



**CONSOLIDATED REPORT**

**ON THE AUDITS**

**OF SUB-RECIPIENTS OF GRANTS FROM THE GLOBAL FUND**

**MANAGED BY UNDP**

**(FISCAL YEAR 2019)**

**Report No. 2285**  
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**Consolidated Report on the  
Audits of Sub-recipients of Grants from the Global Fund (FY2019)  
Executive Summary**

In September 2020, the Office of Audit and Investigations (OAI) concluded the review and analysis of audit reports of projects implemented by non-governmental organizations or government institutions that were Sub-recipients (SR) of grants from the Global Fund for the fiscal year 2019 (FY2019). The audit reports were initiated and managed by UNDP Country Offices. The main objective of these audits is to provide UNDP with assurance that resources have been used in accordance with the SR agreements and relevant regulations and rules, policies and procedures of UNDP. This report presents the consolidated results of these SRs audits.

**Purpose and scope of the OAI review**

The OAI review aimed to: (a) analyse the distribution of the audit opinions; (b) highlight the audit areas under which the internal controls of the SRs were assessed as weak; (c) identify common audit issues; and (d) determine the implementation status of the prior year's audit recommendations. The review covered 52 audit reports for FY2019 that had been uploaded by Country Offices in the Comprehensive Audit and Recommendation Database System (CARDS) of OAI.

These 52 audit reports pertained to 14 projects funded by the Global Fund and implemented by 48 SRs in 10 countries for which UNDP was the Principal Recipient, as well as one regional programme<sup>1</sup> that met the required audit criteria set by OAI. The reports covered FY2019 project expenses totalling \$51.8 million, equivalent to 67 percent of the overall UNDP/Global Fund SR expenses of \$77.6 million for 2019.

**Results of the review**

The auditors expressed unmodified opinions on the entire amount of \$51.8 million of expenses audited. This is an improvement from the FY2018 audit exercise when the auditors had expressed modified opinions on 1 percent of the audited expenses.

In addition to providing an opinion on the statement of expenses for the SRs audited, the auditors rated 12 areas of internal controls for each SR audited. The number of unsatisfactory ratings in those areas was low, and only 1 percent of all the ratings provided in the audit areas assessed was unsatisfactory.

The auditors raised a total of 221 audit observations for FY2019. Most of the audit observations related to three areas, namely, financial management, management and use of equipment/inventory, and project progress and rate of delivery. The area of financial management had the highest number of audit observations/recommendations. The most common audit issue in this area was the inadequate recording of expenses and/or ineligible expenses.

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<sup>1</sup> The Kiribati Ministry of Health as Sub-recipient of the Multi Country Western Pacific Programme

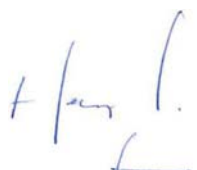
### Implementation of prior year audit recommendations (FY2018)

OAI focused its assessment on the implementation status of the high priority recommendations. Of the 41 high- priority FY2018 recommendations, 38 (93 percent) had been implemented, 1 (2 percent) had not been implemented, and the remaining 2 (5 percent) had been withdrawn because the related projects ended in 2018.

### Management action plan

In 2020, the Global Fund Health Implementation Support Team, HIV Health and Development Group in the Bureau for Policy and Programme Support (the “Team”) continued to strengthen the SR audit approach/process and follow-up through developing centrally managed Long Term Agreement with external audit firms, review of audit firm performance and ongoing monitoring throughout the audit process. The Team continued to develop SR management tools and guidelines and conducted a financial management workshop with special attention to SR financial management and verification of SR reports.

In early, 2021 the Team will finalize the (i) work on the revision of the capacity assessment tool with a differentiated approach based on risk and nature of activities; (ii) development of an SOP for financial verification of SR reports to improve quality of financial verification; and (iii) asset management guidelines to strengthen management of SR assets. The Team’s ongoing activities for SRs include monitoring the Country Office follow-up of previous audit recommendations and providing targeted support and central monitoring.



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