



Independent observer  
of the Global Fund

## Major Improvements Needed to Make External Audits More Reliable in Six of 10 Global Fund Regions, OIG Says

The Office of the Inspector General (OIG) says that major improvements are needed in the reliability of external audits of Global Fund grants in six of the 10 regions it examined.

This refers to audits carried out by external auditors, not audits conducted by the OIG. All grants are supposed to be audited annually by an external auditor. External audits provide an opinion on the proper use of grant funds and provide input for decision-making on the disbursement of those funds, as well as on the renewal of grants within the Global Fund's performance-based funding framework.

According to the OIG, the Global Fund Secretariat considers the external audit of grants as a cornerstone of its Grant Management Assurance Framework (also known as the Risk Management Framework).

The reviews by the OIG, conducted in 2013, evaluated the extent to which the Global Fund can place reliance on the external audits for managing its grants. The reviews encompassed external audits carried out between 2011 and 2013 in 29 countries and on 44 grants. Not all countries or grants in each region were reviewed. The composition of the regions in the OIG reports is based on the organisational structure for managing grants in the Grant Management Division in the Secretariat.

The OIG recently published separate reports on the reviews it conducted in each region. These reports are available [here](#).

Each of the reports makes reference to a consolidated OIG report on the oversight provided by external audits that the OIG has prepared for the Secretariat. However, at present the OIG does not plan to make the consolidated report public because it concerns internal assurance findings. The OIG told GFO that this

decision follows recent changes to its charter and recommendations made by the High-Level Review Panel. Thus, the information in this article is based on a review by Aidspan of all 10 regional reports, and on the contents of a letter from Global Fund Executive Director Mark Dybul which was included in each report.

The six regions where the OIG said that major improvements are needed are: High Impact Africa 1, High Impact Africa 2, High Impact Asia, Central Africa, Middle East and North Africa, and Western Africa. In two regions – Southern and Eastern Africa, and Southeast Asia – the OIG said that “some improvement” is needed. In the remaining two regions – Eastern Europe and Central Asia, and Latin America and the Caribbean – the OIG said that the external audits were generally reliable.

The High Impact Africa 1 region consists of Democratic Republic of Congo, Cote d'Ivoire, Ghana, Nigeria, Sudan and South Africa. External audits from Cote d'Ivoire, Ghana and Nigeria were included in the review.

High Impact Africa 2 involves Ethiopia, Kenya, Mozambique, Tanzania, Uganda, Zambia, Zimbabwe and Zanzibar. External audits from Ethiopia, Mozambique, Tanzania and Zanzibar were included in the review.

The High Impact Asia region is made up of Bangladesh, India, Indonesia, Myanmar, Pakistan and Philippines. External audits from Bangladesh, India and Myanmar were included in the review.

Dr Dybul said in his letter that the overall conclusion of the OIG is that existing audit arrangements are not satisfactory, and that existing “controls do not allow the Global Fund to generally rely on the external audit of grant recipients for assurance.” Dr Dybul identified the following findings from the OIG’s consolidated report:

- External audits did not consistently cover key risks relating to the use of grant funds.
- Processes to ensure the independence and evaluate the performance of external auditors were not sufficient.
- Extensive delays were noted in the submission of audit reports.
- Delays were noted in the actions taken by the Secretariat to address concerns identified by external auditors.

In his letter, Dr Dybul cited five recommendations made by the OIG in its consolidated report. They are as follows:

- Implement without delay the three recommendations of the High-Level Review Panel relating to external audit, which include (a) having the Audit and Ethics committee approve minimum standards; (b) establishing a pre-qualified pool of auditors; and (c) developing a protocol for information exchange with supreme audit institutions. (A supreme audit institution provides the highest level of external audit of government bodies in a country.)
- Approve external audits before disbursements are made.
- Improve the timeliness of receipt of external audit reports.
- Take prompt action when concerns are documented in audit reports of grant recipients.
- Determine how best to derive combined assurance from external audits, local fund agents (LFAs), country coordinating mechanisms, other donors and other relevant stakeholders.

Dr Dybul said that the Secretariat agrees with these recommendations and is in the process of implementing them. Dr Dybul added that the Secretariat is strengthening the current guidelines and terms of reference for the external audit of principal and sub-recipients.

Dr Dybul said the OIG’s report should be read in the context of the numerous changes that are happening in the Secretariat, including stronger management of LFAs, with a focus on identifying risk and value-

added LFA work; the implementation of more comprehensive operational risk management; the application of the new Grant Management Assurance Framework; and a comprehensive redefinition of grant management and finance processes.

GFO described the Fund's Grant Management Assurance Framework in two articles, [here](#) and [here](#).

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