

# **LFA Manual Section D - Ongoing Grant Management**

*Version: 2014 (with section D3.1 updated April 2018)*

<b>D1</b>	<b>Introduction</b>	3
	Risk Differentiation and Tailoring of LFA Services	3
	Identification of Operational Risks including Fraud Risk	4
<b>D2</b>	<b>Key Services</b>	6
D2.1	Progress Updates and Disbursement Requests	6
D2.2	Country Visits of the Fund Portfolio Manager/Country Team	15
<b>D3</b>	<b>Other LFA Services</b>	17
D3.1	Verification of Implementation (updated April 2018)	17
D3.1.1	Program and Data Quality Assurance Activities	18
D3.2	Key Implementer/Sub-Recipient Assessment	20
D3.3	Audit Related Review	22
D3.4	Country Coordinating Mechanism/Partner Related	25
D3.5	Verification before a Disbursement Release & Review of Status of Conditions and Management Actions	27
D3.6	Review of Reprogramming, Changes to the Budget, Performance Framework and M&E Plan	28
D3.7	Risk Assessment & Review of Implementation Arrangement Mapping	30
D3.8	Review of Training Plan	34
D3.9	Office of the Inspector General Recommendations Follow-Up	36
D3.10	Anti-Terrorism Certification	36
D3.11	Enhanced Financial Reporting/Annual Financial Reporting	38
D3.12	Fixed Asset Verification	39
D3.13	Review of Manual of Procedures	40

D3.14	Private Sector Co-Payment Mechanism for ACTs	40
D3.15	Miscellaneous Other LFA Services	42
<b>D4</b>	<b>Other Procurement and Supply Management Related Services</b>	<b>43</b>
D4.1	Procurement and Tender Review	43
D4.2	Review of Changes to the Procurement and Supply Management Arrangements and/or the List of Health Products, Quantities and Costs	44
D4.3	Review of Quality Assurance/Quality Control Plan Compliance	46
D4.4	Ad Hoc Procurement and Supply Management Related LFA Services	48
	Reference Documents	49
	Annex: Examples of Risk Areas Prone to Fraud or Mismanagement in Global Fund Programs	50

## D1 Introduction

Once the Principal Recipient signs the grant agreement with the Global Fund and receives the first disbursement, program implementation begins, and the grant is considered to be in progress. The Principal Recipient coordinates program implementation, including oversight of sub-recipients, and periodically reports on progress and makes requests for further disbursements. The Country Coordinating Mechanism provides oversight of the Principal Recipient and program implementation. The LFA reviews program implementation progress through various means described further below and makes recommendations to the Global Fund.

LFA services provided during ongoing grant management have been grouped into three categories:

- Key services
- Other LFA services
- Other procurement and supply management related services

Key services are those most regularly ordered by the Global Fund, while other LFA services are also commonly requested, but with an overall varying frequency across portfolios. Procurement and supply management related services have been grouped into a separate category considering the risks associated with this area and for easy reference. LFAs should take note that the list of services described here is not exhaustive and other LFA services might be requested by the Global Fund, targeted to specific country and grant needs.

When performing the services, LFAs should use the latest guidelines and reporting tools provided by the Global Fund.<sup>1</sup> LFAs should also refer to relevant provisions in the *Operational Policy Manual*<sup>2</sup>. The Operational Policy Manual describes how the Global Fund manages different activities and steps of the grant cycle, capturing both Board-approved policies as well as approaches to implementing those policies that have been endorsed at the Global Fund Secretariat level. The information provided in the LFA Manual does not replace these guidelines and policies.

It is expected that the members of the LFA team conducting various services work closely together to provide the Global Fund with holistic and comprehensive findings and recommendations.

### **Risk Differentiation and Tailoring of LFA Services**

It is important to note that the Global Fund tailors the LFA services for each grant. It is not envisaged that an LFA would provide all listed services for any country or grant. Indeed, the services to be provided by the LFA will vary considerably according to the portfolio situation, including the country context, risk profile and grant funding provided. The risk differentiation in LFA deliverables will not only impact the types of services requested, but also the scope of work and the associated Level of Effort.

<sup>1</sup> Available on the Global Fund website's dedicated site <http://www.theglobalfund.org/en/lfa/documents/>

<sup>2</sup> Published on the Global Fund website under <http://www.theglobalfund.org/en/documents/operational/>

The types of LFA services to be provided, the scope of work and the Level of Effort will be determined by the Fund Portfolio Manager in collaboration with the technical experts of the Country Team and following discussions with the LFA. This will usually be done annually, at the time of the preparation of the annual Work Plan. In cases where there are changes to the agreed Work Plan or additional work needs to be carried out, the LFA must request prior authorization from the Global Fund.<sup>3</sup>

LFA services should be targeted to those areas where the LFA is expected to add most value, in terms of providing additional information and addressing a particular risk.<sup>4</sup>

LFAs should adapt their approaches on specific tasks depending on the requirements and context of a grant or a country. The Global Fund relies on the professional judgment of the LFA to determine, in agreement with the Global Fund, appropriate verification and assessment methodologies and to advise the Global Fund on the tailoring of LFA work to the specific grant, Principal Recipient and country context.

### **Identification of Operational Risks including Fraud Risk**

The Global Fund expects LFAs to proactively alert it to any issues which may prevent activities and funding from reaching the intended beneficiaries in the quantity, time, and quality intended and the Global Fund programs from reaching their objectives.

The Global Fund considers the following areas as critical for its grants; and LFAs may be asked to assist in identifying material issues impacting them:

- Strategic Investment: Grants are advancing the most appropriate interventions given the country context
- Program Quality: Program activities and products reach the intended beneficiaries in the quantity, time, and quality intended
- Data Reliability: Performance reports and other relevant program data is timely, complete, reliable and accurate to demonstrate impact with integrity
- Value for Money: A fair price is paid for program activities and funds are not misused.

LFAs are expected to be pro-active in identifying risks as they provide services (especially if new information indicates that an earlier established risk rating<sup>5</sup> should be re-evaluated). This may take place through the regular functions of LFA verification or through specific tasks, such as risk assessments, forensic audits or spot-checks.

The Global Fund has developed an operational risk management approach that aims to accurately assess key risks and define appropriate risk mitigation measures. Please refer to section D3.7 on

---

<sup>3</sup> See Section B on the procurement of LFA services for further information.

<sup>4</sup> For more information relating to risk please refer to the next sub-section as well as section D3.7 on risk assessment and implementation mapping.

<sup>5</sup> For more information on risk ratings please refer to refer to section D3.7 on risk assessment and implementation mapping.

risk assessment and implementation mapping for a description of Global Fund tools to assess and map out risks, as well as possible LFA contributions in these processes.

LFAs, when conducting any services, are expected to be vigilant about risks, including the risk of fraud and any other intentional act of deception committed in the context of Global Fund financed activities, be it by Principal Recipients, sub-recipients or other third parties.

The Global Fund has a zero tolerance approach to fraud. LFAs, as a key part of the Global Fund's risk assurance framework, have a critical role to play in the identification of risks of fraud or mismanagement in Global Fund programs. LFAs should ensure that their own internal methodologies, processes, communication and quality assurance arrangements allow for an effective execution of their functions in relation to identifying risks of fraud.

An LFA should alert the Global Fund **as soon as possible** when it identifies any 'red flags'/risks, including allegations of possible fraud, including misappropriation; theft; corruption; bribery/kickbacks; irregularities/collusion in procurement; financial misconduct (e.g. personal use of grant funds/assets; fake invoicing/fake events); misrepresentation of programmatic information; abuse of power for personal gain; human rights violations; sexual exploitation/abuse/harassment; conflicts of interests or other irregularities in programs financed by the Global Fund. Likewise, LFAs are expected to report without delay any issues that might be in breach with Global Fund policies and the grant agreement.

The Annex to this section Of the LFA Manual contains a non-exhaustive list of examples of risk areas prone to fraud or mismanagement in Global Fund programs.

## D2 Key Services

### D2.1 Progress Updates and Disbursement Requests

#### What the LFA needs to know about Progress Updates and Disbursement Requests

As part of its responsibilities under the grant agreement, the Principal Recipient is required to provide periodic reports on progress and expenditure against the agreed targets and budget for a specific period. The Principal Recipient does this by means of the Global Fund's *Ongoing Progress Update and Disbursement Request (PU/DR)* tool, which it completes and sends to the Global Fund and the LFA for review. The Principal Recipient reports on programmatic progress, financial expenditure and fulfillment of any Conditions Precedent, Special Conditions, Management Actions or other requirements during the reporting period. The Principal Recipient may also request the disbursement of further funds to cover expenses for the next execution period - usually one year - plus a buffer period.

The Global Fund uses the Ongoing Progress Update and Disbursement Request to make a decision on the funding to be committed and disbursed during the next execution period, which is referred to as the *annual funding decision*. The annual funding decision and disbursement processes are key grant management functions aimed at reviewing implementation progress of each grant and assigning an overall grant rating; determining and committing the funding to be disbursed to each eligible grant recipient for the next execution period and establishing the schedule for the disbursements; and identifying implementation issues and risks, as well as the corresponding mitigating measures.

In the Progress Update/Disbursement Request work, LFAs should refer to the Operational Policy Note on annual funding decisions and disbursements and apply the detailed Progress Update/Disbursement Request guidelines. The information in the LFA Manual does not replace these guidelines.

There are two possible scenarios for Progress Update/Disbursement Requests:

#### 1. Full Progress Update/Disbursement Request

Principal Recipients are required to provide regularly a progress update with a disbursement request, which will serve as a basis for the annual funding decision. In most cases Principal Recipients will be requested to submit PU/DRs annually. However, in some cases other PU/DR submission schedules (e.g. semi-annually) may be demanded by the Global Fund.

At the Global Fund request, the LFA verifies the Principal Recipient's progress report, reviews the disbursement request, provides a performance rating for the grant and makes an independent annual funding recommendation to the Global Fund. The Global Fund considers the Principal

Recipient report and LFA recommendation in taking a decision on the annual funding decision and disbursement schedule.

## 2. Progress Update without Disbursement Request

In addition to the annual PU/DR, Principal Recipients may be requested to submit a semi-annual or quarterly progress update, without a disbursement request. Stand-alone progress updates are also submitted at grant closure.

The Principal Recipient and LFA must use the PU/DR form provided by the Global Fund in either case; the same form is used whether a disbursement request is made or not. In cases where only a progress update (and not a disbursement request) is required to be submitted to the Global Fund, the Principal Recipient and LFA complete only the sections of the PU/DR form relevant to reporting on progress of implementation and grant performance and/or as agreed in advance with the Global Fund.

In 2013, the majority of Global Fund grants transitioned to a system of semi-annual reporting cycles, with annual disbursement decisions, unless the grant's risk profile required shorter disbursement decisions or more frequent reporting.

The PU/DR form contains the following information:

- The Principal Recipient's programmatic progress, tracking results reporting on impact/outcome indicators;
- The Principal Recipient's financial information, including cash outflow, budget variance analysis, cash reconciliation, calculation of the disbursement request amount;
- The Principal Recipient's update on the fulfilment of the conditions precedent, special conditions as well as management actions;
- The Principal Recipient's Enhanced or Annual Financial Reporting (as applicable), to be completed once per year<sup>6</sup>;
- The Principal Recipient's comments/issues relating to procurement of pharmaceuticals and other health products;
- An annex on sub-recipient financial information, to be completed at the discretion of the Global Fund;
- LFA comments are provided in separate sections that mirror the Principal Recipient's sections. There is also a section for the LFA findings and recommendations.

As part of the PU/DR submission, and as a condition to the disbursement of funds, the Principal Recipient also confirms that it has during the reporting period entered into the Price and Quality Reporting (PQR) tool all purchases of those health products required to be reported in the Price and Quality Reporting tool. The Price and Quality Reporting tool is described in section G4 of this Manual on Global Fund Procurement and Supply Management essentials as well as the document *An LFA's Guide to the Price and Quality Reporting* available on the Global Fund website<sup>7</sup>, which includes a

<sup>6</sup> Please refer to section D3.2 for more information on the Enhanced / Annual Financial Reporting

<sup>7</sup> <https://www.theglobalfund.org/en/lfa/guidelines-tools/>

detailed description of the reporting requirements by the Principal Recipient and the verification through the LFA.

The Country Team will review the PU/DR and use it as a basis for its annual disbursement decision.

The Global Fund informs the Principal Recipient of the approved annual funding decision through a disbursement notification, an annual funding decision notification memos and a **Performance Letter**. The latter also sets out management actions resulting from the review of the disbursement request. The Performance Letter sets out the planned disbursement release dates, where applicable, and any requirements for future disbursements. Disbursement amounts and timing may be modified at the discretion of the Global Fund.

In exceptional situations that could not be predicted at the time of the annual disbursement decision, such as when the Principal Recipient has accelerated implementation, additional funds are needed to address stock-out situations or a force majeure situation, the Principal Recipient might submit a request for a **supplemental funding decision** during the same execution period covered by the previous funding decision. This will usually be done by amending the initial disbursement request submitted with the PU/DR.

#### Timing

The Principal Recipient is required to submit its PU/DR within 45 calendar days of the close of the period to which the report relates, where the report does not include the Enhanced or Annual Financial Reporting. Where the Enhanced or Annual Financial Reporting is submitted alongside the PU/DR, the total time available for submission of the joint report is 60 calendar days.

Where it is foreseeable that the Principal Recipient will not be able to submit the final version of the PU/DR within the timeframe specified, which would in turn affect the LFA deadline, the LFA should inform the Global Fund of the expected delay as soon as possible. Similarly, where a Principal Recipient has submitted a PU/DR that is in some way deficient, requiring correction or clarification by the Principal Recipient, the LFA should inform the Global Fund immediately and agree on further actions.

The LFA should coordinate the timing of its verification work with the Principal Recipient and may plan to undertake some of the detailed verification prior to receiving the final PU/DR from the Principal Recipient.

The LFA should complete and submit a signed copy of the LFA-verified PU/DR to the Global Fund within ten working days after receiving the final signed version of the PU/DR from the Principal Recipient, unless agreed otherwise with the Global Fund. The LFA should make every effort to comply with this deadline.

#### **PU/DR Ratings and Funding Ranges**

The LFA is required to rate the grant's performance as reported in the PU/DR and include its rating in the LFA part of the report. LFAs are required to use the Global Fund grant rating methodology in



determining the rating. This methodology ensures consistency in approach across the grant portfolio and between the Global Fund and LFAs.

The grant rating methodology involves several steps: calculating an indicator rating by comparing results achieved against targets; determining the indicative disbursement range; identifying management issues in functional areas; deriving an overall grant rating based on the indicator rating and management issues; and finally making a recommendation for an annual funding decision.

The LFA can cross-reference the indicator rating to the indicative disbursement range. This is intended to ensure that the relationship between results achieved and funds disbursed is addressed in making the annual funding decision.

The indicative disbursement range serves as the starting point for the funding decision, which also takes into account contextual factors (such as *force majeure*, political and civil issues at the country level, etc.), real budget needs in the context of spending ability and actions needed to address identified weaknesses in management capacity.

It is possible to recommend funding decisions outside the indicative ranges, in which case the LFA should explain the rationale for its recommendation.

Funding decisions **above** the indicative range may be appropriate, for example, due to:

- Catch-up on program implementation for B1, B2 and C-rated grants;
- Acceleration of program implementation for A-rated grants;
- Budgeted expenditures incurred earlier than expected;
- Investment in capacity building to address identified weaknesses.

Funding decisions **below** the indicative range may be appropriate, for example, due to:

- Savings from the original budget;
- Budgeted expenditures postponed to a subsequent period;
- Withholding funds because of unresolved management issues or unfulfilled or late critical conditions;
- Withholding funds because of unmet Global Fund requirements (e.g. conditions precedent, audit report, etc.).

#### Direct Disbursements to Third Parties

Direct disbursements to third parties may be undertaken only on a selected basis as it involves transaction costs and risks to the Secretariat. Third parties that may receive direct disbursements are:

- i. procurement agents, including through the Global Fund's Pooled Procurement Mechanism<sup>8</sup>;

---

<sup>8</sup> See section F for more information on the Pooled Procurement Mechanism

- ii. fiduciary/fiscal agents and other entities<sup>9</sup> that are directly contracted by the Global Fund Secretariat;
- iii. the Green Light Committee (for the payment of the cost-sharing element pursuant to the Memorandum of Understanding with the Green Light Committee)<sup>10</sup>; and
- iv. sub-recipients only in exceptional cases, usually when the sub-recipient is acting as a procurement agent or in the case of countries or grants managed under the Additional Safeguard Policy.

When a direct disbursement is requested, the Global Fund will generally take the following considerations into account: The direct disbursement...

- ... will reduce costs (including transaction costs, costs relating to exchange rate risk, etc.);
- ... involves reasonable amounts to justify Global Fund transaction costs;
- ... is consistent with necessary accounting requirements; and
- ... will only be made upon confirmation of delivery as verified by LFAs, except for payments to procurement agents.

Direct disbursements must be included in the disbursement request, and subsequently reported as expenditures. The Principal Recipient will receive disbursement notifications for each direct disbursement, which is also copied to the LFA.

### **What the LFA needs to do regarding Progress Updates and Disbursement Requests**

<b>Purpose</b>	To review the Principal Recipient's <i>Ongoing Progress Update and Disbursement Request</i> , verify information contained therein, perform analysis of financial and programmatic information and make recommendations to the Global Fund.
<b>Timeframe</b>	Unless otherwise specified or as agreed with the Global Fund, 10 working days from receipt of the final signed PU/DR from the Principal Recipient.
<b>Recommended Level of Effort</b>	To be agreed with the Global Fund based on the risk profile of the grant. Below is a guide for a full PU/DR review: - For LOW risk grants annual review of PU/DR: Finance 3 to 5 days; M&E on average 3 days; PSM on average 2 days - For MEDIUM risk grants annual review of PU/DR: Finance 7.5 to 11.5 days; M&E on average 4 days; PSM on average 3 days - For HIGH risk grants annual review of PU/DR: Finance 12.5 to 17 days; M&E on average 5 days, maximum 10 days if poor data quality and in very complex cases; PSM on average 4 days The Level of Effort for verifications of progress updates without disbursement requests are expected to be lower and must be agreed with the Fund Portfolio Manager/Country Team upfront.
<b>End user</b>	Global Fund

<sup>9</sup> This may for example be the case when the Global Fund directly contracts an auditor for a specific grant, in line with the Global Fund *Guidelines for annual audits of Global Fund grant program financial statements*.

<sup>10</sup> Further information on the cost-sharing element disbursed to the Green Light Committee is provided in an Operational Policy Note.

<b>Output</b>	<i>LFA Ongoing Progress Update and Disbursement Recommendation</i> based on sound and substantiated analysis that supports reliable and specific recommendations in a risk-mitigating context. Thorough approach to verification using robust verification procedures adapted to the risk profile of the grant.
<a href="#"><u>LFA Tools &amp; Guidelines</u></a>	LFA Ongoing Progress Review and Disbursement Recommendation Form (this form is contained in the same file as the Principal Recipient's Progress Update and Disbursement Request) Progress Update/Disbursement Request Form Progress Update/Disbursement Request Guidelines
<b>Other References</b>	OPN on Annual Funding Decisions and Disbursements (in Operational Policy Manual) The Global Fund Guidelines for Grant Budgeting and Annual Financial Reporting

### **1. Verification of full Progress Update/Disbursement Requests**

At the Global Fund's request, the LFA verifies the Principal Recipient's progress report and reviews the disbursement request, and completes the *Ongoing Progress Update and Disbursement Recommendation* (also known as the LFA-verified PU/DR), as set out in the detailed Progress Update/ Disbursement Request guidelines. The LFA should include robust analysis and comments based on the verification of the information reported by the Principal Recipient, as well as identified grant risks and recommendations for improving program implementation. The LFA should also provide a performance rating for the grant and make a disbursement recommendation.

### **2. Verification of Progress Updates without Disbursement Request**

The Principal Recipient may submit progress reports without any accompanying request for disbursement; as part of the standard reporting cycle or in case of grant closure. The Principal Recipient will submit the report to the Global Fund, copied to the LFA. At the Global Fund's discretion, the LFA may be required to verify specific elements of the Progress Update or the full Progress Update, to facilitate ongoing management and oversight or closure of the grant, as the case may be.

### **Key Aspects of Undertaking a Progress Update/Disbursement Request Review**

Before undertaking a Progress Update/Disbursement Request review, LFAs are required to familiarize themselves with the LFA-specific guidance in the Progress Update/Disbursement Request guidelines as well as the information and reporting requirements for Principal Recipients spelled out in that document.

LFAs are strongly recommended to meet with Principal Recipient program managers and other staff in person on a periodic basis in addition to maintaining email and telephone contact.

LFA findings are to be clearly stated, recommendations should be consistent with the LFA findings, and clearly supported by verifiable facts and independent analysis.

LFAs must agree with the Global Fund on the detailed scope of work and verification approach before starting their work. The scope of the LFA's verification will vary depending on the risk context of the grant and/or country (classified as high, medium or low risk). LFA verification may take the form of an analytical review or part of an on-site visit or both, as agreed with the Global Fund based on the risk context and other factors.

Following a risk-based approach, LFAs are expected to:

- Identify and assess any risks of material misstatement or omissions in reported information.
- Put in place verification procedures that address the identified risks.

The identified risks and verification procedures should be clearly linked.

**Areas of risk for fraud** should be identified and verified in detail, either periodically or on a routine basis. Such areas may include among others cash payments, procurement, training activities, bank and expenditure management, payroll, advances to sub-recipients and advances to employees.

LFAs are required, based on their existing knowledge of capacities and systems in country, to provide information on any potential **risks of stock-outs**.

Where **critical issues/risks** are identified outside the realm of the Principal Recipient, the LFA may extend the verification to sub-recipients, sub-sub-recipients, suppliers and other stakeholders, as deemed necessary as part of the risk-based approach and **as agreed in advance with the Global Fund**.

Please note examples for expanded scope of work at the end of this section.

The LFA should take into account grant management issues in each of the functional areas (program management, including sub-recipient management; financial management and systems; monitoring & evaluation; pharmaceutical & health products management; and other management issues). For each of the identified issues the LFA should recommend relevant, specific and actionable remedial actions and/or capacity-building measures.

Conclusions and recommendations should be based on documented evidence obtained through robust verification.

LFAs are expected to report identified ineligible and unjustifiable expenditure in the PU/DR form<sup>11</sup>. The LFA should also highlight any evidence of financial irregularities or emerging fraud risks in the findings and recommendations part of the PU/DR.<sup>12</sup>

Once a year the Principal Recipient will complete and submit together with the PU/DR the Enhanced or Annual Financial Reporting. In the normal course of events, the LFA is not required to review this or provide comments and analysis in the related section in the PU/DR template. However, the Global Fund may in exceptional circumstances request the LFA to review the Enhanced/Annual Financial Reporting.<sup>13</sup>

<sup>11</sup> Section 3A of the PU/DR

<sup>12</sup> Section 4 of the PU/DR

<sup>13</sup> For further information on Enhanced/Annual Financial Reporting see section D3.11.

The PU/DR section on sub-recipient financials is only completed by the Principal Recipient and verified by the LFA at the Global Fund's request, and not routinely for all grants and reporting periods.

### **Price and Quality Reporting (PQR)**

At the time of the PU/DR review, the LFA also verifies that the Principal Recipient has completed the Price and Quality Reporting (PQR) tool as required by Global Fund polices, and that it has validated the information provided by the Principal Recipient in the Price and Quality Reporting tool, as described in more detail in section G4 on Procurement and Supply Management essentials and in the document *An LFA's Guide to the Price and Quality Reporting*.

The objectives of the LFA review are to:

- Ensure that all procurement information within the required categories is reported in full;
- Ensure that the information provided in the Price and Quality Reporting accurately reflects the information provided in the invoices; and
- Inform the Global Fund and Principal Recipients of any discrepancies in either the completeness and/or accuracy of data.

**Accuracy:** For its review, the LFA is required to create an account within the Price and Quality Reporting system; request from the Principal Recipient all invoices relating to the products reported into the Price and Quality Reporting tool during the period; review each Price and Quality Reporting tool entry with the status "Pending LFA verification" and indicate that either the Price and Quality Reporting tool entry ("invoice") is complete or there are remarks/comments on completeness or accuracy of the entry (LFA shall comment only when there are material differences between the information reported by the Principal Recipient into the system and the information presented in source documentation.) Any comments or remarks entered by the LFA into the Price and Quality Reporting system are sent to the Principal Recipient automatically via email. If the Principal Recipient makes corrections based on the LFA's comment, the LFA is expected to verify the corrected entry.

**Completeness:** During the PU/DR review, the LFA compares the value of goods received during the period against the value of goods entered into the Price and Quality Reporting system; flags to the Principal Recipient any consignments that have been delivered but not entered into the Price and Quality Reporting tool and if the Principal Recipient has not entered the missing data, flag this to the Global Fund and note it in the PU/DR.

### **Direct Payments**

When a PU/DR includes direct disbursements to third parties, the LFA should take the following aspects into consideration when conducting its review.

Direct disbursements must be included in the PU/DR<sup>14</sup> indicating the amount of funds to be transferred to each payee and the bank account details of each payee.

---

<sup>14</sup> Section 7C of the PU/DR

The LFA may be requested to verify the payees' bank account details, unless the payee has a direct contract or agreement with the Global Fund, such as fiduciary/fiscal agents, the Green Light Committee and the Pooled Procurement Mechanism.

The disbursement of the cost-sharing element to the Green Light Committee is not subject to the performance of the grant.

When the Principal Recipient requests a direct payment for the purchase of goods or services (usually health products), the Principal Recipient must provide the following documents together with the PU/DR:

- Valid price quotation accepted by the Principal Recipient or the purchase order
- Confirmation of order (pro forma invoice) from the supplier or the actual invoice if available
- Valid and signed contract, detailing the terms of payment

In addition, unless the payee is a procurement agent, a confirmation of delivery of goods may be required before the Global Fund releases the direct disbursement.

The LFA will be expected to verify whether conditions for direct payments are met; confirm the amounts to be transferred; verify that the confirmed order and, where applicable, the confirmation of delivery are consistent with the terms of the contract between the Principal Recipient and the supplier, the approved grant budget and the approved list of health products for the grant; and recommend if the direct payment should be made, based on its findings.

### **Supplemental Funding Decision**

In the exceptional case that a Principal Recipient makes a request for a supplemental funding decision, the LFA might be called upon to review the supplemental request and verify the information provided by the Principal Recipient to justify the request. The LFA's actions will depend on the circumstances leading to the supplemental funding and disbursement request.

### **Expanded Scope of Work**

In performing their verification activities linked to PU/DRs LFAs may propose additional activities, beyond the tasks described in the PU/DR guidelines, based on the risks and the implementation environment. If agreed with the Global Fund and appropriate resources are allocated, the following are some of the additional actions that LFAs could undertake either as part of or linked to the PU/DR verification process. Please note that this list is not exhaustive:

- Sub-recipient site visits and spot-checks to check:
  - The overall quality and completeness of sub-recipient reporting;
  - Sub-recipient accounting practices;
  - Effectiveness of sub-recipients' controls procedures;
  - That the sub-recipient is reporting expenditures on a regular basis to the Principal Recipient;

- That the sub-recipient documents (e.g. patient records) match what is being reported in the Principal Recipient's systems.
- Check a sample of sub-recipient invoices for completeness, authenticity and accuracy i.e.:
  - The invoice has appropriate supplier details and is appropriately dated;
  - The good/service is fully specified;
  - The good/service falls within the vendor's business activities;
  - Appropriate payment was made and was authorized by the appropriate individuals.
- Apply additional scrutiny to expenditures for fraud-prone activities e.g. training and travel;
- Check large and/or regular cash payments (typical red flags) and in doing so check the cumulative volume and amount of cash payments made, including the eligibility of the recipients;
- Check multiple bank accounts, which can create a 'cloud' around the funds;
- Review the co-mingling (pooling) of grant funds, which can make it difficult to verify how funds are actually used;
- Check on transfer of funds from program bank accounts to staff bank accounts or to other individuals not associated with the program;
- Check back-dated commitments of grant funds;
- Review adherence to tendering procedures for local procurement; and
- Check key and repeat suppliers for possible collusion and conflict of interest.

The deadline and expanded scope of work must be agreed between the LFA and the Global Fund before commencing the work. LFAs are requested to apply their professional judgment in advising the Global Fund on the specific nature, timing and extent of verification procedures based on factors such as: the Principal Recipient/sub-recipient organization, accounting and control system; the nature of program assets, liabilities and expenditures; the type of program activities financed by the Global Fund and the inherent risks involved; the role of sub-recipients and sub-sub-recipients in program implementation and the Principal Recipient's system for sub-recipient management and oversight; LFA knowledge from prior verification work; the risk profile of the grant, Principal Recipient, key sub-recipients/implementers and the country; and materiality considerations.

## **D2.2 Country Visits of the Fund Portfolio Manager/Country Team**

### **What the LFA needs to know about Country Visits of the Fund Portfolio Manager/Country Team**

In the absence of a permanent Global Fund presence in the country, the Global Fund (in particular the Fund Portfolio Manager and other Country Team members) will regularly conduct in-country visits to deepen understanding of the country context, disease programs and grant portfolio, interact and build relationship with in-country partners and actively address portfolio and grant issues as necessary.

Fund Portfolio Managers and/or other members of the Country Team will conduct missions related to access to new funding and portfolio monitoring and oversight, as well as grant-specific issues

such as annual funding decisions, discussing findings and recommendations by the Office of the Inspector General, hand-over missions etc.

The visits may vary not only in length but also in the nature of the LFA’s involvement. The support provided by the LFA may vary from assisting with logistical arrangements and making appointments, to jointly monitoring program progress. In some instances, the LFA may be required to attend the meetings as well as provide logistical support. In other instances, only logistical support may be needed. In yet other instances, no assistance at all may be required from the LFA.

The number of in-country visits undertaken per year depends on the circumstances in the country and the grant. The Fund Portfolio Manager and/or other Country Team members usually undertake several visits per year; however, in a low risk grant, there might only be one visit per year by the Fund Portfolio Manager and/or other Country Team members during which the Fund Portfolio Manager may require support from the LFA.

The timing and duration of LFA involvement in Global Fund missions will be determined in discussion with the Fund Portfolio Manager. Missions typically last from three to ten days and the Global Fund’s needs for support from the LFA may vary considerably.

### **What the LFA needs to do during Global Fund Missions**

<b>Purpose</b>	Provide support and assistance to the Fund Portfolio Manager and/or Country Team members in the preparation for and during the visit, as required
<b>Timeframe</b>	To be agreed between the LFA and the Fund Portfolio Manager
<b>Recommended Level of Effort</b>	To be agreed between the LFA and the Fund Portfolio Manager
<b>End user</b>	Fund Portfolio Manager, Country Team
<b>Output</b>	To be agreed between the LFA and the Fund Portfolio Manager in each case
<a href="#"><u>LFA Tools &amp; Guidelines</u></a>	
<b>Other References</b>	LFA Communication Protocol

The Fund Portfolio Manager and LFA must be clear on the scope of the LFA’s involvement in a Global Fund mission before it takes place, and must agree the Level of Effort accordingly. Components of the service may include:

- LFA in-country team leader meeting with the Fund Portfolio Manager/Country Team members;
- Attendance at key meetings in country;
- Joint monitoring with the Country Team of program progress;
- Assistance with logistical arrangements.



## **D3 Other LFA Services**

### **D3.1 Verification of Implementation (updated April 2018)**

To verify whether grant implementers are fulfilling their roles and responsibilities within a grant, the LFA may be requested to perform implementation verifications and implementation spot checks, unannounced site visits, ad-hoc and field-level verifications. The Global Fund will decide the frequency, coverage and nature of these implementation verifications and spot-checks depending on the risk profile of a particular grant and other circumstances. The Scope of Work and Level of Effort should be agreed between the Global Fund and the LFA accordingly.

The objective of undertaking field level verifications/spot checks is to verify i) whether specific program activities and/or agreed mitigating measures have been implemented as expected; ii) documentation supporting program activities; iii) the programmatic quality of activities; and iv) to detect both programmatic and fiduciary risks. The verifications should aim at gathering a meaningful, representative view on activities. Planning of such reviews should thus include considerations for the selected sites to display the reality of program implementation (rather than show cases), the sample size and the pertinence of extrapolating findings. As with all LFA services, verifiers must be independent and have the requisite expertise to evaluate the substance of the activities verified.

The authority to access implementation sites by the Global Fund, its agents and other third parties authorized by the Global Fund is covered in the grant agreement. If any special permissions are required to access sites or documents, the LFA should raise this with the Global Fund and the Principal Recipient as soon as possible.

Spot checks are generally targeted to specific areas for which either limited information is available through other means or areas that have been associated with elevated risk levels. This might include sites for which issues have been identified in the past. LFAs are encouraged to maximize efficiencies in terms of travel logistics etc., for example by combining implementation checks and other verification work. The selection of sites and areas to review can be informed by the implementation mapping/geographic mapping described in section D3.7. On-site verifications and spot checks should be tracked (including information regarding 'when, where, looked for what and what found'), which will also inform the future selection of verification sites.

The types of verifications conducted might include:

- Program and data quality verifications and spot checks (see below section 3.1.1)
- Health product management and supply chain-related reviews and verifications (e.g. supply chain review and spot checks; Logistics Management Information Systems (LMIS) implementation review; verification of quality monitoring activities for pharmaceuticals; review of procurement transactions and tenders, etc.)
- Finance-related verifications and spot checks (e.g. expenditure verification at sub-recipient level)
- Integrated/cross-functional verifications (e.g. Joint Programmatic/M&E and PSM Laboratory Services and related Supply Chain review; training spot checks, etc.)

The LFA and Country Team should jointly plan the nature (announced or unannounced), coverage, scope, timing and locations of implementation verifications. It is important to specify the expected outcome of a spot check at the planning stage in order to help select the type and scope of verifications to be conducted.

To conduct implementation verifications and spot-checks, the LFA will usually be required to travel to the respective sites.

Lead queries for the verification will usually include:

- Is the activity being performed as per the plan/as reported?
- Are the beneficiaries receiving quality services?
- Potential reasons behind poor performance – e.g. by speaking with implementers at the activity level
- Verification of documents presented

The Fund Portfolio Manager/Country Team and LFA should agree on an appropriate format for reporting verification findings ahead of conducting the verification. Verification reports would usually include the following information:

- How was the visited site selected?
- What happened during the site visit (when arrived, spoke with who, what was happening, what witnessed)?
- Analysis of quality of program activity (what was expected to be performed, how the program met expectations)?
- Cost Analysis (are the costs spent on this activity reasonable? Does it appear that they were spent appropriately?)
- Key issues identified
- The potential causes/reasons behind any problems uncovered.
- Recommendations to address issues identified.

**When undertaking implementation verification and spot checks the LFA should strive to provide a holistic analysis of the findings that takes into consideration all relevant programmatic and fiduciary factors and risks.**

### **D3.1.1 Program and Data Quality Assurance Activities**

When planning and budgeting for LFA program and data quality assurance activities, the following factors should be taken into account to determine which activities should be included:

- the country's Assurance Plan (if relevant)
- program and data quality risks identified in the past
- the country's differentiation categorization
- a country's categorization as a "Challenging Operating Environment"
- the country context and other assurance mechanisms planned

- presence and engagement of in-country partners, other donors and technical agencies

The scope of program quality assurance activities conducted by the LFA often includes verification of availability and quality of laboratory and pharmaceutical services. LFA Programmatic/M&E experts should collaborate with the LFA PSM experts when planning for data and program quality verifications and spot checks and ensure that the scope of these assurance activities includes Health Product Management and lab related components, as relevant.

The table below outlines the available key LFA-conducted programmatic and M&E services:

Programmatic/ M&E LFA Service for Assurance	Description	Things to Consider
Data Quality Spot Checks	<p>These are spot checks using the WHO Data Quality Review toolkit to assess data quality at a targeted number of sites (ideally 20 - 40 sites). This activity provides targeted information at the output level on data quality, most commonly for facility based data, but can also be used for community data quality. Data quality assurance spot checks can be used for assurance purposes either to assess a risk and/or to assure a mitigating action, particularly for risk: Limited data availability and inadequate data quality.</p>	<p>This service uses the Data Verification and Systems Assessment components of the WHO Data Quality Review Toolkit. The number of sites are to be agreed between the Global Fund and the LFA and should be informed by the country context and the specific risks to be targeted by these assessments.</p>
Program Quality Spot Check	<p>These are spot checks following standard <a href="#">TORs developed by the GF</a> to assess the program quality of specific programmatic services, particularly community services, at a targeted number of sites (ideally 20 - 40 sites). The programmatic spot checks provide targeted information at the output level especially for services that are not traditionally covered in more facility-based surveys or assurance activities. Program quality spot checks can be used for assurance purposes either to assess a risk and/or to assure a mitigating action, particularly related to the risk of inadequate program quality and efficiency.</p>	<p>In agreeing the final number of sites, the Global Fund and the LFA should consider a number of facilities sufficient to adequately assess program or data quality. Please refer to the available Programmatic Spot Check TORs (which can be adapted as needed for specific context).</p>

Programmatic/ M&E LFA Service for Assurance	Description	Things to Consider
Targeted Health Facility Assessments	As part of program quality spot checks the Global Fund Country Team may request the LFA to undertake a targeted Health Facility Assessment. The latter involves using a specific module(s) of the Health Facility Assessment (e.g. HIV, TB or Malaria) and/or some specific domains of a module (service availability, service readiness, management and finance or client care) depending on the country context, with a smaller and more targeted sample than a national HFA	The number of sites are to be agreed between the Global Fund and the LFA and should be informed by the country context and the specific risks to be targeted by these assessments.

### LFA responsibilities during the Program and Data Quality Assessments

- Inform discussions with the Country Team (Public Health/M&E (PHM&E) Specialist, Health Product Management (HPM) Specialist and Fund Portfolio Manager) in order to select the most appropriate program and data quality assurance activities for the portfolio.
- Work with the Country Team to customize the Terms of Reference for the selected assurance activity, as required.
- Select the sample for the selected assurance activity and agree it with the Country Team.
- Submit to the Global Fund all required reports and data as outlined in the Terms of Reference for the selected assurance activity.

<b>LFA Tools &amp; Guidelines</b>	<a href="#">OPN on Program and Data Quality</a> <a href="#">LFA Training Materials</a> <a href="#">ToR and guidelines for programmatic, PSM and finance-related verifications and spot checks</a>
-----------------------------------	---

## D3.2 Key Implementer/Sub-Recipient Assessment

### What the LFA needs to know about Key Implementer/Sub-Recipient Assessments

Key implementer and sub-recipient assessments are in principal conducted by the Principal Recipient itself during grant implementation and/or during the grant making stage. However, as

described further below, LFAs might from time to time also be requested to conduct such assessment during the ongoing grant management and/or during the grant making stage.

Grants are not implemented by Principal Recipients alone. In reality, most Principal Recipients preside over a complex pyramid of other implementing entities - national and sub-national departments within Ministries of Health, civil society groups, community based organizations, and private sector vendors and service providers. In cases where the Principal Recipient signs independent contracts with legally separate entities to implement the grant, these implementers are called *sub-recipients*. Certain implementers are particularly critical to the grant's programmatic success or handle significant amounts of grant funds or assets. These implementers are considered *key implementers* from both programmatic and fiduciary risk perspectives. A sub-recipient and key implementer may be the same entity, but not necessarily (i.e. an entity may be a key implementer without being a grant sub-recipient, and not all sub-recipients may be considered key implementers).

The management of sub-recipients is the responsibility of the Principal Recipient. The Global Fund has no direct contractual relationship with sub-recipients. Instead, it falls under the Principal Recipients' responsibility to select sub-recipients, assess their capacity to implement aspects of the grant, conclude agreements with them and oversee their activities. It is thus critical that Principal Recipients have the ability and adequate systems to manage sub-recipients. It is for this reason that the minimum standards for Principal Recipients specify that the Principal Recipient must have "the capacity and systems for the effective management and oversight of sub-recipients". The capacity of the Principal Recipient regarding sub-recipient management is one of the areas looked at during the grant making process and the related capacity assessment, as further described in section C.

The Principal Recipient is responsible for evaluating sub-recipients. If the Principal Recipient has, however, known capacity issues or is not deemed sufficiently independent to conduct a thorough assessment of key implementers that are critical to grant implementation and achieving impact, or the Country Team has another reason to request independent assessment of certain implementers, the Country Team may extend the scope of the capacity assessment conducted during grant making to key implementers, whether they are formally sub-recipients or not. The Country Team may alternatively decide to incorporate the key implementer/sub-recipient assessment into future LFA oversight activities.

Additional circumstances that may trigger the LFA to be called upon to undertake key implementer/sub-recipient assessments during the ongoing grant management may also include the following situations:

- In cases where specific risks were identified with regard to one or several sub-recipients (e.g. weak systems and controls to manage funds and oversee programmatic activities; allegations of irregularities etc.).
- In cases a sub-recipient receives significant amounts of funding.

- In countries where the Additional Safeguards Policy<sup>15</sup> is invoked. (Note that at the discretion of the Global Fund, some additional measures may be invoked without formally applying the Additional Safeguards Policy).
- Changes to major sub-recipients or the implementation arrangement may also trigger the assessments of the proposed new sub-recipients/key implementer.

### What the LFA needs to do during Key Implementer/Sub-Recipient Assessments

<b>Purpose</b>	Review the key implementer/sub-recipient's capacities and systems to implementing Global Fund grant activities
<b>Timeframe</b>	To be agreed between the LFA and the Fund Portfolio Manager
<b>Recommended Level of Effort</b>	To be agreed between the LFA and the Fund Portfolio Manager
<b>End user</b>	Fund Portfolio Manager, Country Team
<b>Output</b>	To be agreed between the LFA and the Fund Portfolio Manager
<b><a href="#">LFA Tools &amp; Guidelines</a></b>	Capacity Assessment Tool Capacity Assessment Tool User Guide
<b>Other References</b>	

Before undertaking a key implementer/sub-recipient assessment, the LFA must agree with the Fund Portfolio Manager/Country Team in writing the scope of work and aspects to assess. The assessment could for example cover the key implementer's/sub-recipient's capacity, resources, systems and controls, but also reviews of the sub-recipient budget and work plan from a value for money perspective. The tools available for capacity assessments of Principal Recipients which take place before grant signing, can serve as guidance for areas to be considered for the sub-recipient assessment.<sup>16</sup>

LFAs may be required to assess the effectiveness of the Principal Recipient's management of the sub-recipients, including whether the Principal Recipient has adequately assessed the sub-recipient and followed up on any identified capacity gaps. However, this review is considered an element of the Principal Recipient assessment rather than a sub-recipient assessment.

### D3.3 Audit Related Review

#### What the LFA needs to know about Audit Related Reviews

A core component of the Global Fund's fiduciary framework is the financial audit of the grant financial statements. The audits are undertaken to provide the Global Fund with reasonable assurance that disbursed funds were used for the intended purposes in accordance with the grant agreement, the approved budget and the performance framework.

Under the grant agreement the Global Fund reserves the right to withhold disbursements to Principal Recipients, to terminate grant arrangements or carry out other sanctions against the Principal

<sup>15</sup> Please refer to section F for more information on the Additional Safeguard Policy.

<sup>16</sup> Please refer to section C for a description of the Capacity Assessment Tool.

Recipient if the audit arrangements are not satisfactory as guided by the guidelines for annual audits of Global Fund grant program financial statements. If the audit has identified ineligible or unsupported expenditures financed by Global Fund resources the Global Fund will under the terms of the grant agreement require a refund from the Principal Recipient.

Early 2014 the Global Fund revised its *Guidelines for Annual Audits of Global Fund Grant Program Financial Statements*. The revised guidelines notably include standard Terms of Reference, revised timelines and additional specifications on the issue of auditor selection and contracting.

Some things to note:

- The audit report is required to be grant-specific; however, a wider program (or entity) audit, e.g. a national program report may be acceptable if it clearly distinguishes Global Fund income, expenditure and balances by grant and if the auditor expresses an opinion on the Global Fund income and expenditure by grant separately and comments separately on other aspects of the GF grants in line with the audit Terms of Reference.
- Consolidated grant-specific audits (involving one overall audit report on the financial statements combining balances and transactions of the Principal Recipient and sub-recipients) are required for periods ending 31 December 2014 onwards. However, the separate entity approach may be acceptable in certain circumstances.

**Audit arrangements**, including the overall approach for the selection and approval of an auditor, should be agreed between the Global Fund and the Principal Recipient before signing the grant agreement. The auditor should be selected within three months of signing the grant agreement.

Income and expenditures of the Principal Recipients and sub-recipients must be **audited annually**. The annual period to be audited should be aligned to the grant annual reporting calendar. However if the first period to be audited is less than six months from the grant start date, the period may be extended until the end of the second year, provided that this does not exceed eighteen months.

The audit report, including the auditor's management letter, previously had to be provided to the Global Fund within six months after the end of the reporting period under audit. For years ending 31 December 2014 onwards, audit reports must be provided to the Global Fund **within three months** after the end of the reporting period under audit.

Where a sub-recipient is being audited separately, the same rules as for the Principal Recipients would apply to the full extent to their audit.

Following grant closure the Principal Recipient must prepare the final statement of income and expenditure covering the grant closure period and ensure that these are audited as per the grant agreement. This includes any constituent grants being closed because they are consolidated into another grant. The final audit report will be submitted to the Global Fund.

## Special cases

**United Nations Affiliated Organization as Principal Recipient:** Where an organization such as UNDP or UNICEF assumes the role of Principal Recipient, the entity's policies on accounting, preparing financial statements and auditing shall apply, subject to comment by the Global Fund. If the need arises, the Global Fund will liaise with the relevant headquarters on issues relating to the proposed audit arrangements. However, the Global Fund retains the right to apply Global Fund audit guidelines to sub-recipients that receive funds from a UN affiliated Principal Recipient.

**Headquarters-Generated Expenditures:** In some cases (e.g. international Non-Governmental Organizations) there may be expenditure transactions generated from the Principal Recipient's or sub-recipient's headquarters in a different country to that of grant implementation. In principle this does not change the scope of the grant audit and the Principal Recipient/sub-recipient is responsible to provide the auditor with sufficient and reasonable evidence, at the auditor's determination, of headquarters-generated expenditures. The Global Fund reserves the right to agree special arrangement with the organization to audit the headquarters-generated expenditures centrally.

## What the LFA needs to do with respect to Audits

<b>Purpose</b>	The LFA may be asked to conduct certain tasks related to grant audits, advising the Global Fund on the Principal Recipient/sub-recipient compliance with the grant agreement and the Global Fund Guidelines for Annual Audits of Global Fund Grant Program Financial Statements.
<b>Timeframe</b>	The timeframe for audit related work will depend on the specific task to be conducted by the LFA and should be agreed with the Country Team in advance. Guidance is provided in the LFA audit review template.
<b>Recommended Level of Effort</b>	To be agreed with the Global Fund depending on the tailored scope of work
<b>End user</b>	Global Fund
<b>Output</b>	Review of grant audit arrangements including selection of the auditor, the audit report and auditor's management letter, as agreed with the Global Fund
<b><a href="#">LFA Tools &amp; Guidelines</a></b>	LFA Review of the Global Fund Grant Audit Arrangements and Audit Reports template Guidelines for Annual Audits of Global Fund Grant Program Financial Statements
<b>Other References</b>	Grant agreement

The LFA may be asked to undertake different activities with respect to grant audits. For each activity, the LFA will undertake its review and provide its comments and recommendations to the Global Fund in the respective template *LFA Review of the Global Fund Grant Audit Arrangements and Audit Reports*.

The services may include the following:

### 1. LFA review of Audit Terms of Reference

If requested by the Global Fund, the LFA may review audit Terms of Reference provided by the Principal Recipient to ensure their compliance with the *Guidelines for Annual Audits of Global Fund Grant Program Financial Statements*, which includes standard Terms of Reference.



## **2. Review of the Auditor Selection**

The auditor must be approved by the Global Fund and must be selected on a competitive basis. The Global Fund may delegate its review of documents related to the auditor selection to the LFA and may also request the LFA to comment on whether the Principal Recipient's established procedures and the tender process were followed in making the selection.

## **3. Audit Fees**

The Global Fund grant audit fees may be financed from the Global Fund grant budget. The Principal Recipient must demonstrate that the fee has been agreed in a fair and transparent manner and that the payment of the fee is on the basis of an agreed schedule. The Global Fund reserves the right to participate in the negotiations and may request the LFA to represent it in the negotiations.

## **4. Review of the Grant Audit Report and Management Letter**

The Global Fund may ask the LFA to review the submitted audit report and auditor's management letter. The LFA may also be asked to follow up on specific aspects, e.g. progress towards implementation of past recommendations. In such case, guidance should be provided by the Country Team to the LFA.

The LFA is **not** responsible for auditing Principal Recipients or sub-recipients. Upon request by the Global Fund the LFA provides comments to the Global Fund on compliance with the Global Fund audit requirements.

## **5. Presence at the Audit Planning and Audit Exit Meetings**

The LFA may be asked to attend the audit planning and audit exit meetings with the auditors, Principal Recipient/sub-recipients. The LFA is expected to report to the Global Fund its observations or concerns which could arise from those meetings.

## **6. Follow-up on Audit Recommendations**

The LFA may be asked to report to the Global Fund on the Principal Recipient's progress on the implementation of issues identified in the audit report and the auditor's management letter. The LFA scope of work and timing in this regard needs to be agreed between the LFA and the Global Fund Country Team.

### **D3.4 Country Coordinating Mechanism/Partner Related**

#### **What the LFA needs to know about Partnerships and Country Coordinating Mechanisms**

The Global Fund was established as a partnership in global health, and it works closely with a wide diversity of partners –implementing governments, donors, civil society, international development organizations, the private sector and communities living with and affected by the diseases.

Country Coordinating Mechanisms are country-level multi-stakeholder partnerships, which play a key role in the Global Fund architecture and are central to the Global Fund's commitment to local ownership and participatory decision-making. Country Coordinating Mechanisms include representatives from both the public and private sectors, including governments, multilateral or bilateral agencies, non-governmental organizations, academic institutions, private businesses and people living with the diseases.

Country Coordinating Mechanisms develop and submit funding proposals to the Global Fund based on priority needs and an inclusive process, nominate the Principal Recipient(s), oversee implementation of the approved grant, approve reprogramming requests before submission to the Global Fund and ensure linkages and consistency between Global Fund grants and other national health and development programs.

The Global Fund has defined a number of Country Coordinating Mechanism Eligibility Requirements and Minimum Standards which Country Coordinating Mechanisms have to comply with in order to be eligible to access Global Fund funding.

Further information on Country Coordinating Mechanisms can be found in Section G of this Manual and on the Global Fund website.<sup>17</sup>

In order to fulfill their responsibilities, Country Coordinating Mechanisms incur administrative costs and may not have the independent resources to cover these costs. The Global Fund has established a separate pool of funds to finance Country Coordinating Mechanism costs, referred to as 'CCM Funding'. Country Coordinating Mechanisms may not draw directly from approved disease or HSS grant funds to support Country Coordinating Mechanism costs; such costs may only be funded through a specifically signed CCM funding agreement.

## **What the LFA needs to do regarding services relating to Partners and Country Coordinating Mechanisms**

From time to time, LFAs may be called upon to provide services relating to Country Coordinating Mechanisms and Partners:

### **1. Attending Country Coordinating Mechanism and other Partner Meetings**

The LFA might be requested to attend on behalf of the Global Fund meetings organized by the Country Coordinating Mechanism or other partners. The LFA's role and expected outputs should be clarified between the Global Fund Secretariat and the LFA before the meeting takes place. The LFA communication protocol, as mentioned in section B of this Manual, provides guidance for these situations.

---

<sup>17</sup> <http://www.theglobalfund.org/en/ccm/>

## **2. Reviews and Verifications relating to CCM Funding**

From time to time the LFA may be asked to assist in reviews and verifications related to CCM Funding. This might include bank account verifications if the bank account has changed or is new to the Global Fund system, verification that the funding recipient is a legal entity (in case of a new funding recipient) or in some instances a detailed verification of expenditure reports. The LFA should familiarize itself with the CCM Funding policies, as well as the Terms of Reference and reporting template provided on the Global Fund website for such reviews and agree with the Fund Portfolio Manager/Country Team the exact scope and scale of the review/verification before conducting the service.

### **D3.5 Verification before a Disbursement Release & Review of Status of Conditions and Management Actions**

#### **What the LFA needs to know about Verifications before a Disbursement Release and the Review of Status of Conditions and Management Actions**

The Global Fund has introduced the concept of a 'phased disbursement release'. The phased disbursement release relates to the actual release of funds approved through the annual funding decision being transferred not at once but in several tranches from the Global Fund Trustee account to the grant account. Phased disbursement releases are intended to ensure better management of cash levels in grant accounts to support implementation and avoid excess cash holdings.<sup>18</sup>

The disbursement release schedule is established by the Secretariat in consultation with Principal Recipients and is based on the grant risk profile and the forecasted disbursement amounts. The disbursement release will typically be done on a quarterly or semi-annual basis, unless otherwise determined by the Secretariat to accommodate operational requirements. The disbursement release amount and timing may be modified at the sole discretion of the Secretariat.

Apart from regular scheduled disbursement releases it may be necessary in some circumstances for specific releases to be scheduled and released outside of the defined schedule, such as

- large procurement orders, and
- direct payments requiring final supplier invoice, etc.

The Principal Recipient will be notified of the approved annual disbursement decision amount through a Performance Letter including management actions resulting from the Secretariat's review of the disbursement request. If phased disbursement releases are used, the Performance Letter will also indicate the planned dates of the release, and any associated requirements for future disbursement releases.

Subsequent disbursement releases should be approved according to the schedule and amounts outlined in the annual funding decision unless circumstances change that require a modification to the approved schedule.

---

<sup>18</sup> Further information on this process is provided in section D2.1 on Progress Updates and Disbursement Requests.

Requirements for future disbursement releases may for example relate to the fulfillment of Conditions Precedent or Special Conditions included in the grant agreement or Management Actions communicated to the Principal Recipient through a Performance Letter.

In undertaking any related work, the LFA should take into account relevant provisions in the Operational Policy Note on conditions and management actions.

### **What the LFA needs to do about Verification before a Disbursement Release & Review of Status of Conditions and Management Actions**

At the Secretariat's discretion, the LFA may be requested to verify implementation progress of the requirements to which the disbursement release is linked to facilitate the planned disbursement release.

The timing, scope and budgetary requirements of the LFA verification should be agreed beforehand with the Country Team. The LFA verification might for example be timed just before a planned disbursement release, after the submission of a Progress Update by the Principal Recipient or at the due date of a condition or management action.

### **D3.6 Review of Reprogramming, Changes to the Budget, Performance Framework and M&E Plan**

#### **What the LFA needs to know about Reprogramming and other Changes to the Budget, Performance Framework and M&E Plan<sup>19</sup>**

During the course of grant implementation, changes to the grant and implementation arrangements may be required to ensure the continued effective and efficient use of Global Fund investments. Such changes might either relate only to a specific element of the grant agreement, like the budget or performance framework, or to several grant aspects at once. The LFA might be called to review the changes requested by the country and provide the Global Fund with recommendations regarding the requested changes.

The Global Fund distinguishes in its policy and processes between reprogramming and other changes to the grant documents and arrangements. Reprogramming involves changing the scope and/or the scale of a program. Changes to grant elements that do not involve changing the scale or scope of the program are generally merely referred to as 'changes to the budget', 'changes to the performance framework' etc.<sup>20</sup>

---

<sup>19</sup> For changes to the procurement and supply management arrangements or the agreed list of health products to be procured with grant funds, please refer to section D4.2.

<sup>20</sup> For changes to the procurement and supply management arrangements or the agreed list of health products to be procured with grant funds please refer to section D4 on procurement-related LFA services.

In conducting its review, the LFA should refer to the Operational Policy Note on reprogramming during grant implementation which sets out the policy and process for reprogramming.<sup>21</sup>

Part of the review of change requests is to determine whether the requested changes constitute reprogramming, and whether the materiality threshold, as defined in the Operational Policy Note, is met.

Changes to the grant budget and performance framework might be linked to an **extension to the grant implementation period**. An extension amends the end date of a grant's relevant implementation period to allow continued grant implementation and avoid program disruptions while operational challenges are addressed. For these cases the provisions set out in the Operational Policy Note on extending grant implementation periods apply.

### **What the LFA needs to do during the Review of Reprogramming and Other Changes to the Budget, Performance Framework and M&E Plan**

LFA may be requested by the Fund Portfolio Manager/Country Team to review the change or reprogramming request proposed by the Principal Recipient.

The LFA must ensure that it has the latest version of the grant agreement and must be aware of the implications of the reprogramming request or other proposed changes for the implementation of the program.

When requested by the Country Team, the LFA should provide a robust analysis of and recommendations on the significance and appropriateness of the proposed changes to the grant agreement or implementation arrangements. The LFA may also be asked to review the revised grant documentation and implementation arrangements arising from the proposed changes. The exact scope of work in each case will need to be agreed between the LFA and the Fund Portfolio Manager/Country Team prior to the commencement of the work.

#### **Changes to the Budget<sup>22</sup>**

A Principal Recipient will in the normal course of events undertake periodic budget reviews leading to necessary budget changes during implementation. The LFA may be requested by the Fund Portfolio Manager/Country Team to perform a review of the changes proposed by the Principal Recipient and to comment on the reasonableness of the revisions, their relevance to the program, and cost efficiencies. The LFA should approach the budget review from a risk-based perspective, paying particular attention to the risk of the budget being materially misstated, thereby resulting in either over- or under-commitment of resources for the period in question and the risk of fraud and abuse. The LFA also should ensure that the budget is consistent with the other grant documents

---

<sup>21</sup> Please consult the Operational Policy Manual.

<sup>22</sup> Also refer to the *Global Fund Guidelines for Grant Budgeting and Annual Financial Reporting*.

including the performance framework. The extent, scope and approach used for the LFA review will depend, among other factors, on the materiality of changes. In each such case, the exact scope of the LFA work needs to be agreed between the LFA and the Fund Portfolio Manager/Country Team prior to the start of the work.

### **Changes to the Performance Framework and M&E Plan**

Changes in scope and/or scale of a program may require adjustments to the performance framework, which forms part of the Grant Agreement. For changes to the performance framework the LFA may be requested to review the revised indicators and targets from the Principal Recipient and advise the Global Fund of the implications of the change and any issues arising, on the consistency of the amended documents with other programmatic and financial documents and on the reasonableness and feasibility of proposed indicators and targets.

## **D3.7 Risk Assessment & Review of Implementation Arrangement Mapping**

### **What the LFA needs to know about Risk Assessments & the Review of Implementation Arrangement Mapping**

The Global Fund's work, by nature and necessity to achieve impact against the three diseases, involves a degree of unavoidable risk. As a financier of projects to fight diseases in geographies with challenging systems, limited capacities, and high disease burden, the Global Fund regularly encounters less-than-ideal implementation circumstances. This necessitates effective assurance and operational risk-management.

The Global Fund assesses and analyses risks in its grants through two 'lenses': process and functional, which are also used to establish risk ratings for grants and portfolios. The identified risk areas and established risk ratings inform risk mitigation measures, including selected LFA services and the corresponding Level of Effort.

The LFA is not required to produce a comprehensive risk assessment report as was done in the past. Instead, the Country Team may seek specific and tailored LFA input to complete the below described QUART and/or the implementation arrangement map. The LFA's role is limited depending on the risk level of the country/grants and any outstanding information required. Only in exceptional situations, the LFA may be requested to undertake a more comprehensive risk assessment

The **Implementation Arrangement Mapping and Analysis** (IA Mapping) embodies the process lens to analyze risk. The implementation arrangements map is a visual depiction of who is doing what with what portion of a grant (or multiple grants that inter-relate). It is, in essence, an organogram or process map of a grant or series of grants that together operationalize a program. The implementation arrangements map includes: (i) all entities receiving grant funds and/or playing a role in program implementation; (ii) each entity's role in program implementation; (iii) the flow of funds, commodities and data; (iv) the beneficiaries of program activities; and (v) any unknowns.

The implementation arrangement mapping was led by Country Teams in the past. Under the new funding model an implementation arrangement map is encouraged to be submitted by the Country Coordinating Mechanism along the Concept Note; Principal Recipients are responsible for providing a more detailed implementation arrangement map before grant signing, and to update any changes to the process throughout grant implementation.<sup>23</sup>

The Country Team will assign a risk rating to each entity throughout the diagram on the basis of its answer to two questions: (i) how well will this entity likely fulfill its roles and responsibilities and (ii) how reliable is the information on which this judgment is based?

Best practice indicates that a geographical map that marks the physical location of all implementers across all grants is an excellent complement to the implementation arrangement map, as it assists for example in planning efficiencies in site visits including LFA spot check.

The **Qualitative Risk Assessment and Tracking (QUART)** tool is a matrix which provides a functional lens of risk. The QUART is organized into four functional risk categories:

1. Programmatic & performance risk pertains to the risk that a grant will not achieve its objectives and impact targets.
2. Fiduciary & financial risk concerns the efficient use and proper accounting of Global Fund investments and resources.
3. Health services & products risk relates to the quality of health services, products and equipment in funded programs.
4. Governance, oversight & management risk deals with the grant's oversight by all stakeholders.

Each area is broken down into sub-risk categories, as the visual below demonstrates:

---

<sup>23</sup> See the concept note instructions available on <http://www.theglobalfund.org/en/fundingmodel/single/applicationmaterial/>

Operational Risks			
1. Programmatic & Performance Risks	2. Financial & Fiduciary Risks	3. Health Services & Products Risks	4. Governance, Oversight & Management Risks
1.1 Limited Program Relevance	2.1 Low Absorption or Over-commitment	3.1 Treatment Disruptions	4.1 Inadequate CCM Governance & Oversight
1.2 Inadequate M&E & Poor Data Quality	2.2 Poor Financial Efficiency	3.2 Substandard Quality of Health Products	4.2 P Inadequate PR Governance & Oversight
1.3 Not Achieving Grant Output Targets	2.3 Fraud, Corruption, or Theft of Global Fund Funds	3.3 Poor Quality of Health Services	4.3 Inadequate PR Reporting & Compliance
1.4 Not Achieving Program Outcome & Impact Targets	2.4 Theft or Diversion of Non-financial Assets	3.4 Inadequate Access and Promotion of Equity & Human Rights	4.4 Inadequate Secretariat and LFA Management & Oversight
1.5 Poor Aid Effectiveness & Sustainability	2.5 Market and Macroeconomic Losses		
	2.6 Poor Financial Reporting		

In exceptional situations the LFA may be requested to undertake a more comprehensive risk assessment e.g. where significant changes in the risk profile of the Principal Recipient or country occur in a short period of time such as a coup d'état and where the Country Team would benefit from a rapid, comprehensive assessment by the LFA.



## What the LFA needs to do during Risk Assessments & the Review of Implementation Arrangement Mapping

<b>Purpose</b>	To provide the Global Fund with essential information to inform its management of risk
<b>Timeframe</b>	To be agreed on a case by case basis, as needed by the Country Team
<b>Recommended Level of Effort</b>	To be agreed on a case by case basis and depending on the risk profile and the Country Team's informational needs.
<b>End user</b>	Country Team, broader Global Fund; feeds into overall risk mapping for Global Fund
<b>Output</b>	To be agreed with the Global Fund
<a href="#">LFA Tools &amp; Guidelines</a>	Reporting format to be agreed between Global Fund and LFA in each specific case.
<b>Other References</b>	

LFA engagement in risk assessment and implementation arrangement mapping for the Global Fund is on an as-needed basis, at the request of the Country Team.

As noted above, the following situations are envisaged:

### 1. LFA Involvement in QUART

QUART is an internal Global Fund tool. The LFA is not required to complete the tool itself but to assist Country Teams with assessing unknown risk areas in a tailored manner, by providing specific information on so-called 'blind spots'. This can be done during the Country Team's first completion of the QUART or during QUART updates. The LFA may also be asked to provide pointed and tailored risk assessments of specific issues that may arise during grant implementation for which the Country Team requires up-to-date information.

### 2. LFA Review of Implementation Arrangement Mapping

The LFA is not responsible for the preparation of an implementation arrangement map. However, the LFA might be called upon by the Global Fund to provide information on implementation arrangements to complete an implementation arrangement mapping and follow-up on unknowns identified during the mapping exercise. The LFA might also be asked to review the accuracy of an implementation representation and assist in the identification of risks presented by the implementation arrangements.

### 3. Update on Outcome of a Specific Risk Mitigation or Preventive Action

In addition, the LFA may be asked to verify the implementation or outcome of specific risk prevention or risk mitigation actions. This is generally done as part of the PU/DR review, where the LFA looks at the Principal Recipient's update on implementation of conditions or management actions. LFAs may also be asked to undertake a stand-alone verification outside the scope of the PU/DR.

### 4. Comprehensive Risk Assessment

Where exceptional circumstances mean that the LFA is asked to perform a comprehensive risk assessment along the lines of the old Principal Recipient and Country Risk Assessment, the LFA

should agree beforehand with the Fund Portfolio Manager/Country Team the methodology, tools and processes for undertaking the risk assessment, and identifying, assessing and prioritizing risk.

### **D3.8 Review of Training Plan**

#### **What the LFA needs to know about the Review of Training Plans**

Training activities conducted by Principal Recipients, sub-recipients and sub-sub-recipients which are fully or partly funded by the Global Fund need to be approved by the Global Fund.

In past years the Global Fund had requested the submission of stand-alone training plans, containing a table of general information on the grant and training planned, a narrative description of the training framework covering training design, logistics arrangements (including mitigation of risks associated with cash transactions) and post-training follow-ups and a list of training activities/schedules for the full implementation period of the grant, consistent with the detailed work plan/budget.

These days the review and approval of training activities is usually done at the time of grant negotiations as part of the detailed budget review and approval. However, in some cases the LFA might still be requested to review training plans during the course of an ongoing grant implementation. Such request could be related to significant changes in planned training activities or risks relating to training activities being identified during grant implementation. The training plan should include a detailed work plan to support the reasonableness of budget costs for training, demonstrate value-for-money, ensure proper planning and ultimately prevent any potential mismanagement of funds intended for training purposes during implementation.

The LFA may be requested to conduct spot checks and verifications of training activities. More information on conducting such spot checks is available in section D3.1.

#### **What the LFA needs to do with respect to Review of Training Plans**

<b>Purpose</b>	To assist the Global Fund in safeguarding expenditures related to training activities by reviewing training plans and providing recommendations to the Global Fund
<b>Timeframe</b>	Planned training activities are usually reviewed as part of the review of the budget before grant signing. In some cases the LFA may be asked to perform a review of planned training activities during grant implementation. The timing of such separate review will be defined by the Fund Portfolio Manager/Country Team on a case-by-case basis.
<b>Recommended Level of Effort</b>	To be agreed with Fund Portfolio Manager/Country Team
<b>End user</b>	Global Fund
<b>Output</b>	Robust analysis and clear and justified recommendations to assist the Fund Portfolio Manager/ Country Team in identifying areas of particular risk and in deciding whether to approve the planned training activities.
<a href="#"><u>LFA Tools &amp; guidelines</u></a>	

In cases where the LFA is asked to review a training plan during the ongoing grant implementation, the exact scope of work needs to be agreed between the Fund Portfolio Manager/Country Team and LFA.

The LFA will be expected to take a risk-based approach, leveraging its experience and judgment, to tailor the methodology and scope of work to the specific issues and risks related to the planned training activities, the Principal Recipient and the grant implementation environment. The LFA should communicate to the Global Fund any significant issues (e.g. poor quality or incomplete documentation) with a recommendation on the next steps.

The LFA may be asked to:

- Comment on the completeness and accuracy of the information provided by the Principal Recipient regarding planned training activities and provide any other information or highlight any other relevant issues.
- Describe the key risks to the transparent and accountable management of the training budget and expenditures to be financed by the Global Fund.
- Identify and assess the main fraud risks in the training program.
- Provide analysis on whether the control measures put in place by the Principal Recipient provide robust fiduciary safeguards for Global Fund investments in training programs. In doing so, the control measures for cash transactions, per diems and other training costs such as accommodation, transport fees, materials, rent of training facilities, etc. should be considered.
- Provide a brief overall analysis on the effectiveness, relevance and value for money of the training events (based on the judgment and experience of the LFA). In doing so, factors such as the following should be considered:
  - How the planned training fits into any national training plan/strategy and any published training needs assessment;
  - Whether the training responds to an identified training or capacity gap;
  - Whether the planned training forms part of a well-articulated training strategy;
  - How overlaps with training plans/events funded by other donors or public funding are being avoided;
  - How participants are selected and the adequateness of the training curriculum (including the number of days planned for the training, the number of facilitators etc.);
  - How overlaps across training events are minimized (e.g. the possibility of training the same person multiple times in the same subject).

When reviewing the list of training events, the LFA should highlight:

- Any errors or omissions in the list of training events;
- Any training event that is not directly linked to the achievement of program objectives;
- Any training event that does not appear to be value for money (i.e. in relation to the event's cost, content, duration, frequency, etc.).

### **D3.9 Office of the Inspector General Recommendations Follow-Up**

The Office of the Inspector General works to ensure that the Global Fund invests the world's money in the most effective way possible in the fight against AIDS, tuberculosis and malaria. Through audits, investigations, oversight and consultancy work, it makes objective and transparent recommendations to promote good practice, reduce risk and condemn abuse.<sup>24</sup>

Following an audit or an investigation, the LFA may be asked by the Secretariat to help follow up on a recommendation by the Office of the Inspector General or an agreed action. The Office of the Inspector General will usually be involved if this follow up work involves (a) recovering misused funds or (b) refining further the initial Office of the Inspector General findings if necessary. The exact scope of such LFA review will be determined on a case by case basis between the LFA and the Global Fund after the recommendations are made available and the related Level of Effort and budget should be integrated into the annual LFA Work Plan.

### **D3.10 Anti-Terrorism Certification**

#### **What the LFA needs to know about the Anti-terrorism Certification**

The Global Fund grant agreement includes a representation that all of the respective activities of the applicable Principal Recipient are operated in compliance with host country law and other applicable law, and that the Principal Recipient is fully aware that there exist laws prohibiting the provision of resources and support to individuals and organizations associated with terrorism and that the European Union, the U.S. Government and the United Nations Security Council have published lists identifying individuals and organizations considered to be associated with terrorism.

In connection with this representation, the grant agreement requires that the Principal Recipient and each of its sub-recipients ensure that Grant Funds are not used by the Principal Recipient or any of its sub-recipients to support or promote violence, aid terrorist or terrorist-related activity, to conduct money-laundering activities or to fund organizations or individuals known to support terrorism or that are involved in money-laundering activities. In order to help ensure that this obligation is met, the grant agreement contains a list of requirements the Principal Recipient and each of its sub-recipients must agree to respect while conducting various transactions involving grant funds and a description of the remedies available to the Global Fund if such requirements are not met.

In addition, the Principal Recipient must enter into a written agreement with each sub-recipient creating obligations of the sub-recipient to the Principal Recipient that are generally equivalent to those of the Principal Recipient under the relevant grant agreement, including, but not limited to, those provided for under the anti-money laundering and countering terrorist-financing provisions of the grant agreement.

---

<sup>24</sup> For more information on the work of the Office of the Inspector General, please see section F on Special Circumstances.

Therefore, this obligation requires each Principal Recipient to ensure that it has appropriate written agreements, containing all provisions required under the grant agreement in place with all sub-recipients before it disburses any funds to them.

The LFA’s role in conducting the anti-terrorism certification is to certify that Principal Recipients are complying with these obligations with respect to sub-recipients as set out in the grant agreement. In order to conduct this certification, amongst other things the LFA is requested to confirm the presence of anti-money laundering and countering terrorist-financing provisions in the written agreements between the Principal Recipient and sub-recipients which are substantially similar to those provisions of the grant agreement cited above.

Where a Principal Recipient for a particular program has contracted with more than ten sub-recipients, the LFA may conduct this review on a sample basis provided that the sample size is the greater of ten sub-recipients and 25% of the total number of sub-recipients for that Principal Recipient with respect to that particular program.

### **What the LFA needs to do during Anti-Terrorism Certification**

<b>Purpose</b>	Review of written agreements between a Principal Recipient and its sub-recipients to confirm whether the Principal Recipient is complying with its obligations under the grant agreement with respect to anti-terrorism compliance.
<b>Timeframe</b>	Usually before second disbursement after the beginning of any new implementation period under a grant or before a Continuity of Services extension.
<b>Recommended Level of Effort</b>	Half a day. Should an exceptional number of sub-recipients require additional efforts, the Level of Effort should be agreed beforehand with the Fund Portfolio Manager.
<b>End user</b>	Global Fund
<b>Output</b>	Certification of compliance by the Principal Recipient with its anti-terrorism obligations under the grant agreement
<b><a href="#">LFA Tools &amp; Guidelines</a></b>	LFA Certification (Anti-terrorism) form, stating that the review was conducted and setting out its findings Anti-terrorism LFA Statement of Work
<b>Other References</b>	Grant agreement

The LFA will review the Principal Recipient’s implementation arrangements to verify whether or not the Principal Recipient has complied with its obligations under the grant agreement, namely that, for each sub-recipient under the grant agreement:

1. There is a signed written agreement in full force and effect under applicable law between the Principal Recipient and the sub-recipient creating obligations of the sub-recipient to the Principal Recipient that are generally equivalent to those of the Principal Recipient under the grant agreement; and

2. In such agreement, the sub-recipient has agreed that it will not use grant funds to support or promote violence, aid terrorist or terrorist-related activity, to conduct money-laundering activities or to fund organizations or individuals known to support terrorism or that are involved in money-laundering activities. And, in addition, the sub-recipient has agreed to respect the list of requirements to be followed while conducting various transactions involving grant funds and the remedies available to the Global Fund if such requirements are not met.

The requirements for sub-recipient agreements only apply for entities that are legally distinct from the Principal Recipient. It is for the LFA to determine whether or not an organization is legally distinct from the Principal Recipient under applicable local law. However, the requirements do apply to entities that are implementing parts of the program even if they are considered by the Principal Recipient to be contractors.

### **D3.11 Enhanced Financial Reporting/Annual Financial Reporting**

#### **What the LFA needs to know about Enhanced/Annual Financial Reporting**

The Global Fund requires reliable financial information regarding the implementation of grants, in order to assist grant management, pinpoint areas of financial risks and facilitate external reporting and resource mobilization.

To this end, the Global Fund asked recipients throughout the last years to provide summarized financial information on budget, expenditure and variance analysis by the Global Fund expenditure categories, referred to as **Enhanced Financial Reporting (EFR)**. Using a mandatory reporting template, the Enhanced Financial Reporting captures budget and expenditure information for the grant, for the current grant cycle year and cumulatively since the start of the grant. It captures the activity of the grant as a whole i.e. the direct Principal Recipient budget and expenditure for Global Fund monies (excluding disbursements to sub-recipients), for the sub-recipients (excluding disbursements to sub-sub-recipients) and for sub-sub-recipients. The consolidated total should equal the overall budget and actual expenditure.

Grants signed under the new funding model will report on modules and interventions, cost categories and implementing entities as outlined in their approved budgets using a template referred to as **Annual Financial Reporting (AFR)**.

Enhanced/Annual Financial Reporting requires each grant to report financial information annually from the grant start date. The report is to be submitted within 60 days of the end of the reporting period as part of the PU/DR for the period.

#### **What the LFA needs to do regarding Enhanced/Annual Financial Reporting**

<b>Purpose</b>	In exceptional circumstances and at the request of the Global Fund, the LFA may be required to review the information contained in the Enhanced/Annual Financial Reporting
----------------	--

	template and submit it to the Fund Portfolio Manager, with relevant comments, as appropriate.
<b>Timeframe</b>	Annually, together with submission of the PU/DR. A PU/DR containing an Enhanced/Annual Financial Reporting should be submitted within 60 days of the end of the reporting period.
<b>Recommended Level of Effort</b>	As agreed with the Global Fund; but usually not more than 3 working days. Note: Additional time should NOT be spent rectifying serious problems with the information (although minor corrections should be proposed, if relevant); instead the LFA should refer to the issues as part of the review.
<b>End user</b>	Global Fund
<b>Output</b>	Completed LFA Review of the Enhanced/Annual Financial Reporting Template
<b><a href="#">LFA Tools &amp; Guidelines</a></b>	Appropriate tab/annex to the LFA Ongoing Progress Review and Disbursement Recommendation template
<b>Other References</b>	LFAs are expected to be familiar with the <i>Guidance for Completing the Enhanced Financial Reporting Template</i> , the OPN on Enhanced Financial Reporting (in Operational Policy Manual) and guidance contained in the <i>Global Fund Guidelines for Grant Budgeting and Annual Financial Reporting</i> .

Normally, the LFA is not required to review the Enhanced/Annual Financial Reporting. However, in exceptional circumstances, the Global Fund may request the LFA to review the information reported by the Principal Recipient. The work done by the LFA does not include verification of underlying documents supporting the amounts in the Enhanced/Annual Financial Reporting; instead such review would rather entail an analysis of reasonableness of assumptions and explanations provided by the Principal Recipient based on the LFA's own knowledge of the grant.

The LFA will review the completed template provided by the Principal Recipient and comment on:

- The approach taken (i.e. the process used by the Principal Recipient is in compliance with the guidelines);
- The general accuracy of information reported (e.g. reporting dates, budget figures, and expenditure figures);
- The reasonableness of assumptions and explanations provided by the Principal Recipient, including explanations of variances;
- Reconcile the data to other Principal Recipient reports, including Progress Update / Disbursement Request.

### **D3.12 Fixed Asset Verification**

The Principal Recipient, sub-recipients and other implementing entities are responsible for safeguarding program assets purchased with grant funds. The grant agreement further stipulates that the Principal Recipient and sub-recipients must maintain appropriate records of all fixed assets purchased with grant funds and that these assets should be solely used for program purposes.

The LFA may from time to time be asked to conduct a verification of fixed assets. The LFA will typically be expected to review the asset register and conduct a field level verification of the existence, availability and condition of the program assets, as well as verify documents confirming their ownership.

The fixed asset verification will be tailored following a risk-based approach. The LFA might for example be requested to concentrate in the verification on a sub-set of assets associated with elevated risk levels or conduct the verification for a selected number of implementing entities only. Possible triggers for conducting fixed asset verifications include related risks which were identified in previous LFA reviews or external audit reports.

The exact timing, scale and scope of work and reporting format must be agreed with the Fund Portfolio Manager/Country Team before the verification is conducted by the LFA.

### **D3.13 Review of Manual of Procedures**

Principal Recipients are expected to have adequate policies and procedures in place, documented in a Manual of Procedures, to illustrate the scheme and systems used for grant management purposes. The availability and appropriateness of such manual and contained procedures is part of the review of an organization's capacity to take on the Principal Recipient role.

In exceptional cases, major changes to the Principal Recipient's or a significant sub-recipient's manual of procedures may occur during program implementation, either on the request of the Global Fund or due to other circumstances. In such cases the LFA may be requested to review the manual of procedures and related changes. The timing and scope of work will be agreed between the Fund Portfolio Manager/Country Team and LFA on a case-by-case basis before the work is conducted.

### **D3.14 Private Sector Co-Payment Mechanism for ACTs**

#### **What the LFA needs to know about the Private Sector Co-Payment Mechanism for ACTs**

Artemisinin-based combination therapies (ACTs) combine artemisinin with another anti-malarial drug. They are currently the most effective form of treatment for malaria; however historically they are more expensive than other less effective alternatives. The Private Sector Co-payment Mechanism for ACTs ('Co-payment Mechanism') is a financing model to expand access to quality-assured ACTs in the private sector.<sup>25</sup>

For details relating to the Co-payment Mechanism refer to Operational Policy Note on Private Sector Co-payments for ACTs.

The Country Coordinating Mechanism, informed by the country's relevant national malaria control strategy, may decide to include the Co-payment Mechanism in a funding request to the Global Fund

---

<sup>25</sup> Based on that described in the *RBM Partnership's Affordable Medicines Facility-malaria (AMFm) Technical Design (2007)* and adapted in light of the findings from the *AMFm Phase 1 Independent Evaluation (2012)*.



or to allocate funding to the Co-payment Mechanism in their existing Global Fund-supported malaria programs.

The request for funding the Co-payment Mechanism is reviewed and approved in accordance with the access to funding process. The Principal Recipient will be required to establish an operational Co-payment Task Force to provide guidance, support the Principal Recipient on the implementation of the Co-payment Mechanism and link with the country procurement and supply management coordination mechanism. The Country Coordinating Mechanism will oversee the implementation of the Co-Payment Mechanism and may consider appointing a separate Principal Recipient to be responsible for the Co-payment Mechanism.

The Principal Recipient will maintain First-Line Buyer Agreements with all eligible first-line buyers. These non-negotiable agreements establish the terms and conditions with which first-line buyers must comply in order to participate in the Co-payment Mechanism.

The Principal Recipient is responsible for compliance by the first line buyer with its obligations under the First Line Buyer Agreement, as if they were its own obligations. The Principal Recipient is also required to conduct periodic **spot checks** of first-line buyers for compliance with their obligations.

The Principal Recipient will communicate a maximum **annual allocation** of co-paid ACTs for each first-line buyer, based on an assessment by the Principal Recipient of distribution network and capacity. The proposed allocation across first-line buyers will be approved by the Global Fund (with LFA review, as needed), and revisited every six months.

The Global Fund's Quality Assurance Policy<sup>26</sup> will apply to the procurement, pre-shipment inspection and quality control testing of ACTs purchased through the Co-payment Mechanism. Principal Recipients will be responsible for allocating resources for post-shipment inspection and quality monitoring for products co-paid on behalf of private sector first-line buyers.

### What the LFA needs to do concerning the Co-Payment Mechanism

<b>Purpose</b>	At the Global Fund's request, undertake review, assessment and/or verification activities related to the Private Sector Co-payment Mechanism for ACTs.
<b>Timeframe</b>	To be determined in discussion with the Global Fund
<b>Recommended Level of Effort</b>	To be determined in discussion with the Global Fund
<b>End user</b>	Global Fund
<b>Output</b>	Relevant and timely recommendations concerning the (proposed) integration of the Co-payment mechanism into the grant and the compliance by first line buyers with their legal obligations.
<b><a href="#">LFA Tools &amp; Guidelines</a></b>	Relevant section of the Capacity Assessment Tool & Guidelines (under Procurement and Supply Management)

<sup>26</sup> Please refer to the Global Fund website <http://www.theglobalfund.org/en/procurement/quality/> and Section G for the Global Fund Quality Assurance Policies.

	LFA Spot-checks of Co-payment Mechanism First Line Buyers Terms of Reference LFA Spot-check Template (Co-paid ACTs)
<b>Other References</b>	OPN on Private Sector Co-payments for ACTs (in Operational Policy Manual)

The LFA may provide different services at different stages of the grant life cycle.

### **1. When the Co-payment Mechanism is integrated into existing malaria grants**

The LFA may be required to review certain documents, like the work plan and budget and proposed implementation arrangements for the Co-payment Mechanism and provide recommendations to the Global Fund.

### **2. When the Co-payment Mechanism is integrated into new grants**

The LFA may be required to undertake a capacity assessment of the Principal Recipient with emphasis on the Principal Recipient's capacity to implement the Private Sector Co-payment Mechanism for ACTs. The LFA's scope of work should take into account the type of Principal Recipient (new or repeat Principal Recipient), the role of the Principal Recipient and available information related to the Principal Recipient.

### **3. LFA role with respect to first line buyers**

This comprises two possible activities:

First, as required, review and make recommendations to the Global Fund on the Principal Recipient's proposed allocations (or updated allocations) across first-line buyers.

Secondly, and as required, undertake spot-checks of a sample of first line buyers to ensure compliance with first line buyer agreement. The first line buyers that will be subject to spot-checks should be selected taking into account intelligence and other available information (e.g. information, reports and assessments from health development partners, national drug authorities, manufacturers or other stakeholders). The Global Fund may also identify specific first line buyers for an LFA spot-check. The LFA should familiarize itself with the First Line Buyer Agreement.

Detailed guidelines are set out in the LFA Spot-checks of Co-payment Mechanism First Line Buyers Terms of Reference. The LFA will present its findings in the form of the LFA Spot-check Template (for co-paid ACTs).

## **D3.15 Miscellaneous Other LFA Services**

The LFA may from time to time be asked to provide additional services to respond to particular country, program and grant needs. LFA services should be discussed and agreed upon with the Country Team in detail before the services take place, including the scope and depth of LFA work and the level of expertise required.

## **D4 Other Procurement and Supply Management Related Services**

### **D4.1 Procurement and Tender Review**

#### **What the LFA needs to know about Procurement and Tender Reviews**

Health Products are a key component in the majority of Global Fund grants and a major portion of grant expenditures are utilized through procurement processes. As such, procurement represents a high-risk area for the Global Fund. LFAs may be called upon to review procurement activities in the Global Fund financed programs. Reviews can be undertaken for procurement of health products as well as non-health products, works and services.

At the request of the Global Fund, the LFA may undertake an in-depth review of a particular procurement process or certain stages of such a process. Procurement reviews might be done

- ex-post facto – when a procurement process is reviewed once it is finalized;
- or alternatively
- in certain cases and when the Global Fund Secretariat deems appropriate, an ongoing review of a procurement process might be conducted. This will serve for the approval of certain stages of procurement, or of an entire procurement process.

#### **What the LFA needs to do during Procurement and Tender Reviews**

<b>Purpose</b>	Review of various aspects and stages of specific procurement processes, to ensure compliance with grant documentation and applicable procurement policies and norms.
<b>Timeframe</b>	To be determined by agreement with the Global Fund
<b>Recommended Level of Effort</b>	To be determined by agreement with the Global Fund
<b>End user</b>	Global Fund
<b>Output</b>	Clear analysis and recommendations in the format of the Procurement Review Tool
<b><a href="#">LFA Tools &amp; Guidelines</a></b>	LFA Procurement Review Tool
<b>Other References</b>	See Global Fund Procurement and Supply Management webpage <a href="http://www.theglobalfund.org/en/procurement/">http://www.theglobalfund.org/en/procurement/</a>

At the request of the Global Fund, the LFA undertakes an in-depth review of an identified procurement process or certain stages of such a process. The exact scope of work for the LFA, including the list of procurement processes to be reviewed and the level of effort for this assignment shall be agreed with the Global Fund on a case-by-case basis.

The verification of various stages of procurement may include:

- Checking compliance of the procurement with grant documentation, e.g. with a procurement plan and budget;

- Checking compliance of a procurement process with the approved procurement policies and procedures, as agreed during grant makings, including but not limited to:
  - Review of bidding documents used for a procurement process (including document template, evaluation and supplier selection criteria, technical specifications, etc.)
  - Review of appropriateness of the selected procurement method for the type and magnitude of the procurement involved;
  - Review of specific stages of the procurement process, such as bidding, advertisement, bid opening and evaluation, award of contract and contract implementation;
- Review of the reasonableness of prices achieved through the procurement;
- Attendance (as an observer) of bid openings or bids evaluation/supplier selection committee meetings (as necessary);
- Review of contract terms and conditions and parties' compliance with the agreed contract provisions;
- Review of the capacity of the procuring entity;
- Review of internal control procedures aimed at minimizing the risk of fraud and corruption.

As should be the case generally, in undertaking this service the LFA must be vigilant to maintain its independence from the Principal Recipient so as to avoid any real, potential or perceived conflict of interest.

## **D4.2 Review of Changes to the Procurement and Supply Management Arrangements and/or the List of Health Products, Quantities and Costs**

### **What the LFA needs to know about the Review of Changes to the Procurement and Supply Management Arrangements and/or the List of Health Products, Quantities and Costs**

Procurement and supply management arrangements and the reasonableness of the list of health products to be procured, quantities and costs are typically assessed during grant negotiation, before a grant agreement is signed. In the past, information on a grant's procurement and supply chain management arrangements for health products, products to be purchased, related quantities and indicative prices were provided in the Procurement and Supply Management Plan or in a Procurement Plan (for countries with a PHPM Country Profile in-place). Under the new funding model, these tools have been integrated into the capacity assessment tool and the modular tool. Procurement and supply management arrangements will now be described through the implementation arrangement map and in the capacity assessment tool, which, as per the Secretariat's decision, can be tailored to a specific country's context and level of risk. The list of health products, including quantities and prices, will be captured and presented in the modular tool. Principal Recipients are still required to present the detailed assumptions and calculations used for the quantification of pharmaceuticals' and other health products' needs. Please refer to Section C – Access to Funding for more details.

During the course of grant implementation, changes to the grant and implementation arrangements may be required to ensure the continued effective and efficient use of Global Fund investments. Such changes may include modifications to the procurement and supply management arrangements or the list of health products, quantities and costs to be purchased under the Global Fund grants. The Secretariat may request the LFA to review these changes.

As described in Section D3.6 above and the Operational Policy Note on reprogramming during grant implementation, the Global Fund differentiates its review and approval processes for changes in the grants depending whether changes affect the scale and scope of the program and are considered material. Part of the review of change requests is thus to determine whether the requested changes constitute reprogramming, and whether the materiality threshold, as defined in the Operational Policy Note, is met.

When the LFA is requested to review proposed changes to the procurement and supply management arrangements and/or the list of health products, quantities and costs, the LFA should also consider whether other parts of the grant implementation arrangements are likewise affected, and whether other grant documents, e.g. the budget or performance framework need to be revised as well.

### **What the LFA needs to do during review of Changes to the Procurement and Supply Management Arrangements and/or the List of Health Products, Quantities and Costs**

<b>Purpose</b>	As requested by the Global Fund, review the proposed changes to the procurement and supply management arrangements and/or list of health products, quantities and costs, to ensure compliance with Global Fund procurement policies and to assess the capacity of the Principal Recipient to implement the changes.
<b>Timeframe</b>	To be determined by agreement with the Global Fund
<b>Recommended Level of Effort</b>	To be determined by agreement with the Global Fund
<b>End user</b>	Global Fund
<b>Output</b>	Clear analysis and recommendations in a format as agreed with the Global Fund.
<b><a href="#">LFA Tools &amp; Guidelines</a></b>	Template list of health products, quantities and costs Capacity Assessment Tool and user guide
<b>Other References</b>	See Global Fund Procurement and Supply Management webpage <a href="http://www.theglobalfund.org/en/procurement/">http://www.theglobalfund.org/en/procurement/</a>

The scope of work will be agreed with the Global Fund on a case-by-case basis, as informed by the risk profile of the grant or country and by the nature and extent of the changes to the procurement and supply management arrangements and/or list of health products, quantities and costs. The exact scope of work, expected outputs and level of effort must be agreed between the Global Fund and the LFA before the work is undertaken.

This may include:

- Review the list of health products , quantities and costs, including:
  - The assumptions and calculations underlying the forecasting and quantification of health products, including those related to buffer stock;
  - Verifying and ensuring that quantities of health products are reasonable and consistent with the agreed targets;
  - Verifying and ensuring that the products proposed for procurement comply with the Global Fund’s requirements as set out in the grant agreement and applicable national norms;
  - Reviewing the estimated prices, including a comparison of the estimated prices with international references;
  - Validating the reasons behind any proposed changes.
- Review the proposed changes to procurement and supply management implementation arrangements, including:
  - Assessing the Principal Recipient’s capacity to implement the changes;
  - Determining whether the proposed changes are in-line with the Global Fund’s requirements as set out in the grant agreement;
  - Validating the reasons behind any proposed changes.
- Assessment of the adequacy and appropriateness of the storage and distribution arrangements for the products proposed for procurement.

### **D4.3 Review of Quality Assurance/Quality Control Plan Compliance**

#### **What the LFA needs to know about Quality Assurance**

Quality assurance refers to the management activities required to ensure that the medicines and other health products that reach patients are safe, effective and acceptable to the patient. These activities may include, but are not limited to, registration of health products, pre-qualification and quality control.

The Global Fund places great emphasis on quality assurance with respect to the procurement of health products and has issued the following to assist Principal Recipients in complying with its quality assurance requirements:

- Quality Assurance Policy for Pharmaceutical Products;
- Quality Assurance Policy for Diagnostic Products;
- Quality Requirements for Other Health Products – a set of guidelines and guidance notes related to the procurement of various health products (including health pesticides, insecticides, condoms, etc.);
- Guidance on in-country quality monitoring of pharmaceutical products in Global Fund supported programs.

In complying with the national and Global Fund quality assurance requirements as mentioned above, Principal Recipients are subject to the following requirements:

- All Principal Recipients should ensure that random samples of pharmaceutical products are obtained from different points in the supply chain for quality control testing. These samples must be sent to a laboratory that meets the Global Fund's requirements set out in the Quality Assurance Policy for Pharmaceutical Products. Test results must regularly be submitted to the Global Fund.
- Principal Recipients may be required to develop and implement a specific quality assurance/quality control plan relating to the procurement of health-related products.
- Principal Recipients are required to comply with the Price and Quality Reporting Mechanism.

### What the LFA needs to do regarding Quality Assurance

<b>Purpose</b>	As requested by the Global Fund, undertake specific activities relating to the quality assurance of health products including verification of pharmaceutical product quality control and checking compliance with Quality Assurance/Quality Control plans.
<b>Timeframe</b>	To be determined by agreement with the Global Fund
<b>Recommended Level of Effort</b>	To be determined by agreement with the Global Fund.
<b>End user</b>	Global Fund
<b>Output</b>	Clear analysis and recommendations in a format as agreed with the Global Fund.
<b><a href="#">LFA Tools &amp; Guidelines</a></b>	Quality Assurance Policy for Pharmaceutical Products Quality Assurance Policy for Diagnostic Products Quality Requirements for Other Health Products Guidance on in-country quality monitoring of pharmaceutical products in Global Fund supported programs
<b>Other References</b>	OPN on Implementing the Quality Assurance Policy for Pharmaceutical Products (in Operational Policy Manual) Also see Global Fund Procurement and Supply Management webpage <a href="http://www.theglobalfund.org/en/procurement/quality/">http://www.theglobalfund.org/en/procurement/quality/</a>

The LFA may be asked to undertake some of the following quality assurance related activities:

#### 1. Verification of Health Product Quality Control

From time to time, the Global Fund may request the LFA to verify whether Principal Recipients have complied with the requirement of random sampling of pharmaceutical products for quality control testing.

#### 2. Quality Assurance or Quality Control Plan Compliance

Where the Global Fund requires a Quality Assurance or Quality Control Plan for health products, LFAs may be requested to:

- Review the Principal Recipient's plan and provide an assessment and recommendations to the Global Fund; and
- Monitor compliance with and implementation of arrangements specified in the plan.

The **Price and Quality Reporting (PQR)** tool is a web-based system used by the Global Fund to gather information about the prices and quality of certain products procured under the Global Fund grants. The Global Fund requires that Principal Recipients report in the Price and Quality Reporting tool all purchases of a defined set of health products as a condition of disbursement. LFA verify the Principal Recipients' entries into the Price and Quality Reporting tool as described in section G on Global Fund Procurement and Supply Management essentials.

#### **D4.4 Ad Hoc Procurement and Supply Management Related LFA Services**

From time to time the Global Fund may request the LFA to perform other services/verifications related to procurement and supply management activities conducted by grant recipients, sub-recipients or procurement agents under the Global Fund financed programs. Such reviews might include

- spot-checks addressing key Procurement and Supply Management related risks, including but not limited to, supply chain management, Logistics Management and Information System (LMIS), verification of stock levels, etc.<sup>27</sup>,
- field-level verifications to determine compliance with the approved grant documents and for the follow-up on Management Actions or Conditions in the grant agreement<sup>28</sup>,
- etc.

The exact scope of work of such assignments, expected outputs and Level of Effort must be agreed between the Global Fund and the LFA before the work is undertaken by the LFA.

---

<sup>27</sup> Also see section D3.1 on spot-checks and ad-hoc verifications.

<sup>28</sup> Please refer to section D3.5 on the review of status of conditions and management actions.



## Reference Documents

Guidelines and tools for LFAs and specific LFA services are available on the LFA section of the Global Fund website (<http://www.theglobalfund.org/en/lfa/documents/>).

The LFA microsite also provides links to the following contents:

Global Fund Operational Policies, Guidelines and Tools (<https://www.theglobalfund.org/en/lfa/guidelines-tools/>), including

- The Operational Policy Manual
- [Policy and Guidance Documents for Implementers](#), including the following microsites:

[Monitoring and Evaluation](#), which contains important information for LFAs on:

- the core list of indicators;
- the Modular Framework Handbook; and
- guidance on the M&E plan.

[Sourcing and Management of Health Products](#), including:

- Information on sourcing and procurement of core health products;
- Guide to Global Fund policies on procurement and supply management of health products;
- Quality Assurance policies and requirements; and
- Information on the Price and Quality Reporting (PQR).

Information on Country Coordinating Mechanisms can be found on the dedicated site <https://www.theglobalfund.org/en/country-coordinating-mechanism/>, including information on

- Guidelines and requirements for Country Coordinating Mechanisms
- CCM funding policy and guidelines related to CCM funding

## **Annex: Examples of Risk Areas Prone to Fraud or Mismanagement in Global Fund Programs**

### **Program management**

- Fake sub-recipients/ sub-sub-recipients
- Conflicts of Interests (e.g. relatives of staff acting in management positions of sub-recipients and sub-sub-recipients)
- Lack of financial and programmatic oversight by Principal Recipient

### **Accounting system**

- Inadequate accounting system (e.g. Excel spreadsheet, single entry accounting) and procedures
- Insufficiently detailed accounting manual
- Accounting records are inadequate (sample selection can be compromised because of incomplete ledger)

### **Budget monitoring**

- Lack of budget monitoring and variance analysis
- Tolerance of over-expenditure (e.g. 10% rule) without prior approvals
- Non-approved budget for a reporting period
- Changes in budget not approved (budget re-allocation request not submitted/reviewed/authorized)

### **Cash/Bank Management**

- Co-mingled bank accounts
- Absence of regular bank reconciliation (use of cheques with no beneficiary name / cheques cashed by others than intended beneficiaries (e.g. non-account payee cheques))
- Incomplete bank statements (e.g. absence of beneficiary details)
- Falsified bank statements
- Excessive cash payments
- Inadequate cash books including lack of audit trail for cash advances
- Frequent cash withdrawals including for payments to vendors
- Excessive charges on FOREX conversion and unfavorable rates of conversion applied by banks

### **Procurement**

- Frequent diversions from List of health products, quantities and costs without prior notification to the Global Fund/LFA
- Quotations from the same suppliers (fictitious bidders)
- Fake tender process
- Split contracts for similar goods
- Split procurements to lower threshold for opening bid to allow for direct procurement

- Same vendors for different goods
- Inadequate product selection process (e.g. substandard/counterfeit drugs on the market)
- Bid evaluation committee does not include external/neutral parties
- Conflicts of interest between staff and suppliers (no conflict of interest policy)/international consultants representing commercial interests (lack of vetting of consultants)
- Corrupt practices by suppliers
- Government interference in large procurements
- Goods purchased at a higher price than the local/applicable market rate
- Inclusion of discriminatory requirements in the technical specifications
- Weaknesses in the tender evaluation methodology (e.g. lack of evaluation criteria)
- Arbitrary disqualification of tenderers
- Incomplete procurement files
  - No documentation of evaluation/selection process
  - Missing bid documents
- Excessive single source procurements
- Fake bids
- Last minute changes to bidding requirements
- Excessive emergency procurement bypassing normal procurement procedures
- Procurement advertised with insufficient time for bidders to respond (possibly indicating that winning bidder may have had advance notice)

### **Supply Chain management**

- Poor logistics management information systems (LMIS)
- Challenging logistics of supplies with limited and expensive local transportation options
- Inadequate procurement and supply management capacities and skills at the national/Principal Recipient level
- Frequent changes in treatment regimens and difficulties to manage the transition
- Drugs are diverted from central medical stores, from public hospitals to private markets
- Frequent stock-outs at central medical stores
- Lack of official list of specimen signatures of persons authorized to sign for drug orders in each health facility
- Inadequate storage conditions throughout the supply chain
- Lack of security measures related to physical access to the warehouses
- Poor inventory management, i.e. lack of regular monitoring of real stock, stock register not maintained/not updated regularly
- Lack of physical inventory controls
- Insufficient spot checks at warehouses, lack of stock audit

### **Expenditures**

- Expenditures outside of budget without prior approval (Principal Recipient, sub-recipient levels)

- Payment for “soft activities” (printing materials, trainings, DSAs, travel, consultancy services)
- Per diems paid in cash
- Payments for services not delivered
- Absence of supporting documents
- Double-dipping of donors’ funds (photocopies of supporting documents)

### **Payroll**

- Payroll is prepared manually
- Top-ups in addition to regular salaries
- Cash payment of salaries
- Recurring salary advance payments to staff
- Long outstanding advances to staff
- Lack of pay slips
- Lack of employment contracts/terms of reference
- “Ghost” employees
- No records of employee daily office attendance and annual leaves
- Employees authorize office memos/vouchers on the dates when they are out of office

### **Other Income**

- Income received from social marketing is not accounted for
- Interest income from a bank account is credited in a different bank account
- VAT reimbursement is credited in a separate bank account (not reported in PU/DR)
- Weak track record of refunds from suppliers
- Reimbursement of penalties by suppliers is credited in a separate bank account (not reported in PU/DR)

### **Assets Management**

- Assets purchased with grant funds are used for personal purposes (cars)/not used at all
- No insurance of assets, or insurance of assets is in the name of an employee (as beneficiary), rather than the organization
- Inadequate storage space (security)
- Poor inventory management
- Lack of physical inventory controls (e.g. assets not tagged)
- No recoveries from depleted assets or scraps

### **Programmatic data quality**

- Fake patient and treatment records
- Over-reporting of treatments/patients
- Lack of adequate or incomplete treatment documentation
- Lack of documentation on follow-up and adherence