future liability to TGF if rates of return guarantees were to be included.

32. This is a high risk area since specific deadlines that TGF has advised the FAC and the Board have since passed without the requisite work being complete (GF/B16/8). If the plan is not ready to receive funds on January 1, 2009 there is a higher risk of employees losing confidence in the entire transition process. To mitigate this risk, the pension contributions could be temporarily held by the Trustee until the requisite arrangements are in place (as acknowledged by the Trustee).

33. The time lines for the letter of offer to employees would require that the Provident Fund policies and regulations be established by mid-October. This does not mean transferring money or appointing the fund manager, as these issues can wait until late December. However, the Provident Fund will urgently need a management board to work through these policies and recommendations. Such a board currently does not exist. Further, some of the decisions may require TGF Board ratification, depending on the structure adopted by FAC. Management is aware of the need and is making recommendations to FAC in September, but this may be too late to include meaningful information in letters of offer to go to staff in October. An interim Provident Fund management board appointed by the Secretariat could start the work needed to define the terms and conditions of the Provident Fund. Such a board should be established in line with the recommendation to FAC for the Provident Fund Management Board, that is, three members appointed by the Executive Director and three members elected by staff. This will smooth the transition to the permanent board and increase the probability of being ready with concrete information for the staff letters of employment.

Key Audit Criteria:

- The terms and conditions (eligibility, funding, investment policies, termination benefits etc.) of TGFPF should be clearly defined and communicated to staff in a timely fashion.
- A Pension Fund Committee should be established in accordance with legal obligations and to represent the needs of Management and Staff. The Committee would assure the appropriate Governance arrangements for the fund.

Recommendation 5

The Secretariat should immediately appoint an Interim Provident Fund Management Board to work through the terms and conditions of the Pension Fund.

34. Staff are concerned about their well being**.** It is obvious that the whole area of HR policies, compensation and benefits and pensions is of critical interest to the staff. Through the Staff Council, several working groups were formed and have been providing suggestions to management on these issues. In the papers presented to FAC these suggestions have been taken into consideration. However, there remains considerable angst among the staff concerning their employment contracts and future opportunities. While management has undertaken several initiatives to communicate with staff about the current progress, there is much uncertainty as key decisions need to be taken by either FAC or the Board. Staff members may feel that they are not being given adequate time to review and consider the HR structures that would safeguard

their interests. This feeling may become more acute as the time to transition approaches and if concrete proposals have not been delivered.

Privileges and Immunities- Work is under way

As employees of WHO, TGF staff currently hold privileges and immunities such as tax benefits and the use of the UN Laisser-Passer which will not be available once the transition takes place. Arrangements under way suggest this is a medium or low risk issue, OIG's main concerns being the operational impact of travel using national passports, and new visa arrangements.

35. The Secretariat has engaged the services of an international expert on privileges and immunities and is working on other measures and agreements to replace the protection that the mantle of the UN system now provides TGF staff travelling to difficult locations. The Legal Adviser is working on a strategy for extending TGF staff privileges and immunities in consultation with the legal advisers of various states, and Board members. The Secretariat plans to present a progress report to the Policy and Strategy Committee of the Board in September. OIG was informed that it is not possible to complete this project before December 2008, given the involvement of many stakeholders and the need to reach a consensus. It is expected that official travel using national passports will have some operational consequences that will have to be worked through on an individual basis. This is an issue of concern to staff.

36. A policy has been developed to replace and to "grandfather" tax benefits. Staff have been informed of planned changes in tax arrangements in general terms, and plans are being developed to inform them individually once the Board approves the policy. Work is under way to replace the Carte de Legitimation. A service provider has been identified to provide travel security advice and assistance. OIG assesses the risks associated with these activities as low.

37. An important need on transition is to obtain travel visas in a timely fashion to meet operational requirements. The travel service provider will be contracted to obtain visas, but it could take longer to obtain them than currently. A service standard for this activity was not part of the request for proposal, but one is under consideration for inclusion in the statement of work. This is a medium risk issue.

Finance is well on the way to being transition-ready

The preparation of financial statements has always been through a download of administrative information from the WHO legacy systems. The GSM will provide a new one-time challenge at year end. The TGF ERP will be configured to meet the needs of Finance and no customization is required. The only outstanding issue to resolve is the question of running payroll as an internal Finance module or outsourcing it. There is a risk that employees will need to be paid fixed amounts while the Payroll system is tested.

38. The Finance Unit has been working closely with WHO staff to produce proper records of accounts for TGF. Using the ACCPAC financial software, finance staff are able to download information from WHO systems to create TGF accounts that are suitable for audit. The Finance Unit has been closely involved with the GSM and has been able to assess the issues of conversion to a Global Fund ERP. Using off-the-shelf modules configured to their needs it is most likely that they will be ready to commence operations on January 1 independent of WHO. As well they have the contingency of using ACCPAC as a financial system until such time as the ERP is ready.

39. However, significant work remains to be accomplished. There is an urgent need for a detailed transition agreement with WHO that would include specific cut-off and handover procedures. At the moment WHO officials are preoccupied with the GSM implementation and may not have the time needed to work through these arrangements. While most accounts are straightforward to set up and will require time and devotion to complete, there is uncertainty with the payroll account. The architecture of this account will be new to TGF and the decision to run payroll internally had still to be made. Normally payroll accounts are tested through three payroll cycles before going live. There is an outside chance that parallel payroll runs could be conducted for October, November and December 2008. However, any slippage will mean using the contingency of paying people fixed amounts based on historical payments and doing reconciliations when the new system is operational. Finance will need a short “blackout period” to do the switchover from WHO systems. Management has yet to decide on the nature and length of such a blackout period.

40. Finance appears to have sufficient resources for their tasks. If there are delays with the ERP, a spreadsheet-based payroll system will need to be deployed and an ACCPAC module would need to be implemented to make the bank transfers. This would put pressure on Finance to develop a suitable alternative within ACCPAC for payroll.

Travel, Procurement and Other Administrative Services – some potential problems.

New travel, procurement and other administrative policies and procedures are being developed. OIG assesses the risk in the contracts/procurement area as high at the current time. Although there are no performance standards in the ASA and no historical information about actual service times under the Agreement, service level information should start to be collected now.

41. Work is under way to prepare new policies and procedures for all administrative activities including travel and procurement. This review process has attempted to identify improvements rather than just transfer services as is.

For example, the working group is proposing a standing travel advance for frequent travellers. It also considered adopting a policy of paying actual rather than per diem travel expenses. For the transition, however, the Secretariat is proposing to retain the same basic travel expense policy as WHO and to review the situation at a future date.

42. Service providers for travel and travel security have been selected. Existing WHO contracts with telephone and other administrative service providers will have to be renegotiated.

43. At the time of the OIG audit, work on the procurement policy and procedures was on hold in part because senior staff were on leave and perhaps because of heavy workload in the Contracts Unit. OIG asked to see a list of all upcoming new or amended contracts that would have to be dealt with by the Contracts Unit during the next 3 months. A list was provided of all contracts that would have to be revised. But it does not provide a complete picture of the workload the Contracts Unit will face, including for example a new contract for the ERP platform or other new contracts that may be required for operational programmes. There are no critical path procurement events shown on the summary chart provided to the ASA-ESG on 15 August (in fact no events at all on the critical path from October to December) and so it is not possible to tell from the current version of the plan whether delays in negotiating and signing contracts could affect the critical path. Work is under way to resolve procurement issues, but in view of the importance of signing transition-related contracts in a timely fashion, OIG currently assesses this work stream as high risk.

44. OIG notes that new travel and procurement policies could have been developed earlier, before the arrival of the master consultant in May. Having some new policies and procedures already in place would have reduced the time pressure this autumn during the transition count-down. For example, the new Procurement Review Committee might have become operational earlier this year to provide experience for TGF staff and perhaps to speed up the process when contracts went to WHO for ratification. To date, the composition of the committee has not been decided.

Key Audit Criteria:

- Revised policies and procedures for administrative services should be developed and approved in a timely fashion (in particular for travel, procurement, relocation, accommodation, communications)
- Service levels agreements operating

45. It is good practice to have standards for administrative services, such as response times for filling posts, renewing contracts, or making travel arrangements. However, OIG notes there are no performance standards for administrative services in the ASA. As well as making the ASA agreement itself

more difficult to manage, this compromises the Secretariat's ability to determine whether the Board's principle of no reduction in service is actually met after transition. The Corporate Services Cluster has developed and signed some service level agreements with its internal clients for the first time this year, and intends to apply them post-transition. The OIG encourages the collection of statistics on actual levels of performance, as required in the signed agreements.

Key Audit Criteria:

- Lessons learned from the GSM transition should be recorded for use in the ERP transition.

Recommendation 6
Management should develop a plan to ensure the Contracts Unit is prepared for speedy action on transition-related new contracts and amendments in the next 4 months. Members of the Procurement Review Committee should be appointed soon to help facilitate and ensure due process is followed.

Recommendation 7
Corporate Services Cluster should begin now to collect information on the actual time it takes to conduct administrative activities, as a basis for re-assessing service standards in 2009.

IT and the ERP – A substantial amount of work needs to be done

The decision to implement an ERP system as part of the ASA transition is putting a lot of stress on the organization. This is compounded by the implementation of the GSM, a requirement of WHO. Choices have been made to fit the time pressures and meet the organizational needs. Decisions are required to provide the resources needed to ensure the system is ready for January 2009. These include resources for data cleansing and user acceptance testing that had not been identified at the time of the audit. Overall, OIG rates this risk as high.

46. The Global Fund took the decision to implement an ERP as part of the transition from WHO. An ERP system is based on a common database and a modular software design. The common database can allow every department of TGF to store and retrieve information in real-time. The information should be reliable, accessible, and easily shared.

47. ERP vendors have designed their systems around standard business processes, based upon best business practices. Different vendor(s) have different types of processes but they are all of a standard, modular nature. Firms that want to implement ERP systems are consequently forced to adapt their organizations to standardized processes as opposed to adapting the ERP

package to the existing processes.[9] Neglecting to map current business processes prior to starting ERP implementation is a main reason for failure of ERP projects.[10] It was therefore crucial that TGF perform a thorough business process analysis before selecting an ERP vendor and setting off on the implementation track. This analysis should have mapped out all present operational processes, enabling selection of an ERP vendor whose standard modules are most closely aligned with the established organization. Redesign can then be implemented to achieve further process congruence. Research indicates that the risk of business process mismatch is decreased by:

- linking each current organizational process to the organization's strategy;
- analyzing the effectiveness of each process in light of its current related business capability;
- understanding the automated solutions currently implemented.[11]

48. To implement ERP systems, companies often seek the help of an ERP vendor or of third-party consulting companies. These firms typically provide three areas of professional services: consulting, customization and support. The client organization may also employ independent program management, business analysis, change management and user acceptance testing specialists to ensure their business requirements remain a priority during implementation.

49. TGF decided to engage a third-party consulting company as the Master Consultant for the ASA Transition implementation. Due to the time constraints, late selection of the Master Consultant, and other factors, TGF selected an Oracle based ERP. While this was one of the preferred options and should be able to provide all the needed modules, the value-for-money received as a result of the constraints placed on the process might be questioned. The Master Consultant then went about performing a business process analysis and a standardization of TGF processes to fit the selected ERP. This has involved considerable input and time from TGF staff and management

50. A complicating factor and one that has put considerable stress on TGF staff is that WHO went live with its new GSM – ERP at the end of June 2008. TGF personnel have been trained in the new GSM and the transition to this system is being managed by its IT staff. There was no option for TGF other than to adapt to the GSM of WHO. While there might be risks in converting data and processes from legacy systems to GSM and then to converting them to the ERP within a year, the OIG has been assured by the master consultant that this is not a problem, and the risk has probably been reduced since the GSM and ERP will both be Oracle based.

[9] Turban et al. (2008). *Information Technology for Management, Transforming Organizations in the Digital Economy*. Massachusetts: John Wiley & Sons, Inc., pp. 300-343. ISBN-13 978-0-471-78712-9

[10] Brown, C., and I. Vessey, "Managing the Next Wave of Enterprise Systems: Leveraging Lessons from ERP," *MIS Quarterly Executive*, 2(1), 2003.

[11] King. W., "Ensuring ERP implementation success," *Information Systems Management*, Summer 2005.

51. Nevertheless, the implementation of the GSM has been extremely problematic. OIG are aware of instances where staff have not been paid by WHO for either their salary or for travel and some contract renewals have been delayed. While emergency advances have been provided to alleviate hardship, this has produced an extra workload in the areas of HR, procurement and travel. In addition the lack of timeliness in the payment of vendors is damaging the reputation of TGF. It is important that such GSM lessons be learned and applied to the ERP transition.

52. In its review of resources assigned to the ERP portion of the transition, the OIG found that there was still considerable uncertainty. In the case of HR, while the transition team was working on identifying resources, there were no resources identified for data cleansing or user acceptance testing. The people required to do this are occupied with ongoing administrative duties and developing policies and procedures. Similarly, the IT staff who have led the conversion to the GSM and are currently "debugging" the GSM for TGF use are the same people who will lead the ERP implementation and keep current IT systems going. Significant amounts of staff resources in Finance and Corporate Services have had to be diverted from transition matters to GSM problem fixing. These are two examples of the risk of employee burnout due to the pressures of the job. Further, staff who are required to work through to implementation may not be able to use their leave entitlements and some of these may expire.

53. Prior to going live with the ERP there is a significant exercise of data cleansing and user acceptance testing. This requires that licenses be secured and a testing/operational platform identified. While options exist for the platform, a decision is required immediately to avoid any project delays. Licenses for the software have been verbally agreed and so should not present a significant risk. Conference room pilots have been performed with all user groups and hence the move to testing should be smooth provided a host platform site is secured and the decision on customization is ratified by the ASA-ESG. Both IT and Finance have highlighted the need for a "blackout" period to migrate the data and test the system. This has not yet been included in the plans and a decision is needed from the ASA-ESG. There may be a reluctance to impose a blackout after the one just experienced with the conversion to the GSM. Management needs to seriously consider the risks and benefits of the blackout versus continuous service with an untested system

54. OIG has been told by management that this is phase I of a multiphase project to implement the ERP. This is an important message to communicate to staff so that their expectations match the system that is being delivered on January 1, 2009. As well, training for the new system will take place in late 2008 and early 2009. OIG was informed by WHO that one lesson learned from the GSM implementation was that more training was required than anticipated. In particular, once staff members started to use the system in a live mode they

realized that they needed more training and tutoring. OIG believes it would be prudent to plan for additional training during the go-live period.

Recommendation 8
The ASA-ESG should carefully review plans for resources and timelines, and should explore means to accelerate decision making. Business Unit Managers should review ongoing services/activities that could be suspended for a short period to facilitate conversion and start-up.

Recommendation 9
The Secretariat should ensure that staff members are not inadvertently penalized without compensation (e.g. leave balances expiring, self financing business expenses).

Recommendation 10
The Secretariat should communicate to staff the capabilities planned for the ERP on January 1 to create appropriate expectations.

Change Management

Some progress has been made by involving staff in and informing staff about work under way. But the change management initiative lags behind all others. Staff members continue to seek specific information about how the transition will affect them personally, and this cannot be provided until policy decisions are made and worked through. Until training and communications plans are fully developed, it is difficult to assess their likelihood of success. Overall OIG rates this as high risk.

55. The transition has been under consideration for a number of years and its advantages and disadvantages were debated at length. Some of the proposed policy changes raise concern among the staff, as did uncertainty about the scope and timing of the transfer itself.

Key Audit Criteria:
- There should be a communications plan for staff and other stakeholders.

56. Staff members have had the opportunity to be involved in all working groups on all key issues, and the Staff Council have been particularly active. Some progress has been made in sending out monthly newsletters to staff, developing an intranet Sharepoint site on ASA transition issues, holding town hall meetings and brown bag lunches. Staff have participated enthusiastically in these working groups. Some of the information provided to stakeholders so far has been vague and incomplete, and the requests for comments drew specific questions from staff that could not be immediately answered. Now that the actual

impact on each individual is becoming clearer, TGF has recognized the importance of having a Change Management Strategy for staff that identifies the key training and communications needs. Given the tight time frame available to plan and manage the ASA transition effectively, there will be a significant risk if this strategy is not designed carefully and implemented successfully.

57. OIG notes that the change management initiatives began later than all other transition activities, as the responsible staff started work in July 2008. During the OIG audit, they were developing working relationships and plans, for example to co-ordinate with planned leadership training workshops this fall. One missing element is a communications strategy for external stakeholders such as partners and suppliers. OIG also notes, however, that communication and training plans cannot be finalized until operational plans are completed, and these depend on important decisions that have not been taken such as whether there is going to be a system freeze period as there was for GSM, or a no-fly or no-hire period. As some staff members and suppliers were still not being paid 3 months after the GSM freeze period began, having a strategy to deal with the next transition is essential.

58. Communications initiatives got off to a slow and inauspicious start. Some early timelines in FAC and Board papers have slipped, such as the intention to finalize pension arrangements in time to meet with the UNJSPF at their July 2008 meeting. Transition program newsletter#1 promised to have a full project plan to share with staff at the end of June. Management has informed the OIG that the plan was posted on Sharepoint at the end of June, but if so it was difficult to find. The OIG have not seen it.

59. Transition program newsletter#2 said each staff member would receive a letter about the transition in July. The first letter to staff went out at the end of August. In OIG's view, the letters to staff are critical path activities, and any slippage would be significant. The next letter to staff is now scheduled for mid-October. The absolutely key element on the critical path to transition is protecting a sufficient period of time after issuing the second letter to allow staff to consider and respond to the new terms and conditions. This period between the second letter and the end of November deadline for responses is also the crucial period for successful change management. Plans are being developed, but they are not ready for review yet by the ASA-ESG. OIG considers this to be a high risk situation.

60. Training is another important part of change management, and training plans are being developed. The Secretariat intends to set up a network of key change agents, although few individuals have been identified so far. A complicating factor is the continuing impact of WHO's GSM conversion which is still taking extra staff time and impacts the same individuals who will likely be the "power users" of the ERP, with the risk of staff burn-outs. The GSM conversion

has also created considerable cynicism. OIG considers the lack of progress in developing training plans a medium risk.

61. In summary, change management is crucial, and some progress has been made by involving staff in and informing staff about work under way. But because training and communications plans are still under development for the pre- and post-transition period, it is difficult to assess their likelihood of success. Overall OIG rates this as high risk.

Recommendation 11
The Secretariat considers offering early individual consultations to the staff on pensions, compensation and benefits (including tax benefits) as soon as the FAC has decided on the key elements of these policies, to reduce the anxiety of staff and reduce the consultation workload after the offer letter is issued.

Recommendation 12
The Secretariat should develop a specific plan for the immediate period after 1 January, based on the GSM experience, to help staff understand the ERP and identify quick fixes and "work arounds" that can be applied to make travel arrangements, pay expenditures, or deal with other operational problems that may arise.

Governance – information is missing that is essential for the ASA-ESG to monitor and adjust the plan.

The governance structure for the transition is now well established. Nevertheless, the risk is high. A summary of the transition plan was first being prepared for management decision-making during our audit and is not yet fully developed. As a result, the ASA-ESG has not been able to review the overall critical path for the programme and monitor and develop contingency plans for slippage in key dates, such as sending out the offer letter to staff. The ASA Executive Steering Group will have to focus more on the overall picture and critical activities in the next 4 months.

62. To conduct a timely transition of the ASA it is important that governance arrangements be clearly established so policy and operational decisions can be made in a timely fashion and the Board can be briefed appropriately on risks and progress. This is important to avoid delays in an already tight schedule.

63. The Deputy Executive Director and the responsible ADG at WHO meet as focal points to discuss aspects of the transition, and other subject matter specialists will meet as required. The main governance arrangements in TGF involve the ASA Steering Group (ASA-ESG) chaired by the Deputy Executive Director, and the Finance and Audit Committee of the Board (FAC) which has been delegated important responsibilities by the full Board. The FAC Chair and

Key Audit Criteria:

- The ASA Steering Group should identify all responsible staff to be involved in providing ASA services and in managing the transition.
- The ASA Steering Group should co-ordinate the transition, identify risks and mitigation strategies and implement the strategies.
- The ASA Steering Group should monitor progress against transition plan and take steps to mitigate the consequences of slippage from the plan.
- The ASA Steering Group should report to senior management and the Board regularly on progress, risks, and mitigation strategies.

Vice Chair are briefed regularly by senior management. The Executive Management team is also involved, and the Global Users Group for information technology applications.

64. OIG observed that the key management group, the ASA-ESG, is missing vital information to manage the transition. The main sources of information are detailed project plans prepared and reviewed by the master consultant. These depend on policy decisions not all of which have been made and so they are not complete nor completely resourced. The ASA-ESG first received summary information on these plans during the OIG audit and has not yet had an opportunity to review an overall critical path, or the links between projects. The Committee now meets twice a week and is working hard to get policy decisions ready for FAC, but as a result they have not yet been able to focus on all the operational consequences. The ASA-ESG does not yet have a schedule of documents and decisions required in the October to December period.

65. New and planned summary information will strengthen overall oversight of programme implementation. The risk is that, without monitoring critical path information, management may not be aware of key roadblocks until it is too late to develop contingency plans.

66. The co-ordination of staff and consultants is also an important ASA-ESG responsibility. Many consultants have provided advice about transition matters, for example pensions, compensation, benefits, and leadership training, and two other key consultants report to the ASA-ESG. As mentioned, the master consulting firm, ATOS Origin, was hired as programme manager of the transition and started work in May. In addition, Accenture has been contracted to set up a project management office in TGF, run programme management within the Secretariat for the ASA-ESG, and co-ordinate change management. The functions of these two firms require co-ordination with other subject matter consultants as well as TGF staff working on the transition.

67. Working relationships and deliverables for ATOS and Accenture are being defined, but the exact scope and resources required have not been determined. At the time of the OIG audit, a contract amendment for the master consultant had been under discussion for at least 6 weeks and further amendments were expected. This delay in clarifying and formalizing consulting needs results in part from uncertainty about the overall plan and overall resources required, and the proportion that can be provided by TGF staff without jeopardizing ongoing operations.

68. There have also been delays in defining contract terms of reference and negotiating and signing contracts, in part because of WHO's ERP system implementation, but not totally.

69. For each work stream, OIG was informed that risks and issues were being regularly monitored by the master consulting project team, and raised to the ASA-ESG as appropriate. However no overall summary list of risks was presented to ASA-ESG and no discussion of key risks or the critical path appeared in the minutes. At the end of the OIG audit, Accenture was in the process of developing a summary list of risks that could be monitored by ASA-ESG regularly.

70. OIG assesses as medium the risk that the co-ordination of consultants may affect the transition, in view of the uncertainty about requirements and the delays in contracting that have occurred. In the next few months, deadlines will be tight. This risk would be high if the Secretariat were not able to sign and implement key transition contracts and amendments in a timely fashion.

71. The governance structure for the transition is now coming together. Although it is very late, summary information for management decision making is now being prepared. There are some contingency plans, such as the provision for using ACCPAC for financial transactions. Nevertheless, the risk is high. The Secretariat has not developed an overall critical path schedule, assessed how each work stream affects others, and developed contingency plans for any slippage in key activities on the critical path, such as developing the regulations for the Provident Fund, protecting the time period for staff to consider their letter of offer, and deciding on the length and timing of a blackout period. Without this missing information, neither OIG nor the Secretariat can assess specific risks identified in the main administrative activities being transferred. ASA-ESG will have to change its emphasis from design to implementation, to focus more on the overall picture and critical activities in the next 4 months.

Recommendation 13
As a matter of urgency, ASA-ESG should review in turn each work stream to ensure time frames, resources and dependencies are fully developed, and identify the most critical activities. The Steering Group should prepare a realistic

assessment of the overall critical path activities after the policy papers are out but before the FAC meeting.

Recommendation 14
ASA-ESG should ensure contingency plans are developed for preparing the regulations for the Provident Fund, protecting the time period for staff to consider their letter of offer, and for a blackout period.

Recommendation 15
In addition, the Secretariat should present an overall status report to the FAC in September and an update for the Board in November.

Conclusion

72. This is a very high risk project. Management and staff are strongly committed to implementing a difficult programme in an extremely short time. Some of the inherent risks associated with the transition (such as the introduction of WHO's ERP) are beyond the control of the Secretariat; others could only have been reduced by taking a different approach. And some are still within the capacity of the Board and Secretariat to correct.

73. OIG's current assessment of the key risks identified at the beginning of this audit is:

- There have been delays in services such as travel, payments, procurement and recruitment due to the GSM conversion, and these could continue and increase during the ASA transition;
- There could be some loss of staff and reduced morale;
- There is a low risk of errors in compensation, procurement and travel;
- There is a medium/high risk that the cost of the transition will be greater than expected and as presented to the FAC in 2007 (there is no detailed costing for OIG to review at this time);
- There is a low risk of loss of corporate memory;
- There is a high risk that administrative services will not be more efficient and effective right after the transition, although this could be remedied in Phase 2 of the ERP project in 2009;
- The risk to the public image of TGF is unknown until the communications plan is prepared and the other risks are dealt with.

74. At the time of the audit, the controls and information in place to manage these risks were inadequate. The Secretariat had not presented OIG with a detailed timeline, risk analysis and contingency plans to demonstrate the difficulties of meeting the target date of 31 December 2008 set by the Board for the end of the ASA. Preparing a detailed timeline and providing it to the ASA-ESG and then to the Board Chair and Chair of the FAC would be helpful to give all concerned a more realistic view of the difficulties of meeting the target.

75. At the April Board meeting the FAC noted: "Because of the delayed systems development and the desirability of allowing the necessary time to conclude work on aspects of compensation and benefits, the Secretariat had asked the FAC to consider recommending an extension to the ASA". As WHO had offered to continue to provide payroll services for Global Fund staff until September 2009 according to the WHO compensation and benefits structure, FAC recommended that the 31 December 2008 termination date be maintained. However, WHO advised the Secretariat in May that this arrangement was not technically feasible. At that time a detailed timeline, risk analysis and contingency plans along the lines referred to above would have been particularly helpful to all concerned.

76. The Secretariat has taken measures to rectify many of the problems identified in this audit, and OIG has noted those steps in the report. OIG has made recommendations to help the Board and the Secretariat gain a more realistic assessment of the risks and take appropriate steps to plan and manage effectively the transition to a stand-alone organization:

- Setting up the Provident Fund Management Board and a related change management initiative as soon as possible;
- Identifying the operational implications of a freeze, such as a possible no fly, no hire period;
- Providing all the resources necessary for data conversion and cleansing and user acceptance testing; and
- The ASA-ESG reviewing overall critical path events from now to 31 December, and reporting on them at the FAC meeting.

77. OIG believes that the steps already taken, and those recommended here will reduce the risk of serious adverse consequences at the end of the ASA. OIG cannot provide assurance that the principles adopted by the Board for the transition, such as operating administrative services with a high degree of efficiency and effectiveness, can be achieved. The end of the ASA represents a preliminary step only, and the end of Phase 1. Throughout our discussions with management it became apparent that many improvements in services would be deferred to Phase 2 in 2009 and perhaps later. Thus, in order to ensure the Fund has the reputation of a leading international organization with an efficient and effective administrative structure, considerable further enhancements will be needed in the coming year. Lessons learned from Phase 1 should be carried forward, such as getting started earlier or allowing longer implementation spans. In addition, a sense of urgency will continue to be needed to facilitate improvements in human resources, travel, procurement and grant management such as electronic approval of transactions.

Annex 1: Audit Criteria

a) **Line of Enquiry #1:** The employment of the Master Consultant and other consultants:

Criteria:

- The scope of work and reporting relationships for the MC and other consultants engaged on specific projects should be clearly defined within the contract documents.
- The MC & Accenture should prepare a detailed plan of action for the transition with deliverables, people involved and critical timelines and costs.
- The MC & Accenture should identify the risks associated with each step of the plan, and include risk mitigation strategies.
- The ASA Steering Group should review and approve the work of the MC, Accenture and other consultants.
- The Secretariat should ensure the coordination of consultants work.TGF should ensure the coordination of consultants work.

b) **Line of Enquiry #2:** Appropriate governance arrangements to manage the risks.

Criteria:

- The ASA Steering Group should identify all responsible staff to be involved in providing ASA services and in managing the transition.
- The ASA Steering Group should co-ordinate the transition, identify risks and mitigation strategies and implement the strategies.
- The ASA Steering Group should monitor progress against transition plan and take steps to mitigate the consequences of slippage from the plan.
- The ASA Steering Group should report to senior management and the Board regularly on progress, risks, and mitigation strategies.
- The ASA Steering Group should implement a communications strategy for internal and external stakeholders such as staff, WHO, NGOs, national governments, service providers, suppliers and other partners.

c) **Line of Enquiry #3:** HR Policies and Procedures

Criteria:

- The plan for the development of new policies or revised policies should be clear with target dates and assigned resources.
- TGF should have a complete list of HR Policies required with a ranking of their importance for completion/revision as part of the transition.
- The approval process and delegated authorities for HR Policy should be clear.

- HR policies should be accompanied by detailed procedures for their implementation.
- HR procedures should be accompanied by Service Level Agreements. Achievement of those agreements should be measured and reported to stakeholders.
- HR policies that link to the ERP should be clearly identified for priority treatment.
- HR procedures that are supported by “black box” user owned information systems should be assessed for eventual integration into the ERP. A plan for systems integration/interface should be developed**.**

d) **Line of Enquiry #4:** Compensation and Benefits

Criteria:

- There should be a plan in place that highlights the development of Compensation and Benefits Policies and procedures. This should include the regime of approvals needed to make the change.
- An analysis on an individual and aggregate basis of current staff compensation and benefits should be undertaken to determine costs and frequency of occurrence of the benefits.
- Staff should be consulted in the development of new compensation and benefits policies.
- The new Policies should be evaluated for equivalency and comparability to the prior system.
- The new policies should be communicated to staff on a general and specific basis, that is, individual employees should know the impact of the new structure on them.
- Employees should be given appropriate legal notice of their change in employment status, including their legal options
- A contract should be in place with a service provider to meet the approved Compensation and Benefits policies.
- Procedures should be in place to work with a service provider to provide the correct Pay and Benefits in a timely fashion.

e) **Line of Enquiry #5:** Transition from UNJSPF to TGFPF

Criteria:

- The terms and conditions (eligibility, funding, investment policies, termination benefits, etc.) of TGFPF should be clearly defined and communicated to staff in a timely fashion.
- A Pension Fund administrator should be selected and appointed by TGF according to Board approved criteria.
- A Pension Fund Committee should be established in accordance with legal obligations and to represent the needs of Management and Staff.

The Committee would assure the appropriate Governance arrangements for the fund.

- Information on current members of the UNJSPF should be acquired and a costing of the transition costs should be done.
- Procedures for transferring to TGFPF from UNJSPF should be clearly communicated to affected staff.

f) **Line of Enquiry #6:** Privileges and Immunities

Criteria:

- Tax status should be clearly communicated to both current and new employees of TGF.
- Travel arrangements to replace the use of the LP should be clearly communicated to staff in a timely fashion.
- New policies on privileges and immunities and transitional arrangements should be developed by the Secretariat, and approved by the Board in a timely fashion.

g) **Line of Enquiry #7:** Financial Policies, Procedures, Controls and Reports

Criteria:

- There should be a project plan with key dates and decision points for assuming the Financial processing activities with the ERP by TGF.
- Finance policies for processing various transactions should be developed and approved. Internal control safeguards should be explicit (e.g. segregation of duties). (Accounts Payable and Receivable).
- Delegations of authority should be clearly documented and in place in the system ERP.
- Proper accounts of assets and liabilities should be in place.
- Financial reporting should be developed to meet the needs of users. A specific service level agreement should be in place for processing transactions and reports.
- Resources required to assume the duties previously performed by WHO and to integrate the various systems in use by TGF should be identified.

h) **Line of Enquiry #8:** Travel, Procurement and Other Administrative Services

Criteria:

- There should be a transition plan linking the components and steps leading to the transition on 31 December, and after the transition if necessary.
- Revised policies and procedures for administrative services should be developed and approved in a timely fashion (in particular for travel, procurement, relocation, accommodation, communications).
- Service Levels Agreements operating.

- New systems and services should be compatible with the ERP.

i) Line of Enquiry #9: Information Technology, The ERP, other stand alone systems

Criteria:

- A master plan of all the modules needed by TGF should be in place, identifying those that are needed on Transition and those that are to be brought in later.
- Policies and procedures associated with each module should be developed and approved by the Business owners, ASG and EMT. For certain policies Board approval may be needed and should be obtained.
- IT and business unit owners should have sufficient resources for the transition period and the steady state situation.
- IT should develop an inventory of all business systems, and determine if and when they should be included in the ERP.
- Procedures should be established for the housing, delivery and administration of the ERP. Each active module should have their business process rules in place and operating. SLAs should be established where appropriate.
- Lessons learned from the GSM transition should be recorded for use in the ERP transition.

j) Line of Enquiry #10: Change Management Strategy

Criteria:

- There should be clear terms of reference and relationships among those involved.
- There should be a communications plan for staff and other stakeholders.
- Sufficient skilled change agents should be available at the right time.
- There should be training plans for service providers and users.

Annex 2: Management's response to the report

The Management thanks the Inspector General for his report and also for making available to us a penultimate draft of this report for any suggested corrections or clarifications. We provided detailed comments on the draft and appreciate the fact that he felt able to accommodate many of them .

We agree with his assessment that this is a challenging, high risk project with very tight timelines. At the Finance and Audit Committee meeting in March 2008 we outlined these challenges and asked the FAC to consider recommending an extension of the ASA. On exploring this possibility with the WHO, a further option was offered by WHO. Under this option the ASA would cease on 31 December 2008 as planned following which all staff would be directly employed by the Global Fund. The WHO offered to use its systems to continue paying the Global Fund staff, for an interim period, provided that staff were remunerated in accordance with the WHO compensation and benefits structure during that interim period. That option would allow the necessary time for the Secretariat to complete development of the policies and structures. The Board accepted this option and the deliberations and decision point is recorded in the report of the FAC to the Seventeenth Board meeting (GF/B17/DP21).

Subsequent to the Seventeenth Board meeting it transpired that this option was not technically possible for WHO and we had then to assess the options available to us given the Board decision to terminate the ASA on 31 December 2008. The expert consultant working with us on the remuneration and benefits package advised that, with considerable work and dependent on Board approval of the elements no later than mid October, we could have a Global Fund remuneration and benefits package ready for implementation by 1 January. To achieve this timeline, with the resources available, we recognized that other aspects of organizational development and service enhancement not essential immediately post-termination, would of necessity have to be deferred to a second phase in 2009.

We concluded that, on balance, it would be preferable to have our own remuneration and benefits package completed and ready for implementation by 1 January 2009. This would ensure that all staff would know what the Global Fund as an employer was offering them in terms of pay and conditions and enable them to make a fully informed decision as to whether they wished to accept a contract with the autonomous Global Fund. It would also avoid the need to set up a payroll system that mirrored WHO's very complex one, for a short period of time and then transition to our own pay and conditions system. Given the prolonged and difficult transition to the new WHO IT system (GSM) that staff continue to experience, management and staff recognize that, in the interests of productivity and morale, it would be highly desirable to avoid a further temporary transition.

We feel that understanding these events and the resulting management decisions provide a very important context for interpreting the OIG audit. This is a phased transition not a single 'big bang' approach. To this point we have, of necessity, focused primarily on the decision-making phase across a range of core areas and are we are now moving fast into the implementation phase. We have identified the areas that must be in place for implementation on 1 January 2009 (e.g. all staff must have new employment contracts, there must be an approved Global Fund remuneration and benefits package, including health insurance and pension fund, and we must have systems in place to pay people) and recognize that in many case this will be "bare bones" (e.g. high level HR Polices) with the detail to be developed early in 2009. One such area is the development of regulations and procedures to enable us to move from the current system of an annual step increase in pay to performance-based pay increases.

Management agrees that in the early half of the year progress was slower than we would have liked but we assess that it has dramatically accelerated and is now moving very fast. In a situation where progress is being made on a weekly, indeed daily, basis, inevitably any process audit such as this one will be out of date in some aspects by the time it is completed and we have provided comments on these aspects to the IG's draft report. Given this dynamic environment, and because of time and resource constraints, Management have decided, in this very particular circumstance, not to complete the matrix provide by the IG with the customary responses to each recommendation, action to be taken, by whom and a completion date. Rather we have chosen to comment on some of the key conclusions and overall tenor of the report.

We recognize that the IG and the two consultants he employed to carry out this audit were sensitive to the time pressures on key people involved in this transition, and very much appreciate their efforts to limit the amount of time of their enquires. We, and they, were aware that the audit itself could prove to be a factor in delaying the preparation of time critical deliverables. One possible down side of this approach is that, while they spoke to approximately 20 people over two visits, their second visit was in August when a number of key staff had taken some leave and those who hadn't were deeply immersed in trying to resolve issues arising from the implementation of the WHO GSM (new IT system). This may have limited the opportunity for detailed clarification and confirmation on what was a fast evolving project. As a result we feel the report has, in places, a number of rather subjective conclusions.

The IG was clear in his entry consultation that this was a process audit and that he would not be assessing the content of the new policies and procedures at this time. However, Management feels that the report should have recognized that this transition out of the ASA is a very exciting and positive opportunity for the Global Fund. The transition enables the Global Fund to develop its policies and procedures, thus allowing us to manage and shape our own organization, which has a different but complimentary, mandate and core business -- and therefore needs as an employer - to those of WHO. Two examples of this difference, which in the IG's report are described and assessed as challenges and high risks and causing concern to staff, are the new Provident Fund (retirement scheme) and the development of our own ERP (enterprise resource planning/IT system). As well as being undoubtedly challenging, these initiatives are also great opportunities for building a high-performing, well motivated organization.

We would agree that the timelines for implementation of the new Provident Fund are very tight. However, implementation of the new pension scheme could not have proceeded until the FAC was able to make decisions on the key principles, which it has now done. For Staff members who have a long experience with the UN and its defined benefit pension, it may be seen as a diminishing of benefits. However the portability of entitlements in the proposed scheme is far more generous than the UNJSPF and as such more suited to a finite life organization such as the Global Fund.

We would agree that the planning and implementation of the Global Fund ERP is being negatively impacted on by the difficulties being experienced by staff with the implementation of the WHO GSM for a number of reasons. The transition to GSM and resolving of major implementation problems and delays that have emerged has involved much more time of Global Fund staff than anticipated, and draws heavily on same core staff who are responsible for the ASA transition work including the ERP. The experience of prolonged GSM difficulties has also created an atmosphere amongst staff in general of apprehension and cynicism about new IT systems which we will need to address.

However, we do not agree with the suggestion that the same implementation issues experienced in the GSM implementation could be replicated in the ERP implementation. The GSM was developed to meet the needs of a much larger organization with multiple offices globally and with different core business. The GSM implementation was a single-step, 'big-bang' approach, with a simultaneous outsourcing of WHO's administrative services to an off-shore service centre. We are a much smaller organization with much greater direct control over the system and therefore the capacity to respond swiftly to correct any problems. As importantly, we have adopted a lower risk phased implementation approach, as well as iterative design and interactive end user involvement for our ERP. Phase 1 for January 1 2009 is a foundation level, 'vanilla' implementation (i.e. minimal configuration and customization of the standard system modules) geared at replacing all the ASA WHO dependant services immediately, so that we can have a working system to start operating independently on 1 January 2009. Phase 2 will be an enhancement phase and Phase 3 a review and further development. The report questions the value-for-money given the short timeframe for implementation of the ERP; we suggest this should be attributed to the entire investment period over all phases and not merely Phase 1.

The report comments on change management and assesses this as high risk. Once again we would agree that communication with staff and change management planning would have benefited from more resourcing and an earlier start. However we feel that the report underestimates both the number and range of interactive communications with staff that have taken place and will continue, such as a monthly newsletter, an up-to-date Intranet ASA Transition Home Page, a 2-way communications email inbox, and subject matter expert answers to Frequently Asked Questions. The report also does not refer to the key positive role played by Staff Council and the close and constructive collaboration between staff, consultants and the ASA Steering Group in the development of all aspects of the ASA transition policies. (See Annex 2a: Staff Council view of progress on the ASA).

Staff members have had significant opportunity to feed into and shape directions and have given willingly of their time on top of their other duties. Through a series of Town Hall meetings, Brown Bag lunches and Human Resources Q&A sessions, staff members have been presented with the options being provided to FAC for decision and have had the opportunity to ask questions and express any concerns. Until the remuneration and benefits package has been presented to FAC and the Board and approved there will continue to be uncertainty and unanswered questions about what the bottom line will be for each of us as staff members and for our families. Staff know that and there should be no surprises for them in what is being presented to the Board because they have had the opportunity to be involved in reviewing and commenting on this. Staff also know that where options are being presented, their preferences will also be made clear.

In summary, the transition is a high-risk program with a large amount of work to be completed before the end of the year. We cannot afford any slippages if we are to meet our 31 December deadline. We assess that the greatest areas at risk for slippage are 1) decision making on the HR Policy by the FAC and the Board in early October. Decisions at this time are essential so that staff may know, prior to accepting a contract with the Global Fund, the HR arrangements that will apply to them under Global Fund employment from 1 January 2009 and 2) joint decisions between WHO and the Secretariat in relation to key transition/cutover issues particularly agreement on the joint letter of offer of appointment due to go to all staff in mid October. However barring the above, or any as yet unanticipated situations leading to delays in key areas, our assessment is that we have come through to the point of positive upward momentum and we are working hard to manage and reduce risks involved in the transition. As an organization we are looking forward very much to the benefits of managing our own affairs in 2009 in a manner best suited to the needs of the Global Fund.

OIG's comment

OIG note with concern that the Secretariat decided not to complete the matrix provided with the customary responses to each recommendation,

action to be taken, by whom and a completion date. The Secretariat informed us that they had decided not to do so given the dynamic environment, and because of time and resource constraints but have indicated subsequently that they would be pleased to answer questions at the Finance and Audit Committee on the actions in hand. OIG is also concerned by the implication that the audit team had not interviewed a number of key staff and that others interviewed may have had limited opportunity to provide detailed clarification and confirmation on what was a fast evolving project. As Annex 3 shows 26 stakeholders were interviewed, some more than once, and asked if there were others that should be interviewed. The answer was usually negative. OIG structured its work so that it was informed on the subject matter through document review prior to interviewing busy people. Subsequently it sought confirmation and clarification on key points raised with the responsible manager or through a review of TGF documents. The IG is satisfied that the OIG team met all the key stakeholders needed to form an opinion, and had provided the Secretariat with good opportunity to furnish clarification and confirmation, not least by sharing the penultimate draft of this report for comment.

Annex 2a: Staff Council view of progress on the ASA

Staff Council has been pleased to be closely involved in the ASA transition project since late 2007 through direct participation in the ASA Executive Steering Group. To support this project and ensure broad staff involvement, Staff Council has convened a number of staff working groups over the last year in the areas of pension, compensation and benefits, HR policy and Tax equalization to meet with consultants, review proposals and develop staff recommendations. In all cases the results and recommendations of these working groups have been presented to the ASA Steering Group. The Steering Group has been open and transparent throughout the project, and especially in the development of the FAC papers, which had previously been a major concern of staff.

As highlighted in the Inspector General's report, the ASA transition has been carried out in the same year as other significant changes affecting the Secretariat, namely the Secretariat restructuring and WHO's transition to GSM. The combination of all three major transitions has placed enormous strain on staff.

Although the ASA project had a slow start in the first half of the year, mainly attributed to delays in contracting the master consultant, the pace of progress has accelerated significantly and communication with staff has improved. The fixed deadline of 31st December provides focus to achieving the transition; however the tight timeframes have placed additional stress on the Secretariat and may compromise efforts to deliver the best possible solutions for the Global Fund, in that some choices may be made mainly to meet the deadline (e.g. selection of ERP solution).

The combination of early project delays and the need to wait for FAC/Board decisions on key aspects has delayed the release of key information to staff regarding their new employment terms and conditions. Notice of the new employment conditions will only be given 2 months in advance of the abolition of all WHO/Global Fund contracts. Staff had requested and hoped for 3-6 months advance notice of these conditions in order to make important decisions for their families and careers.

Staff have been consistently reassured by management that their new employment conditions will be as good as, if not better than present conditions. To some extent, this has helped alleviate some of the concern around not receiving the full details in advance. One of the key concerns of staff related to the new employment conditions is the Pension fund. Staff are well aware that the decision to abandon a defined benefit scheme makes it difficult to offer the same or better conditions than at present, however recommendations have been made in the FAC paper which are ‘staff preferred options’ which partially safeguard staff interests while at the same time acknowledging a shared risk between employee and employer. Staff are anxious to know the outcome of the FACs deliberations, the new terms of their employment and whether the prior commitments to safeguard the interests of staff will be upheld.

Overall, Staff Council feels there has been very good cooperation between Staff Council and Senior Management on all areas of the ASA project. We hope that FAC and Board decisions will be made in timely manner, allowing management to meet the ambitious timelines for offering new contracts to staff and ensuring all critical systems and processes are in place before 1 January 2009.

Annex 3: List of people interviewed by OIG

			June Interviews	August Interviews
1	Helen Evans	Deputy Executive Director	X	
2	Kevin Kidman	ATOS	XX	X
3	Ines Garcia		X	X
4	Barry Greene	Finance	XX	X
5	Doumit Abi Saleh	IT	X	X
6	Anne Duke	Human Resources	X	XX
7	Simon Yearwood	Information Technology – ERP		X
8	Bart Migone	Legal	X	X
9	Alex Lang	Staff Council	X	X
10	Padraig Power	Staff Council		X
11	Ian Carter	Finance	X	X
12	David Curry	Finance		X
13	Jean Claude Crepy	Services	X	X
14	Catherine Wright	Human Resources		X
15	David Bodkin	ATOS		XX
16	Sally Atalla	Accenture		XXX
17	Ginger Cearley	Accenture		X
18	John Griffin	ATOS –ERP		X
19	Mark Dybul	Chair FAC		X
20	Louis-Charles Viossat	Vice-Chair FAC		X
21	Denis Aitken	WHO Representative		X
22	Esther Odartey-Wellington	Administrative Services		X
23	Roz Harwood	ATOS		X
24	Kim Judd-Lehmann	Corporate Services Cluster	XX	
25	Riana Napitupulu	Contracts Officer		X
26	Orion Yeandel	Contracts Officer		X

Annex 4: Response to recommendations and management action plan

No.	Recommendation	Response	Action	Responsible official	Completion date
Human Resources					
1	Management should clearly decide on the policy of customization of the ERP and communicate this to both the consultants and staff working on the various modules.				
2	Management should prepare a comprehensive overview of the compensation package and present it to all staff.				
3	Management should ensure that the dates for the formal letters to staff concerning their new employment contracts are not missed.				
4	Management should prepare a detailed costing of the new compensation and benefits package compared with the current package for presentation to the FAC.				
Pension Fund					
5	The Secretariat should immediately appoint an Interim Provident Fund Management Board to work through the terms and conditions of the Pension Fund.				
Travel, Procurement and Other Administrative Services					
6	Management should develop a plan to ensure the Contracts Unit is prepared for speedy action on transition-related new contracts and amendments in the next 4 months. Members of the Procurement Review Committee should be				

No.	Recommendation	Response	Action	Responsible official	Completion date
	appointed soon to help facilitate and ensure due process is followed.				
7	Corporate Services Cluster should begin now to collect information on the actual time it takes to conduct administrative activities, as a basis for re-assessing service standards in 2009.				
IT and the ERP					
8	The ASA-ESG should carefully review plans for resources and timelines, and should explore means to accelerate decision making. Business Unit Managers should review ongoing services/activities that could be suspended for a short period to facilitate conversion and start-up.				
9	The Secretariat should ensure that staff are not inadvertently penalized without compensation e.g. leave balances expiring, self financing business expenses.				
10	The Secretariat should communicate to staff the capabilities planned for the ERP on January 1 to create appropriate expectations.				
Change Management					
11	The Secretariat considers offering early individual consultations to staff on pensions, compensation and benefits (including tax benefits) as soon as the FAC has decided on the key elements of these policies, to reduce the anxiety of staff and reduce the consultation workload after the offer letter is issued.				

No.	Recommendation	Response	Action	Responsible official	Completion date
12	The Secretariat should develop a specific plan for the immediate period after 1 January, based on the GSM experience, to help staff understand the ERP and identify quick fixes and “work arounds” that can be applied to make travel arrangements, pay expenditures, or deal with other operational problems that may arise.				
Governance					
13	As a matter of urgency, ASA-ESG should review in turn each work stream to ensure time frames, resources and dependencies are fully developed, and identify the most critical activities. The Steering Group should prepare a realistic assessment of the overall critical path activities after the policy papers are out but before the FAC meeting.				
14	ASA-ESG should ensure contingency plans are developed for developing the regulations for the Provident Fund, protecting the time period for staff to consider their letter of offer, and a blackout period.				
15	In addition, the Secretariat should present an overall status report to the FAC in September and an update for the Board in November.				