



**CONSOLIDATED REPORT**

**ON THE AUDITS**

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

**MANAGED BY UNDP**

**(FINANCIAL YEAR 2020)**

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**Consolidated Report on the  
Audits of Sub-recipients of Grants from the Global Fund (FY2020)  
Executive Summary**

In September 2021, 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 financial year 2020 (FY2020). 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 42 audit reports for FY2020 that had been uploaded by Country Offices in the Comprehensive Audit and Recommendation Database System (CARDS) of OAI. These 42 audit reports pertained to 18 projects funded by the Global Fund and implemented by 40 SRs in 13 countries for which UNDP was the Principal Recipient (PR), as well as one regional programme<sup>1</sup> which met the required audit criteria set by OAI. The reports covered FY2020 project expenses totalling \$44.7 million, equivalent to 61 percent of the overall UNDP/Global Fund SR expenses of \$72.8 million for 2020.

**Results of the review**

The auditors expressed modified opinions on the expenses of 5 out of the 40 SRs for a total overstatement of expenses of \$598,455 or 6 percent of the related audited expenses for the 40 SRs. The auditors expressed unmodified opinions for the remaining 35 SRs.

In addition to providing an opinion on the statement of expenses for all 40 SRs audited, the auditors provided, in 18 of the 42 audit reports, a review of 12 areas of internal controls. The number of unsatisfactory ratings in those areas was low – only 2 percent of all the ratings provided in the audit areas assessed were unsatisfactory.

The auditors raised a total of 143 audit observations for FY2020. Most of the audit observations related to three areas, namely, financial management, management and use of equipment/inventory, and human resources selection and administration. The area of financial management had the highest number of audit observations. The most common audit issue in this area was the inadequate recording of expenses.

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<sup>1</sup> The Vanuatu Ministry of Health, the Marshall Islands Ministry of Health, and the Federal States of Micronesia Department of Health as Sub-recipients of the Multi Country Western Pacific Programme.

### Implementation of prior year audit recommendations (FY2019)

OAI included in its assessment the implementation status of the high priority recommendations. As of 8 December 2021, all 22 high-priority FY2019 recommendations had been implemented.

### Management action plan

In 2021, the Global Fund Health Implementation Support Team, and the HIV Health and Development Group in the Bureau for Policy and Programme Support (the “Global Fund Team”) implemented measures strengthening the special SR audit regime, which was established in 2012 for the audit of SRs of Global Fund projects. These measures included i) updating the Terms of Reference for SR audits; ii) reviewing audit plans from the Country Offices; iii) reviewing the performance of SR audit firms; iv) monitoring the audit process; and v) tracking the implementation of SR audit recommendations.

In addition, in 2021, the Global Fund Team undertook a review of the risk management framework for the Global Fund portfolio, analysing the OAI SR audit reports over the past five years (2015–2020). Based on this review and in consultation with OAI, Regional and Central Bureaux, the Global Fund Team will implement the following measures in 2021–2022 to strengthen SR performance, management and oversight: (i) updating the SR Capacity Assessment Tool based on a pilot conducted in 2021; (ii) implementing SOPs for the new SR Capacity Assessment Tool; (iii) implementing the new SOPs on asset management; (iv) providing training on the SR reporting tool and SR expense verification process; and (v) updating and strengthening the SR Agreement Template, in collaboration with the Office of Legal Services. In addition to these measures, the Global Fund Team introduced quarterly performance reviews with Resident Representatives, and semi-annual portfolio reviews with Regional Bureau Deputy Directors to strengthen performance monitoring, oversight and accountability for Global Fund grants. These quarterly and semi-annual reviews will include an examination of SR management issues, and the implementation of SR audit recommendations.

Finally, through active follow-up by Country Offices, over 90 percent of the modified opinions on the expenses (\$598,454) have been successfully resolved.



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