FINAL DRAFT TO BE SIGNED UPON BOARD APPROVAL OF THE FINANCIAL STATEMENTS

Comprehensive Auditor's Report

to the Global Fund Board

The Global Fund to Fight AIDS, Tuberculosis and Malaria

For the year ended 31 December 2023

—

Report submitted on 28 March 2024 for discussion at the Board meeting on 22-23 April 2024

FINAL DRAFT TO BE SIGNED UPON BOARD APPROVAL OF THE FINANCIAL STATEMENTS

Introduction

Year-end audit 2023 of The Global Fund to fight AIDS, Tuberculosis and Malaria

We are pleased to have the opportunity to meet with you to discuss the results of our audit of the financial statements of the Global Fund to fight Aids, Tuberculosis and Malaria (the Global Fund) as at and for the year ended 31 December 2023. Our audit work is designed to express an opinion on the financial statements and to examine whether the Internal Control System (ICS) over financial reporting designed by the Global Fund Board exists. Furthermore, we have the pleasure to provide you with our comprehensive auditor's report in accordance with article 728b of the Swiss Code of Obligations (CO).

The audit work has been completed. Our summarized auditor's reports, to be signed upon the Global Fund Board approval of the financial statements, contain no modifications. We recommend to the Global Fund Board that these financial statements be approved.

This report should be read in conjunction with our audit plan report dated 5 July 2023. We draw your attention to the important notice on page 30 of this report which explains the purpose of this report, the limitations on work performed and restrictions on distribution of this report.

We would like to thank the Global Fund Board, the Management, and staff at all levels for their continued support during our audit. Furthermore, we would be pleased to discuss with you the comments and recommendations included in this report at any time.

Yours sincerely,

KPMG SA

(Signature)

Alexandra Depoire
Licensed Audit Expert
Auditor in Charge

(Signature)

Elodie Elloy
Licensed Audit Expert

cc: Members of the Audit and Finance Committee, Chief Financial Officer, Executive Director and Inspector General

Our audit on one page

Audit findings

Significant risks	Current year Uncorrected audit misstatements	Open control observations CD	Open control observations PIO
Revenue recognition	-	-	-
Completeness, existence (cut-off) and approval of grant expenses	-	-	-
Management override of controls	-	-	-
Other focus areas			
Trust Fund & Investments	-	-	-
Employee benefit liability	-	-	-
Contingent liabilities	-	-	-
Additional scopes			
Fiduciary oversight activities – Grant external audit	-	-	1
Strategic Initiatives	-	-	-
Personnel costs – Insurance reimbursable costs	-	1	-
Other areas (incl. ITGC & prior year additional scopes)	-	-	1

Key Messages

- We issued an audit opinion on the IFRS and statutory financial statements 2023 of the Global Fund with no modifications.
- We confirmed that an internal control system exists (in accordance with Swiss auditing standard SA-CH 890).

Audit misstatements

Page 19

No uncorrected audit misstatement except for the roll-forward of a 2022 uncorrected misstatement (impact: USD 9m increase in grant expenses).

One corrected misstatement relating to the reclassification of discounting impact of non-current grant payables, without any net P&L impact (USD 18m).

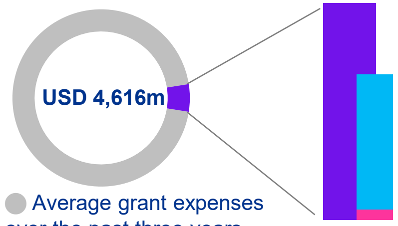
Control environment

Page 20

Number of control observations (financial and IT) and status			
Level of Risk	CD	PIO	✔ Resolved
Current Year	1	-	-
Prior Years	-	2	5

We obtain an understanding of internal control to design appropriate audit procedures, but not to express an opinion on the effectiveness of the Global Fund's internal control.

Materiality

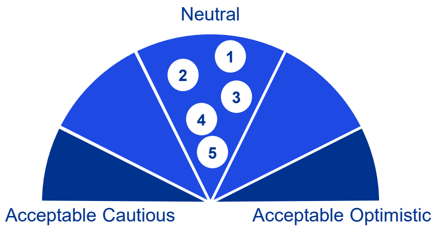


Average grant expenses over the past three years

Materiality	**USD 125m**
Performance Materiality	**USD 93.7m**
Reporting threshold	**USD 6.25m**

Estimates

Page 17



1	Employee benefit liability
2	Expected credit loss on contributions receivable
3	Discounting of contributions receivable
4	Fair value of forward hedges
5	Fair value of Trust Fund investments

Executive Summary IT Audit Results

Risk description

- Business processes and related controls are supported by IT systems and applications including system generated reports. Hence, insufficiently implemented business processes and controls, including underlying General IT Controls (GITCs), may prevent the ability to rely on application controls, IT-dependent manual controls and electronic audit evidence, ultimately impacting the completeness, accuracy and integrity of financial reporting.

Our response

- We tested General IT Controls relevant to the Global Fund's financial reporting process. Based on our risk assessment, we focused our procedures on GFS Fusion (Financial system), GOS (Grants management system), Wambo (central procurement) and Kyriba (payments). We covered user access, change management and IT operations. In addition, we conducted testing of automated IT application controls addressing financial risks on the grants process.
- In addition, we performed data analytics procedures on the following areas:
  - Approval of Annual Funding Decisions in accordance with internal policies
  - Reconciliation of Annual Funding Decisions and Disbursements across relevant systems (refer to page 9)
  - Journal Entry testing

Our results

- We have confirmed our overall positive impression over the adequate implementation and operation of GITCs during our audit. We noted that all relevant key General IT Controls exist, and with an exception on user access management, they are executed in a structured and controlled manner.
- In addition, we concluded positively on the operating effectiveness of the tested IT automated controls related to the grants process.

Future considerations

- The Global Fund should continue its efforts to address the observation raised during the IT audit in order to further improve the robustness of its IT environment. While there were a few exceptions noted in the operation of controls, further improving the control environment will result in increased assurance over the integrity of financial information.
- In addition, as Management continues to deliver on its strategy and revisit its IT operating model, it should maintain focus on foundational technology aspects such as cybersecurity, data governance and third-party risk management.
- Finally, Management should continue to take a proactive approach towards Artificial Intelligence (AI) and identify use cases in order to benefit from the latest technological innovations that are becoming mainstream. This should play a key role in enhancing and improving the way the Global Fund operates and achieves its strategic objectives.

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Audit execution & insights

02

Significant Risk

Risk due to:	
Fraud:	**Error:**
No	Yes

1 Revenue recognition

Existence and accuracy of revenue

Risk description

- Significant contribution agreements were signed in 2023 for a total of USD 6,264m.
- There is an inherent risk of error due to the potential judgments involved in revenue recognition in accordance with donor's agreements (considering conditionality may exist with donor agreements).

Dedicated audit consideration and audit response is necessary to ensure the criteria for revenue recognition are appropriate considering the magnitude of individual agreements signed.

Our response

- Performed contribution process walkthroughs to update our understanding and identify relevant manual and automated controls. Tested the design and implementation of controls over the recognition, recording and classification of conditional contributions from donors.
- Assessed contributions received towards the 7th Replenishment to determine whether those have been accounted for in accordance with the related accounting policies and IFRS.
- Ensured the correct accounting treatment has been applied to the contribution agreements and performed audit procedures to ensure completeness (cut-off) by checking related contributions contracts recorded after year-end and to ensure existence and accuracy of the contributions and receivables by statistical sampling.
- Analyzed the judgments made by the Secretariat for the deferrals and recognition of certain contributions depending on the conditions of the associated grant.
- Analyzed the judgments and estimates made by the Secretariat on expected credit losses and discounting of contribution receivables.
- Considered the adequacy of disclosures in respect of donor activities.

Our findings

- We tested the controls that exist over the revenue recognition process with no major findings.
- We tested a sample of contributions recognized in 2023, and did not identify any findings with respect to the existence, accuracy or completeness of contributions and/ or receivables.
- We audited the discounting impact of long-term receivables and note that it was correctly accounted for, and the prior year misstatement was reclassified within the income statement.
- We reviewed the judgements and estimates made by the Secretariat on excepted credit losses noting that the decrease is largely due to the write-off of a contribution from the 6th Replenishment, which was completely provisioned in 2022 (refer to page 17).
- Disclosures were found to be adequate.

Significant Risk

Risk due to:	
Fraud:	**Error:**
Yes	Yes

2 Completeness, existence (cut-off) and approval controls of grant expenses

Risk description

There is an inherent risk of fraud and error that:

- grant approval controls are deemed to be ineffective; and/or
- grant expenses are recognized in the incorrect period;

Grant expenditures are recognized upon:

- communication to the Principal Recipient of the funds committed; or
- the approval of the purchase order for procurement purposes.

Dedicated audit consideration and audit response is necessary considering the volumes going through the grant process.

Our response

- Performed grant process walkthroughs to update our understanding and identify relevant manual and automated controls. Tested the design, implementation and operating effectiveness of key controls over the grants process.
- Specifically:
  - Performed Data Analytics (D&A) procedures to ensure that 100% of the annual funding decisions (AFD) were approved according to the relevant policies.
  - Tested Wambo automated controls related to "transaction authorization".
  - Carried-out a review of the key controls performed by Country Teams, as part of their oversight of the field activities, and established links with the grant financial statements
- Performed audit procedures to:
  - Perform D&A testing to ensure a three-way-match of Annual Funding Decisions from approval to disbursement.
  - Ensure the completeness and accuracy of the sampled grants populations selected for testing.
  - Ensure grants are recognized and recorded in the appropriate period.
  - Validate grant-related disclosures.

Our findings

- Automated and manual controls were deemed to be appropriately designed, implemented and operating effectively.
- Grant expenses and payables were deemed to be accurate and complete:
  - On AFDs, we performed D&A testing on commitments and disbursements and automatically matched 88% of commitments and 94% of disbursements. We performed audit procedures on the remaining unmatched population (refer to next page).
  - On Wambo, we performed statistical sampling on expenses and balance-sheet roll-forward procedures on payables.
- Grant-related disclosures were found to be complete and accurate.

Data Analytics approach – Grants

Below shows simplified grants process for Annual Funding Decisions (AFD) ie excluding Wambo, along with the related audit approach undertaken.

Accounting impact

- Contingent liability disclosure
- Grant expenses (P&L)/ Grant payable (BS)
- Reduction in grant payable

Process steps

Board Approval → Grant Agreement → Commitment (AFD) → Communication to PR* → Cash disbursement

Audit procedures performed

Audit of contingent liability disclosure

- Test of the information contained in the grant report
- Reconciliation with the notes to the financial statements

D&A procedures

- Testing of all AFD approvals in accordance with internal policies (in GOS)
- Matching of AFD commitments throughout GOS, Fusion (general ledger) and website (refer to next page)

D&A procedure

- Reconciliation of all AFD disbursements throughout GOS, Fusion (general ledger) and Kyriba (payments) systems (refer to next page)

**Communication to PR in a first instance through notification letters, or through publication on The Global Fund's website (the latter is used for Data Analytics purposes)*

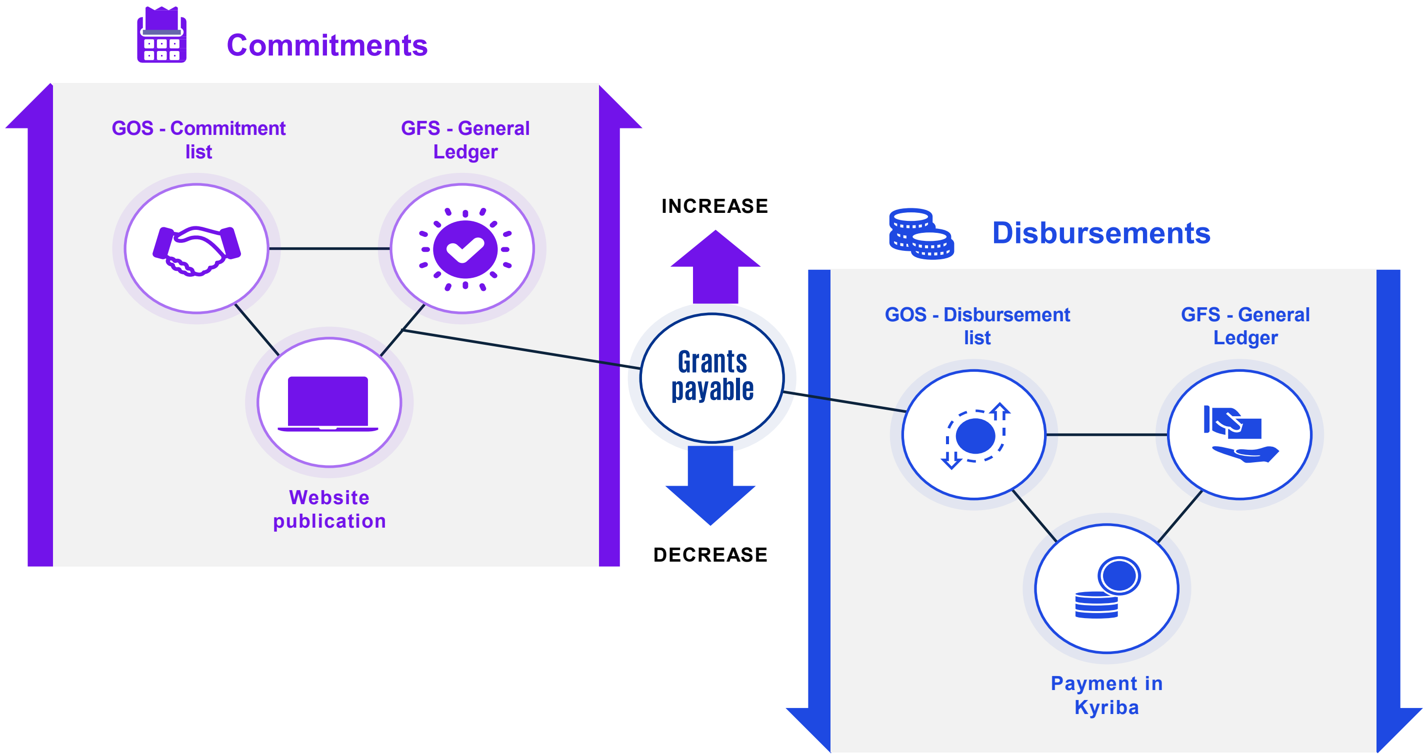
Manual activities | *Activities with automated components*

Data Analytics procedures on AFDs

Successful D&A procedures over AFDs in 2023

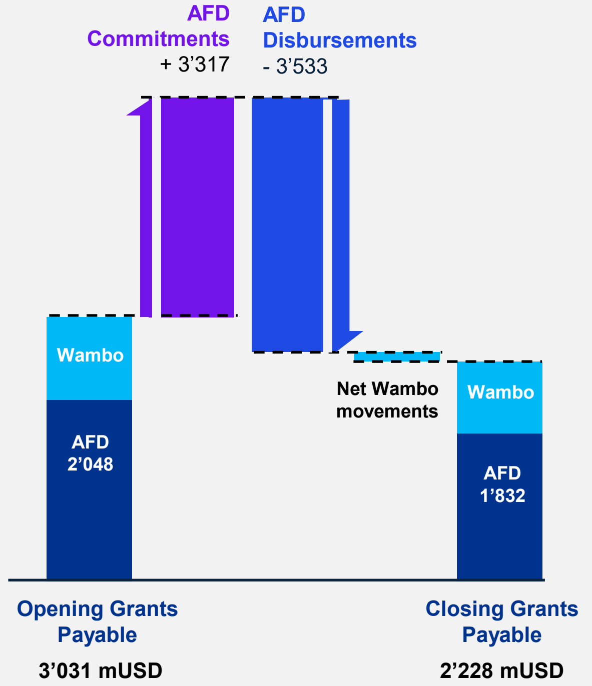
Below provides an overview of the Data Analytics reconciliations throughout the various systems. The following principles were used to build automated procedures:

- Transactions are originating from the Grant Operating System (GOS);
- They are then interfaced in Fusion (GFS), the financial system; and
- Various systems play a part at the end of the process (publication of AFD on website, payment in Kyriba).



Grants payable rollforward

(in USD millions)



Data Analytics results

Why we use Data Analytics (D&A) in our audit

- A centralized D&A Approach drives automation and standardization of all KPMG financial statement audits
- We can focus on risk related areas whereas D&A procedures replace time consuming repetitive activities
- The use of centralized D&A enables us to generate, visualize and present additional insights to you

Tailor-made D&A procedures

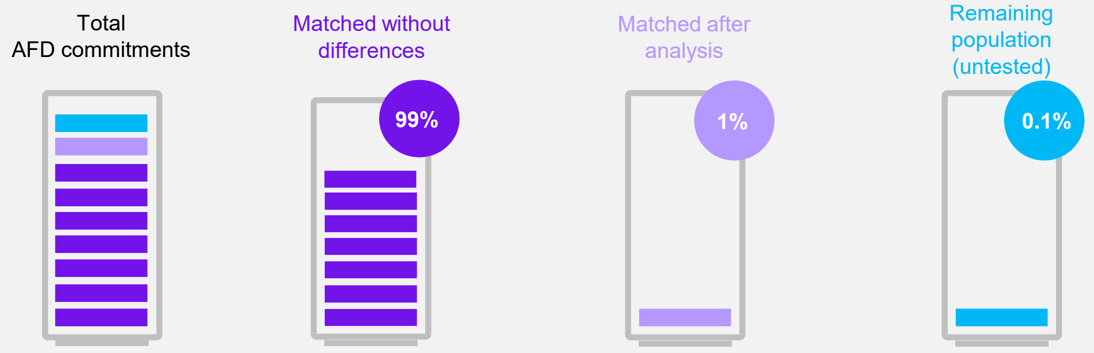
We continued to implement customized D&A procedures specifically tailored to the Global Fund AFD process, in close collaboration with our IT specialists. Data was extracted centrally with the assistance of Global Fund's IT team. Datasets were collated and analyzed to determine matched and unmatched transactions. From there, the audit team analyzed with the assistance of the Global Fund Finance team any unmatched items to categorize them and determine further audit procedures to be performed. To validate completeness and accuracy of the datasets used, we directly tested a representative sample.

Data analysis and audit conclusions

We classified AFD commitments and disbursements into three categories:

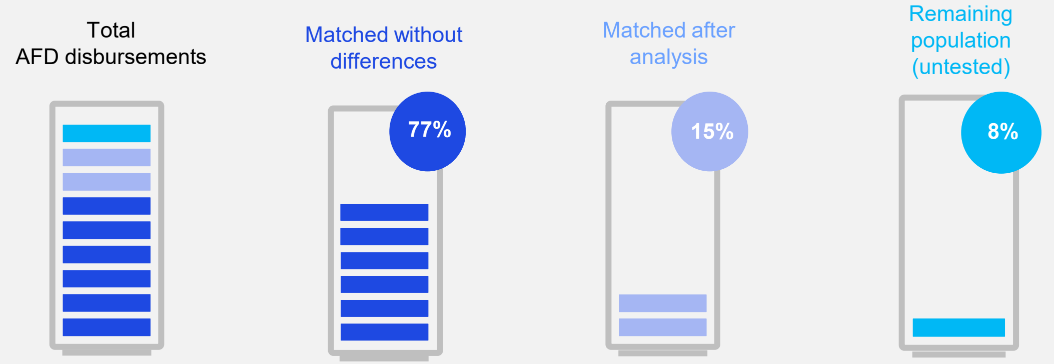
1) 3-way matched between the systems without differences, i.e. automatically audited
2) Further analyzed population to understand the reason why the systems do not match directly with other sources. In order to validate this data, we either performed an ad-hoc reconciliation or directly tested relevant transactions
3) Remaining population that is not material and on which no further audit procedures were performed.

Commitments



***Matched without differences**: 3-way match between GOS, Fusion (general ledger) and website*
***Matched after analysis**: AFD upon implementation closure match between Fusion and the website, but do not pass through GOS*

Disbursements



***Matched without differences**: 3-way match between GOS, Fusion (general ledger) and Kyriba (payments)*
***Matched after analysis**: Modified AFDs which result in zero payments, missing Kyriba details*

Significant Risk

Risk due to:	
Fraud:	**Error:**
Yes	No

3 Management override of controls

Risk description

- Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- Fraudulent financial reporting often involves management override of controls that otherwise may appear to be operating effectively.

Our professional auditing standards require this significant risk to be added to every audit.

Our response

- Using data and analytics, we tested the completeness of journal entries for the year.
- Selected higher risk journal entries for detail testing based upon specific criteria.
- Assessed the appropriateness of the accounting for significant unusual transactions, if any.
- Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Discussed with management and staff to understand whether any override of controls has taken place during the year, taking into account of the results of all audit procedures.

Our findings

- All journal entries tested appeared reasonable and were recorded by the appropriate accounting personnel.
- All journal entries sampled were properly supported and reflected the underlying transaction appropriately.
- We did not identify any instances of Management override of controls.
- No significant unusual transactions were identified in the current year audit.

Areas of audit focus

4 Trust Fund Investments

The observation

- The Global Fund injects excess cash in a Trust Fund which is administered by the World Bank, whilst maintaining cash at bank for operating purposes. Over the past few years, the related Trust Fund balance has been increasing to reach USD USD 5bn at 31 December 2023.
- An adequate monitoring and oversight is required from the Global Fund over the World Bank’s processes (for activities directly handled by the World Bank as well as the ones subcontracted to third party providers). Accounting and disclosure requirements under IFRS can be complex depending on the nature of the investments held.
- Accounting and disclosure requirements under IFRS can be complex depending on the nature of the investments held.

Our response

- Obtained an external confirmation from the World Bank to ensure completeness, existence and accuracy of investments held by the Global Fund in the Trust Fund.
- Performed a walkthrough over the Global Fund’s oversight mechanism of the World Bank.
- Tested the fair value of a sample of individual investments, involving valuation specialists to assess the valuation and fair value hierarchy level.
- Performed audit procedures on the disclosures in relation to financial instruments, to ensure IFRS compliance.

Our findings

- Audit procedures were satisfactorily completed.
- An updated control over World Bank valuation has been implemented by the year-end.

Keep an eye on

- During our testing of the valuation of the individual instruments within the Trust Fund, we noted a difference below our thresholds regarding a cross currency swap. Discussions with the World Bank led us to understand that a technical error in their system caused a missing data point in the valuation process. As a result, the market value of this swap was incorrect. We extrapolated the difference noted to the full population and did not report it as below our reporting threshold.
- Through our discussions, we noted that the technical issue was recently known by the World Bank. This stresses the importance of the oversight of third party providers, considering the magnitude of the Trust Fund balance within Global Fund’s balance sheet.

Areas of audit focus (cont.)

5 Employee benefit liabilities

The observation

- Employee data is a key input used by the Global Fund's actuary to estimate the amount of the liability in accordance with IAS 19.
- Assumptions are used in the employee benefit determination according to IAS 19 (for instance discount rate), which could lead to a material misstatement if not regularly updated.

Our response

- Tested the IAS 19 input data to make sure that the employee benefit liability presented in the financial statements takes into consideration the movements in headcount.
- Assessed the evolution of critical actuarial assumptions for reasonableness and Swiss best practice / trends.
- Challenged and evaluated the key assumptions used to develop the projected financial information including, using our actuarial experts to help assess the key assumptions in the IAS 19 report prepared by actuary.

Our findings

- We tested the IAS 19 input data and did not identify any issues affecting the employee benefit liabilities.
- The updated methods and key assumptions used to develop the projected financial information were deemed to be appropriate (refer to page 17).

6 Contingent liabilities

The observation

- Contingent liabilities for grants are reported when the possible maximum obligation under the grant becomes clear and is communicated to the Principal Recipient. They represent a possible obligation that can be reliably measured but is still dependent on future events like the performance of the Principal Recipient and the availability of funding.

Our response

- Tested the completeness and accuracy of the Grant Report – a system-generated report that is key in the calculation and determination of contingent liabilities, to ensure the related disclosure is complete and accurate.
- Followed up on prior year recommendations on the grant closure process to ensure accurate update of contingent liabilities.

Our findings

- The Grant Report was found to be complete and accurate. Management monitors grant agreements that are signed around the year-end date to ensure the contingent liabilities disclosure is accurate.
- Although the process implemented for the calculation of contingent liabilities involves many manual adjustments, the disclosures related to contingent liabilities were deemed to be complete and accurate.

Additional scopes

7 Fiduciary oversight activities – Grant external audit

The observation

- The Global Fund does not have presence in the field and therefore implemented a monitoring and oversight framework with local assurance providers (LFAs, fiscal agents, fiduciary agents and grant external auditors).
- It is critical that the assurance providers working for the Global Fund in the field comply with the Global Fund's guidelines, and that the Secretariat adequately monitors these activities, to ensure strong financial reporting process from PRs and completeness and accuracy of recoveries.

Our response

- We tested the key controls performed by the Finance Specialist in the Global Fund Country Team, focusing on the following control steps:
  - Review of the reports submitted by the external auditor to the Global Fund
  - Compliance with the Global Fund's terms of reference
  - Follow-up of past recommendations
- We checked whether the content of the grant financial statements is consistent with the information used in the key decisions made by the Country Teams.

Our findings

- No new findings were noted.
- One recommendation from the prior year was closed, and the second one is partially implemented (refer to page 21).

8 Strategic Initiatives

The observation

- Strategic Initiatives (SI) are implemented to support the success of country allocations, when they cannot be funded through country grants. For the period 2023-2025, the Board has approved a total budget of USD 400m in catalytic investments, which includes strategic initiatives.
- A dedicated OPN as well as financial management guidelines for Strategic Initiatives have been approved by the end of 2023.

Our response

- We performed the following procedures:
  - Walkthrough of the process
  - Validation that the new SI cycle follows the guidance in the new OPN
  - Test of design and implementation of key controls
- Audit procedures for a sample of key Strategic Initiatives:
  - Verification of the underlying Board/GAC decision
  - Validation of the compliance of the contractual terms and conditions with the OPN
  - Evaluation of the relationship between invoicing and service delivery

Our findings

- No exception was noted on the audit procedures performed for a sample of Strategic Initiatives.

Additional scopes (cont.)

9 Insurance reimbursable costs

The observation

- The Global Fund subscribed to insurance contracts to cover the costs associated with employee sick leave.
- A strict monitoring is required to ensure effective repayment in case of reimbursable costs.

The statistics

8,234	339
Total Amount of sick leave days for the financial year ending 31.12.2023	Total number of sick leave employees for the financial year ending 31.12.2023

Our response

- Performed a walkthrough of the process around the reimbursement of costs.
- Tested a sample of 5 employees, accounting for 319 days of sick leave and determined eligibility of sick leave being covered by the insurance (SLIC) based on conditions of the insurance contract.
- For those confirmed as SLIC Enrolled Employees, we verified the following:
  - Approval of the claim by the insurance.
  - Verification of the accuracy of the calculation of the daily allowance.
  - Validation of the correctness of the payment slip for the respective month.
  - Receipt of confirmation of proof of payment for the insurance recoverable cost.

Our findings

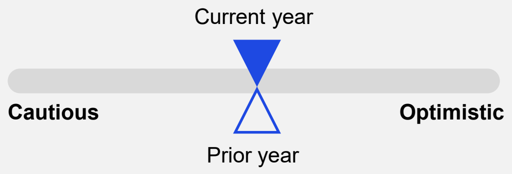
- For two cases, we inspected the admittance letter from the insurance which confirmed the employee's SLIC status. Refunds have been partially processed by the insurance, and the reimbursement to the Global Fund is in progress. Nevertheless, we were not able to challenge the daily allowance (based on the salary of the employees) provided by the insurance, nor were we able to obtain proof of payment of the reimbursement received thus far.
- For two other cases, it was determined by HR that they did not fall within the SLIC scenario and were consequently excluded from the insurance file. Out of these two cases, we noted one individual who was on sick leave for 30 workdays, came back to work 15 days and went back on sick leave for 2 weeks. If these leaves are for the same sickness, the employee should have been eligible for SLIC. However, we did not obtain the related supporting documentation to verify this.
- For the last employee selected, we were not able to obtain supporting documentation and there was uncertainty from the HR team whether this case would meet the conditions for a SLIC.
- Based on the above limitations in documentation obtained, we raised a control deficiency (refer to page 36).

Overview of key accounting estimates

Our view of management judgment

As a result of the uncertainties inherent in business activities, many items in financial statements cannot be measured with precision; these can only be estimated. Estimation involves judgements based on information that is both the latest available and reliable. Some accounting estimates require significant management judgement or involve complexity in the face of high levels of estimation uncertainty.

Our views on management judgements relating to accounting estimates are based solely on the work performed in the context of our audit of the financial statements as a whole. We express no assurance on individual financial statement captions.



Cautious means a smaller asset or bigger liability; optimistic is the reverse

Asset/ liability class	Our view of Management judgment	Balance (USD m)	YoY change (USD m)	Further comments
Employee benefit liability	Cautious – Optimistic	327	83	The determination of the defined benefit obligation under IAS 19 is complex and requires the use of assumptions by management, which are primarily driven by data as provided by the actuary. We have not identified indication of management bias as assumptions used are close to our benchmark.
Expected credit loss on contributions receivable	Cautious – Optimistic	5	(29)	Management judgment is used in the application of the expected credit loss calculation, noting that the decrease is largely due to the write-off of a contribution from the 6th Replenishment, which was completely provisioned in 2022. We have not identified indication of management bias.
Discounting of contributions receivable	Cautious – Optimistic	82	(39)	Management judgment mainly relates to the application of discounting, which we have assessed as neutral in the current year. The prior year audit misstatement has been corrected and a correct application applied in the current year.
Fair value of forward hedges	Cautious – Optimistic	75	(123)	Forward instruments are recorded at fair value, mainly driven by forward exchange rates. Decrease in the liability position of the net derivative financial instruments is due to the conversion of pledges to contributions following the 7th Replenishment conference. We have not identified indication of management bias.
Fair value of Trust Fund investments	Cautious – Optimistic	5'017	(726)	Trust Fund investments are recorded at fair value. With investments being Level 1 and Level 2 financial instruments, most valuation inputs are directly observable. As a result, we have not identified indication of management bias.

Misstatements & control observations

03

Significant audit misstatements

Audit misstatements, omissions and other errors in presentation and disclosure

*Excluding OCI and P&L impacts

Uncorrected audit misstatements greater than USD 6.25 million individually					
Description (amounts in USD million) Debit / (Credit)	**Assets**	**Liabilities**	**Funds***	**OCI**	**Statement of income**
Rollforward of prior year cut-off error for one grant which was expensed in 2022 but communicated to PR in 2023			(9.0)		9.0
Total	**-**	**-**	**(9.0)**	**-**	**9.0**

Corrected audit misstatements greater than USD 6.25 million individually					
Description (amounts in USD million) Debit / (Credit)	**Assets**	**Liabilities**	**Funds***	**OCI**	**Statement of income**
Reclassification to recognize grant expenses of discounting impact (previously recognized gross) Dr Discounting on long term financial positions Cr Grant expenses					 18.0 (18.0)
Total	**-**	**-**	**-**	**-**	**-**

Based on our audit work performed, we identified one uncorrected audit misstatement as summarized above which are not considered material in respect to the 2023 financial statements. The above summary has been attached to the representation letter.

Omissions and other errors in presentation and disclosure

None have been identified.

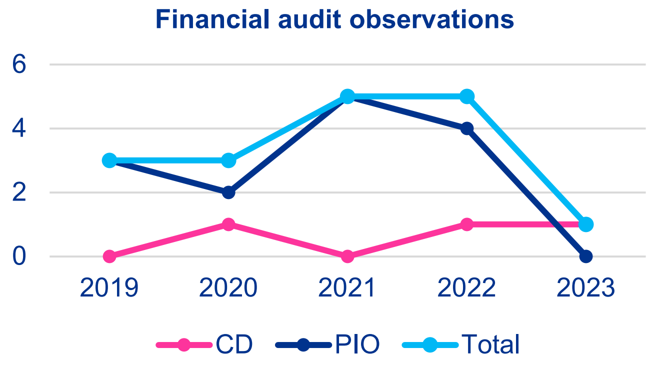
Control observations

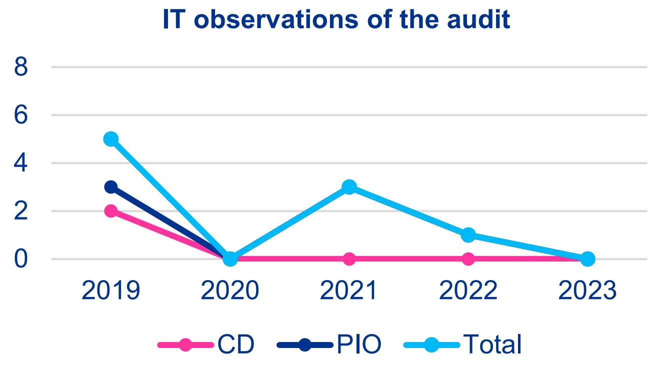
Overview of current year findings and status of prior year observations that were still open at the end of 2023

Financial audit				Page 21
Year	CD	PIO	Total	Open
2023	1	-	1	1
2022	1	4	5	1

IT audit				Page 22
Year	CD	PIO	Total	Open
2023	-	-	-	-
2022	-	1	1	1

Evolution of findings reported since 2019





Classification of control observations

Observations are rated according to the following scale:

CD – Control Deficiency

A control weakness exists that requires prompt remediation and potentially could have a significant and material impact on the business and integrity of the financial reporting. A combination of control deficiencies could result in a significant deficiency in internal controls however the impact is less severe than a material weakness, yet important enough to merit the attention of those responsible for oversight of the organization's financial reporting (i.e. those charged with governance).

PIO – Performance Improvement Observation

A minor control gap that exists in the business process. These findings are considered to improve efficiency or performance of internal controls. PIOs are designated as low risk and therefore referred to as performance improvement observations to align with industry best practices.

Financial audit observations

2023 findings	Source	Classification	Page
Open findings			
1. Limitation on the documentation obtained over sick leaves covered by insurance	Scope extension	CD	36
Findings from prior years	**Year**	**Classification**	**Page**
Open findings			
2022-2 | Control performed by Country Teams on Grant external audit reports	2022	PIO	37
Prior year findings closed in 2023			
2021-4 | Strategic Initiatives – Centralization and archiving of documentation	2021	PIO	35
2022-1 | Gaps in grant closure monitoring	2022	CD	35
2022-3 | External Audit Reviews – Assurance over UNDP grants at PR-level	2022	PIO	35
2022-4 | Wambo expenses decommitment	2022	PIO	35
2022-5 | Grant expenses cut-off	2022	PIO	35

IT audit observations

2023 findings		Classification	Page
Open findings			
None noted			
Findings from prior years	**Year**	**Classification**	**Page**
Open findings			
2022-1 | Untimely removal of access to GFS	2022	**PIO**	38

Reminder: applications in scope for General IT Controls testing

- GFS
- GOS
- Kyriba
- Wambo

Appendix

Required Communication 24

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04

Required Communication

Communications with the Board (1/2)

Type		Response
Our draft Management representation letter	●	We have not requested any specific representations in addition to those areas normally covered by our standard representation letter for the year ended 31 December 2023.
Related parties	●	There were no significant matters that arose during the audit in connection with the entity's related parties.
Other matters warranting attention by those charged with governance	●	There were no matters to report arising from the audit that, in our professional judgment, are significant to the oversight of the financial reporting process.
Control deficiencies	●	We communicated to Management in writing on 26 February 2024 (MEC meeting) all deficiencies in internal control over financial reporting of a lesser magnitude than control deficiencies and performance improvement observations identified.
Modifications to auditor's report	●	None.
Actual or suspected fraud, noncompliance with laws or regulations or illegal acts	●	No actual or suspected fraud involving Management, employees with significant roles in internal control, or where fraud results in a material misstatement in the financial statements were identified during the audit.

Type		Response
Significant difficulties	●	No significant difficulties were encountered during the audit.
Disagreements with Management or scope limitations	●	The engagement team had no disagreements with Management and no scope limitations were imposed by Management during the audit.
Other information	●	No material inconsistencies were identified related to other information in the annual report.
Accounting practices	●	Over the course of our audit, we have evaluated the appropriateness of the Global Fund's accounting policies, accounting estimates and financial statement disclosures. In general, we believe these are appropriate.
Significant matters discussed or subject to correspondence with Management	●	Significant matters i.e., referred to as significant topics in this report, arising from the audit were discussed with Management.
Interaction with the audit and finance committee	●	We attended three formal meetings with the Audit and Finance Committee during the year i.e. July 2023, September 2023 and March 2024.

● On track ● Action required ● Neutral

Communications with the Board (2/2)

Type		Response
Information on independence and professional qualification and additional services provided	●	We meet the requirements of the guidelines on independence issued by EXPERT Suisse and the IESBA Code of Ethics for Professional Accountants 290 "independence – assurance engagements". Audit fees for the year 2023 were CHF 790,000 related to the annual IFRS and statutory audits, limited review as well as audit of the Global Fund Provident Fund. Services provided in addition to the audit services are described on page 33 in the Appendix of this comprehensive report.
Material uncertainty regarding the entity's ability to continue as a going concern	●	We have considered the appropriateness of Management's use of the going concern assumption in the preparation of the financial statements in accordance with SA-CH 570 and ISA 570. We concur with this assessment.
Significant off balance sheet transactions and use of special purpose entities	●	Contingent liabilities related to Board grant approvals remain the most significant off-balance sheet transaction. For 2023, it amounts to USD 11,103m (2022: USD 5,093m).

Type		Response
Significant subsequent events	●	We have considered the effect of subsequent events on the financial statements and on the auditor's report in accordance with SA-CH 560 and ISA 560. The subsequent events are disclosed in the notes, if any.
Timing of audit work performed	●	We have performed the interim audit during the period from September to December 2023 and the final audit during the period from January to April 2024. In addition, a review over transactions for the half-year ending in 30 June 2023 was performed from July to August 2023.
Revision of materiality as the audit progressed	●	Materiality was revised during the course of the audit, refer page 27.

● On track ● Action required ● Neutral

How we conducted the audit

Changes to our audit strategy

We have not made any changes to our audit strategy and plan as communicated to you on 5 July 2023, other than a revision of our materiality to USD 125m, which is higher than the amount communicated to you previously (USD 116m based on forecasts). Our materiality calculation is based on a 3-year average of grant expenditure. Our reporting threshold was slightly increased as a consequence, from USD 5.8 to 6.25 m.

Internal Controls

Sound internal controls form the basis of an effective control environment.

Swiss Law requires the external auditor to test and report as to whether the Global Fund has an existing internal control system (ICS) related to the preparation of the financial statements.

In order to confirm the existence of the ICS, we tested design and implementation of the following financial processes and their key controls but did not test their operating effectiveness:

- Contributions
- Grants (Country Team controls)
- Investments
- FX Management
- Financial reporting
- Human Resources
- Treasury
- General IT controls (GFS, GOS, Kyriba and Wambo)
- Entity-level controls

Collaboration with the OIG

Throughout the audit, we engaged with the OIG as follows:

- Read the OIG workplan and consulted the OIG on selection of country teams for ICS testing purposes,
- Reviewed all OIG reports to identify matters that may have an impact on our audit approach and discussed OIG reports results with the OIG on a regular basis,
- Shared status and findings of the external audit throughout the audit process.

This process ensures areas of duplication with external audit are minimized and leveraged where possible.

Nature and extent of non-administrative audit work that was performed by a foreign Shared Service Center (delivery center)

The following non-administrative audit work was performed by our Shared Service Center in Romania. These tasks are directly supervised by the team in Geneva:

- Creation of lead sheets
- Summarizing minutes of meetings
- Tick and tie of the financial statements

This work performed corresponds to around 3% of the total audit hours.
Their software and servers with data remain within Switzerland.

Draft auditor's report- IFRS

Report of the Statutory Auditor to the Board of
The Global Fund to fight Aids, Tuberculosis and Malaria (The Global Fund), Le Grand-Saconnex

Report on the Audit of the Financial Statements

Opinion
We have audited the financial statements of The Global Fund to fight Aids, Tuberculosis and Malaria (The Global Fund) which comprise the statement of financial position as at 31 December 2023, statement of income, statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying the financial statements give a true and fair view of the financial position of The Global Fund as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards and comply with Swiss law.

Basis for Opinion
We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Global Fund in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information in the Annual Report
The Global Fund Board is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the stand-alone financial statements of The Global Fund and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The Global Fund Board and the Secretariat' Responsibilities for the Financial Statements
The Global Fund Board and the Secretariat are responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the provisions of Swiss law, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Global Fund Board and the Secretariat is responsible for assessing the Global Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Global Fund Board either intends to liquidate The Global Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Swiss law, ISA and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law, ISA and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Global Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Global Fund Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Global Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause The Global Fund's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within The Global Fund to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of The Global Fund audit. We remain solely responsible for our audit opinion.

We communicate with the Global Fund Board primarily through the Audit and Finance Committee, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In accordance with Art. 728a para. 1 item 3 CO and SA-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of The Global Fund Board.

We recommend that the financial statements submitted to you be approved.

KPMG SA

Alexandra Depoire Licensed Audit Expert Auditor in Charge	Elodie Elloy Licensed Audit Expert

Geneva, xx April 2024

Enclosure:
- Statement of financial position statement of comprehensive income, statement of changes in equity, statement of cash flows and notes to the financial statements

Draft auditor's report- Swiss law

KPMG

Report of the Statutory Auditor to the Board of
The Global Fund to fight Aids, Tuberculosis and Malaria (The Global Fund), Le Grand-Saconnex

Report on the Statutory Audit of the Financial Statements

Opinion
We have audited the accompanying financial statements of The Global Fund to fight Aids, Tuberculosis and Malaria (The Global Fund), which comprise the statement of financial position at 31 December 2023, the statement of income, the statement of changes in funds for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements comply with Swiss law and the Global Fund's Bylaws.

Basis for Opinion
We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of The Global Fund in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information
The Global Fund Board is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements, the stand-alone financial statements of The Global Fund and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board and Secretariat's Responsibilities for the Financial Statements
The Board and the Secretariat are responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and The Global Fund's Bylaws and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board is responsible for assessing The Global Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board either intends to liquidate The Global Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Global Fund's internal control.
– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
– Conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on The Global Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause The Global Fund to cease to continue as a going concern.

We communicate with The Global Fund Board primarily through the Audit and Finance Committee, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In accordance with article 728a para. 1 item 3 CO and SA-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the Board.

We recommend that the financial statements submitted to you be approved.

KPMG SA

Alexandra Depoire Licensed Audit Expert Auditor in Charge	Elodie Elloy Licensed Audit Expert

Geneva, xx April 2024

Enclosure:
- Financial statements (statement of income, statement of financial position, statement of changes in funds and notes to the financial statements)

Important notice

This report is presented under the terms of our audit engagement letter.

- Circulation of this report is restricted.
- The content of this report is based solely on the procedures necessary for our audit.

Purpose of this report

This report has been prepared in connection of our audit of the financial statements of the Global Fund (the “Organization”), prepared in accordance with IFRS Accounting Standards as well as statutory financial statements prepared in accordance with Swiss law, as at and for the year ended 31 December 2023.

This report has been prepared for those charged with governance, whom we consider to be the Global Fund Board, in order to communicate matters of interest as required by ISAs and SA-CH (including ISA 260 and ISA-CH 260 Communication with Those Charged with Governance), and other matters coming to our attention during our audit work that we consider might be of interest, and for no other purpose.

This report summarizes the key issues identified during our audit but does not repeat matters we have previously communicated to you. In particular, we draw your attention to our audit plan dated July 2023, which summarized your and our responsibilities, the results of our risk assessment and certain information regarding our audit strategy and audit planning.

Other information in the annual report

In connection with our audit of the financial statements, our responsibility was to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Limitations on work performed

This comprehensive auditor’s report is separate from our summarized auditor’s report and does not provide an additional opinion on the Organization’s financial statements, nor does it add to or extend or alter our duties and responsibilities as auditors.

We have not designed or performed procedures outside those required of us as auditors for the purpose of identifying or communicating any of the matters covered by this report.

The matters reported are based on the knowledge gained as a result of being your auditors. We have not verified the accuracy or completeness of any such information other than in connection with and to the extent required for the purposes of our audit.

Restrictions on distribution

The report is provided on the basis that it is only for the information of those charged with governance of the Organization; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

FMIA compliance – derivatives trading

Duties related to derivatives trading

The Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading (FMIA) and the related Ordinance (FMIO) include a number of requirements for participants in the derivatives market. For small non-financial counterparties (“NFC-“) these requirements comprise the following main duties:

a. Identification of relevant derivatives;

b. Monitoring of the thresholds applied for self-classification as NFC-;

c. Risk mitigation for OTC derivative trading;

d. Reporting of derivatives to a trade repository (from 2028); and

e. Documentation obligation on all of the above.

In accordance with art. 116 FMIA (in conjunction with art. 113 et seq. FMIO) and within the scope of our ordinary audit, we examined whether the Global Fund has complied with the provisions on derivatives trading during the business year 31 December 2023.

Conclusion

In our opinion, based on the procedures performed, the Global Fund has taken the measures to comply with the provisions on derivatives trading as per art. 113 para. 1 items a to e FMIO.

Independence

Independence

Facts and matters related to the provision of audit services and non-audit services (NAS), fee-related information and any threats, actions taken to eliminate threats, or safeguards applied to reduce threats to an acceptable level, are set out below.

Service Provided	New or Existing engagement in 2023	Global Fund Service Beneficiary	KPMG Office	Services rendered in 2023 (USD) – approximate amount
LFA services in South Africa, Namibia and other multi-country regional grants	Existing	Secretariat	KPMG South Africa	1,550,331
LFA services in Eritrea, Sudan and South Sudan	Existing	Secretariat	KPMG Kenya	1,577,391
LFA services in Somalia	New	Secretariat	KPMG Kenya	478,276
LFA services in Fiji, Solomon Islands and other multi-country Western Pacific grants	Existing	Secretariat	KPMG Fiji	416,185
LFA services in Romania, Serbia, Montenegro and Belarus	Existing	Secretariat	KPMG Bulgaria	417,518
LFA services in Ghana	Existing	Secretariat	KPMG Ghana	1,280,242
LFA services in Pakistan	New	Secretariat	KPMG Taseer Hadi & Co.	873,122

We confirm that, as at the date of this report, we have not identified any threats to our independence or objectivity. The engagement team and the firm and, when applicable, KPMG member firms have complied with relevant ethical requirements regarding independence.

If we make any further significant judgements relating to independence matters, we will communicate these to you.

Detailed control observations

Summary– Financial audit findings closed in 2023

Findings closed in 2023	Classification
2021-4 | Strategic Initiatives – Centralization and archiving of documentation The financial guidelines for Strategic Initiatives have been approved at the end of December 2023 and published on the intranet in the beginning of 2024.	PIO
2022-1 | Gaps in grant closure monitoring The Global Fund established a quarterly monitoring process whereby the status of each grant undergoing grant closure is controlled and challenged. When financial closure validation is complete, the Financial Services team is requested to decommit undisbursed funds. Additionally, on a semi-annual basis, the list of overdue grant closures is sent to the country teams for action.	CD
2022-3 | External Audit Reviews – Assurance over UNDP grants at PR-level Following discussions with UNDP, the below items were implemented: • A reconciliation between the Certified Financial Reports (CFR) and the PUDR at grant level is now provided by UNDP. • The Global Fund formally tracks all OAI reports to ensure that the CTs are aware of any new findings on which they should send a performance letter to the PR. • Training has been given to Grants Finance Managers (GFMs) of the Country Teams with specific attention on UNDP-implemented grant audits.	PIO
2022-4 | Wambo expenses decommitment • The Global Fund Supply Operations team regularly monitors open POs to ensure that the buffer is reviewed when the supplier information is available. In FY2023, 38% of buffers were decommitted during the lifespan of the PO. • An analysis has been provided by management, covering POs closed in 2023 and showing the buffer amounts to 5.4% of the total PO amount and justification provided of this percentage, skewed upwards mainly due to pricing of C19RM products and low value /low frequency products. We recommend management to include this control in their yearly analysis so as to ensure adequacy of the buffer amounts included in the initial requisition.	PIO
2022-5 | Grant expenses cut-off During the FY23 closing, systems were not closed and controls were performed which did not detect any cut-off issues. Additionally, an additional column on the website was added to show the commitment in grant currency.	PIO

2023 Financial audit observations

Classification
CD

Ref.	Description	Risk(s)	Recommendation	Management response
2023-1	**Limitation on the documentation obtained over sick leaves covered by insurance** We obtained the sick leave listing comprising of 339 employees amounting to 8,234 days of sick leave, and selected 5 employees, accounting for 319 days of sick leave. Our work focused on verifying if the costs were covered by insurance contracts, and based on the contract conditions verified that these costs were adequately recovered from the insurance. Based on this, we noted the following: 1. For two cases, we inspected the admittance letter from the insurance which confirmed the employee's SLIC status. Refunds have been partially processed by the insurance, and the reimbursement to the Global Fund is in progress. Nevertheless, we were not able to challenge the daily allowance (based on the salary of the employees) provided by the insurance, nor were we able to obtain proof of payment of the reimbursement received thus far. 2. For two other cases, it was determined by HR that they did not fall within the SLIC scenario and were consequently excluded from the insurance file. Out of these two cases, we noted one individual who was on sick leave for 30 workdays, came back to work 15 days and went back on sick leave for 2 weeks. If these leaves are for the same sickness, the employee should have been eligible for SLIC. However, we did not obtain the related supporting documentation to verify this. 3. For the last employee selected, we were not able to obtain supporting documentation and there was uncertainty from the HR team whether this case would meet the conditions for a SLIC.	- Decentralized documentation could lead to unrecovered eligible sick leaves - Unclear roles and responsibilities leading to control gaps - Knowledge gaps upon team transition - Ineffective controls leading to unrecovered eligible sick leaves	KPMG recommends management to: - Implement an adequate control environment framework with clear roles and responsibilities; - Ensure systematic centralization and archiving of key controls and documentation; - Implement a second-line control to ensure completeness of recovered sick leaves.	The Secretariat acknowledges the gaps identified. Secretariat commits to address the control deficiency by establishing long-term sustainable HR process and controls. Resources have been dedicated to the mapping of processes, clarification of RACI, policy clarification and calculation methods by third parties, and improving internal controls and centralized documentation for the reconciliation of insurable costs. A risk-based methodology will be evaluated and adopted for long-term sustainable changes needed to sick leave management. In addition, Secretariat will ensure formalization of 2024 External Audit Plan in collaboration with OIG and Risk to holistically cover key business process in HR Department and deliver a comprehensive assurance to the AFC.

Open prior year financial audit observations

Classification: PIO

Ref.	Description	Risk(s)	Recommendation	Management response
2022-2	**Control performed by Country Teams on Grant external audit reports** As part of the Global Fund's risk and assurance framework, an annual audit is performed by external auditors on the grant financial statements prepared by Principal Recipients (PRs). The Finance Officers review the audit reports and management letters using a checklist. The final approval by the Regional Finance Manager is made within the External Audit Tracking module within the system. We noted the following observations: 1. Control steps to be performed are not specifically stipulated in the guidelines, which leaves room for interpretation; and 2. The checklist contains subjective elements for which no clear definition is given. 3. Obtaining audit reports on grant financial statements within the 6 months deadline can be challenging. We observed that the involvement of Country Teams, in addition to the Local Fund Agent (LFA) involvement as stipulated in the guideline, throughout the audit could smoothen the process. Good practice was observed whereby the Country Team participates in the audit planning and closing meetings between the PR and the external auditor, and reviews the draft audit report before issuance. 4. There is a mismatch between the information used for disbursement decisions (the Progress Update Disbursement Report or PUDR) and the information on which external assurance is provided (grant financial statements), due to different timelines. ***2023 follow-up*** 1. We note that the audit guidelines will be updated in 2024 for application on the upcoming Grant Cycle (GC7) grants, whereby the first audit report will be due in June 2025. 2. We note that an updated checklist will be put in place for GC7 to incorporate our recommendations. In the meantime, trainings of the Country Teams are held to ensure compliance. 3. Trainings of the Country Teams have been put in place to review the grant external audits and additional focus on auditing PRs such as UN entities and INGOs. We note that the checklist mentions that the LFA is required to attend the audit planning and closing meetings for focused countries however it is only recommended by the CT for High Impact and Core countries. The good practices highlighted in the previous page are expected to be included in the GC7 updated guidelines. 4. The mismatch remains in FY2023 causing difficulties in reconciling the PUDR and the grant external audit report when the periods do not coincide. We recommend to align documentation on which external assurance is provided.	- Inadequate conclusions about the audit report - Inconsistencies in reviews between Country Teams - Inadequate grant implementation decisions based on incomplete view of the PR's situation - Delays in closing open Management Letter points	**2023 updated recommendation:** • ***Control steps and documentation*** Revise the external auditing guidelines and accompanying checklist, to ensure clear guidance on CT role & responsibilities as part of audit planning, execution, review and approval of audit reports and findings, as well as follow-up of audit findings.	**Oct-2023 Update** PR External Audit trainings executed in 2 phases- Technical breakfast on EAT (July 2023) and on IRM (March 2023) - https://tgf.sharepoint.com/sites/ProgramFinanceControlling/SitePages/F&A-DOCUMENT-REPOSITORY.aspx#f-a-technical-breakfasts-(2023) GFM training on "Adapting risk management & mitigation" (March 2023) https://tgf.sharepoint.com/sites/ProgramFinanceControlling/SitePages/GFM-TRAINING-2023.aspx#2023-gfm-training-agenda All 3 trainings aimed at strengthening the internal GFM capacity on compliance with the external auditing guidelines. An updated checklist was provided to the GFM for their/ LFA use in monitoring PR audit compliance. In addition, 2 comprehensive Risk Management trainings have also been organized to promote risk based controls and reviews. Self audit is in progress- Stats to be added An updated checklist was made available for undertaking the EAT reviews and LFA reviews. However The EAT guidelines were deemed adequate for GC6. Along with changes in assurance activities following the OIG advisory on LFA services, External Guidelines will be updated for start of GC7 grant implementation. This specific deliverable was reprioritized to align with the GC7 grant assurance cycle. Management has begin the consultative process around revision of External Audit Guidelines to include lessons learnt from assurance quality received under GC6 and C19RM, enhancements emanating from OIG LFA assurance advisory report and 2024 corporate priority of using Supreme Audit Institutions for grant assurance services under the approved Public Financial Management Strategy.

Open prior year IT audit observations

Classification
PIO

Ref.	Description	Risk(s)	Recommendation	Management response
2022-1	**Untimely removal of access to GFS** *Global Fund employees* We determined that for the 524 leavers identified as having access to GFS: • 1 employee out of 89 leavers was not deactivated in a timely manner from GFS (deactivated 30 days after termination), as a result of a late entry of the termination date in Workday. • In addition, for 5 employees, we could not validate the effective deactivation timeline, as their deactivation date (or last update date) has been updated after background programs that ran in October 2023. These users didn't connect to GFS after departure. *Contingent workers* We determined that 346 contingent workers out of 435 leavers were not deactivated in a timely manner from GFS: • 215 between 2 and 7 days after termination • 90 between 8 and 30 days after termination • 41 more than 30 days after termination Upon analysis, we noted that this originated from: • A late entry of the termination date in Workday by the line manager, or • A misalignment between the HR termination date in Workday and the Purchase Order end date (as the automated deactivation process is based on the PO end date). In addition, out of the 346 contingent workers identified above, 1 last logged in GFS 3 days after the termination date, as the termination date was updated late in Workday. Considering related access rights were solely read-only, no risk was identified. *Actions implemented by management during the year* An automated deactivation process was implemented from July 2023. Through our testing, no exceptions were noted, i.e. deactivations were implemented on the day of the termination date set in Workday.	If leavers with access to financial roles / responsibilities are not removed in a timely manner, this increases the risk of unauthorized / inappropriate transactions being posted to the financial statements by either the leaver or someone else within the organization.	- We recommend HR personnel to insert the leaving date of the employee (or the contingent worker) in a timely manner to ensure the automated deactivation process is initiated. - We recommend to strengthen the Contingent workers termination process in order to guarantee the prompt insertion of termination dates and the automatic removal of access to the application. This may involve refining the deactivation process to consider the earliest date between the Workday termination date of the user and the Purchase Order (PO) end date, thereby optimizing the termination workflow.	**Measures**: GFS Fusion enhancement was put in place since Aug 2023. The enhancement removes the Roles of the Contingent worker based on the CED coming from Workday. This is being monitored every month now as a standard process from AMS team. As before, since the access from Workday is removed based on CED , contingent worker will not have any access to TGF systems because of SSO. If the contingent worker is Terminated in Workday, he/she is terminated from GFS Fusion as a standard process. **Responsible**: IT AMS team **Date**: It is mitigated since 31-Aug-2023. CHG47426 - PRB0011747-User account to be locked and unlocked based on contract end date in Fusion **Measures**: 1. SO to modify "requested delivery date" as soon as informed by the hiring team about the new termination date. This will trigger update of the end date in Workday. 2. Add the items on what to do when consultants are separating in "Process for Sourcing Temp agency consultants". 3. Send out communication reminding managers to timely inform SO and HR in cases of early consultant termination. **Responsible**: SO Teams **Date**: 30 November 2024

KPMG