



**CONSOLIDATED REPORT**

**ON THE AUDITS**

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

**MANAGED BY UNDP**

**(FINANCIAL YEAR 2021)**

**Report No. 2605**  
**Issue Date: 12 January 2023**

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**Consolidated Report on the  
Audits of Sub-recipients of Grants from the Global Fund (FY2021)  
Executive Summary**

The Office of Audit and Investigations (OAI) reviewed and analyzed the audit reports of projects implemented by non-governmental organizations or government institutions that were Sub-recipients (SR) of grants from the Global Fund for financial year 2021 (FY2021). The audits were conducted by contracted independent auditors and managed by various UNDP Country Offices globally. The main objective of these audits was 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.

The consolidated report aims to: (a) analyze 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.

A total of 66 audit reports for FY2021 have been uploaded by Country Offices in the Comprehensive Audit and Recommendation Database System (CARDS). These 66 audit reports pertained to 25 projects funded by the Global Fund and implemented by 58 SRs in 16 countries for which UNDP was the Principal Recipient (PR), as well as one multi-country programme<sup>1</sup> that met the required audit criteria set by OAI. The 66 audit reports covered FY2021 project expenses totalling \$47.9 million, equivalent to 74.5 percent of the overall UNDP/Global Fund SR expenses of \$64.3 million for 2021 (excluding UN agency SR expenditures).

The auditors expressed modified opinions on the expenses in 3 out of 66 audit reports for a total overstatement of expenses amounting to \$42,374 or 5 percent of the related audited expenses. The modified audit opinions were due to unsupported expenditure and incorrect recording of expenses. The auditors expressed unmodified opinions in the remaining 63 audit reports.

The auditors raised a total of 310 audit observations for FY2021. Most of the audit observations related to three areas, namely, financial management (130 or 42 percent), human resources selection and administration (50 or 16 percent), and project progress and rate of delivery (41 or 13 percent). The area of financial management had the highest number of audit observations and the most common audit issues in this area related to weaknesses in the financial control systems and lack of adequate supporting documentation for expenses incurred.

### **Management action plan**

In 2022, the Global Fund Health Implementation Support Team, HIV and Health Group, within the Bureau for Policy and Programme Support (the "Global Fund Team") continued to follow the special SR audit regime, which was established in 2012 for the audit of SRs of Global Fund projects. The Global Fund Team, in coordination with OAI established Long-Term Agreements (2022–2024) with independent audit firms, and conducted onboarding sessions with the new firms contracted. During 2022, the Global Fund Team also supported Country Offices through the FY2021 SR audit process, including the review of audit plans, support to the secondary bidding process, reviews of reports, implementation of audit observations, and annual performance reviews of the audit firms. The Global Fund Team supported Country Offices with reviewing the status of SR observations during the preparation of the FY2022 SR audit plans.

The quarterly portfolio risk reviews with Resident Representatives and semi-annual reviews with Regional Bureaux and Central Bureaux, which were approved by the Organizational Performance Group (July 2021)



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provide a strong platform to strengthen performance monitoring of SRs, with special attention to the implementation of SR audit observations, asset management, and aging and settlement of SR balances. The Global Fund Team provided support to several Country Offices to enhance SR reporting processes (e.g., Afghanistan, Angola, Chad, Guinea-Bissau, and Sudan).

Finally, through active follow-up with Country Offices, the management actions for the three SRs with modified opinions on the expenses (\$42,374) have been fully implemented.

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