Evaluating the Effectiveness of Financial Oversight by the Principal Recipient in Managing Global Fund Grants in Indonesia

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Abstract

This study examines how the effectiveness of financial oversight by Principal Recipients (PRs) in managing Global Fund grants in Indonesia can be evaluated. A targeted narrative literature review was conducted, integrating six substantive sources consisting of official grant management resources, an Indonesia-specific audit, and internal control guidance, along with one methodological article. The sources were analyzed based on institutional responsibilities, financial controls, reporting, audit evidence, and implementation constraints. The synthesis distinguishes between expected oversight arrangements and documented performance, and separates fiduciary compliance from timely implementation and program contribution. Indonesia-specific audit evidence supports a positive but bounded assessment of the financial areas examined; it does not establish effectiveness across all PRs or subsequent grant periods. This study develops a six-dimensional evaluation framework covering transaction compliance, reporting quality, sub-recipient oversight, audit follow-up, implementation timeliness, and expenditure-output alignment. These dimensions are proposed measures rather than observed performance scores. The review concludes that financial oversight should be evaluated through both control reliability and the documented use of information to resolve implementation problems. Further validation requires transaction records, verified corrective actions, and linked financial and program reports. The contribution of this study is an operational framework for subsequent empirical evaluation, rather than a causal estimate of oversight effectiveness.

***Keywords**: Financial Oversight, Principal Recipient, Global Fund, Grant Accountability, Narrative Literature Review.*

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3rd International Conference Epicentrum of Economic Global Framework (ICEEGLOF)
Theme: Cross-Sector and Cross-Disciplinary Strategies for Achieving the SDGs
https://proceeding.pancabudi.ac.id/index.php/ICEEGLOF

Introduction

Health grants are expected to finance services while meeting clear standards of accountability. Evaluating their financial oversight therefore requires attention to how funds are controlled and how they are used. A payment may be properly authorized even when the activity it finances is delayed. Conversely, slow expenditure may result from procurement or regulatory constraints that routine accounting checks cannot resolve. The challenge is to determine what oversight arrangements achieve, where their influence ends, and what evidence supports a judgment about their effectiveness.

The Global Fund implements grants through Principal Recipients, which may include government agencies and nongovernmental organizations. PRs can transfer resources to sub-recipients (SRs), and their responsibilities include assessing the capacity of these implementing partners. Country Coordinating Mechanisms select PRs, while capacity assessments and grant agreements establish a wider accountability structure [1]. This review focuses on PR oversight as an organizational function rather than treating the PR as an individual manager.

Indonesia offers a useful context for examining the relationship between financial controls and grant delivery. Public audit findings can be compared with the responsibilities set out in Global Fund guidance, provided that their different purposes are respected. Guidance describes expected practice; an audit examines selected aspects of actual performance. Reading them together helps identify the questions that a fuller evaluation would need to address.

The central research question is: how can the effectiveness of PR financial oversight in managing Global Fund grants in Indonesia be evaluated from the available documentary literature? Three subsidiary questions guide the review: which responsibilities and controls define the oversight function; what Indonesia-specific evidence supports an assessment; and which indicators would enable a more complete empirical evaluation?

This article develops an evaluation framework that distinguishes fiduciary reliability, operational timeliness, and contribution to program delivery. It identifies the records needed to assess each dimension and the limits of conclusions drawn from public documents. The intended contribution is a practical basis for further research and management review; the available evidence does not permit PR rankings or causal estimates of health impact.

Literature Review

2.1 Financial Oversight and Institutional Accountability

Financial oversight is defined here as the review and correction of decisions concerning grant planning, transfers, expenditure, recording, and accountability. This working definition distinguishes routine financial processing from the supervisory activity that questions information, identifies exceptions, and verifies resolution. It is an analytical definition developed for this review rather than a quotation from a grant agreement.

Global Fund implementation arrangements involve several accountability functions. PRs implement grants, while the CCM and Global Fund monitor implementation. Local Fund Agents contribute to assessment and verification, and audits provide financial assurance [2]. These functions should be mapped separately when attributing weaknesses or improvements. An audit finding about a procurement delay, for example, requires examination of which actor controlled the relevant approval, regulatory requirement, or deployment decision.

2.2 Internal Control as an Analytical Framework

COSO organizes internal control around the control environment, risk assessment, control activities, information and communication, and monitoring [3]. These components offer a structure for examining whether oversight is supported by organizational arrangements and recurring review. Their use here is conceptual: no assessment of full COSO compliance has been conducted for any Indonesian PR. This conceptual use is consistent with accounting theory,

which holds that financial information acquires meaning through the framework used to interpret, record, and report it, rather than through its mere existence [10].

Applied to grant oversight, the framework suggests examining whether responsibilities are clear, risk informs review intensity, exceptions are communicated, and corrective actions are verified. These are proposed evaluation questions. The existence of an internal control policy cannot independently establish that its procedures operate consistently, especially where implementation extends across multiple organizations.

2.3 Financial Management and Reporting Requirements

The Global Fund Financial Management resource covers financial-system strengthening, budgeting, reporting, assurance, risk management, and fixed assets. It links financial management with efficient resource use and the mitigation of fiduciary and operational risk [4]. This range supports evaluating oversight through several dimensions rather than relying on a single administrative measure.

Principal Recipient reporting includes Pulse Checks and Progress Update and/or Disbursement Request instruments. These provide information on financial and programmatic implementation and support the identification of emerging issues and course correction [5]. For evaluation purposes, the distinction between producing information and acting on information remains critical. Accounting theory reinforces this distinction by treating reporting as a communication process whose value depends on relevance and reliability, not on the mere submission of a document [10]. A submitted report is evidence of a reporting event; its accuracy and managerial use require separate verification.

2.4 Conceptual Evaluation Framework

This review proposes three analytical layers. Fiduciary effectiveness concerns whether transactions meet their intended purpose and applicable conditions. Operational effectiveness concerns whether oversight helps identify and resolve constraints affecting timely delivery. Program contribution concerns whether financial information is connected to verified outputs and used in decisions. The third layer does not attribute health outcomes exclusively to financial oversight, because service access, policy conditions, clinical factors, and implementation capacity may also influence results.

The working proposition is that oversight supports implementation when reliable information leads to decisions that responsible actors can carry out. This proposition draws on accounting theory, which frames financial information as an input to decision-making rather than as an end in itself [10]. A sound reporting process may identify a delay, but resolution can still depend on authority, staff capacity, or external approvals. Subsequent research should examine these links individually rather than assuming that formal controls necessarily improve delivery.

Research Methodology

3.1 1Research Design

The study uses a targeted narrative literature review with qualitative documentary synthesis. Snyder describes literature review as a research methodology requiring alignment between purpose, review approach, and execution [6]. A narrative design was selected because the material combines institutional guidance with audit evidence rather than a set of comparable effect estimates. The review is not presented as a systematic review or meta-analysis.

3.2 Source Identification and Selection

Web searches were conducted on 21 October 2026 using combinations of "Indonesia Global Fund grants audit financial management principal recipients", "Global Fund financial management", "Principal Recipient reporting", "COSO internal control", and "literature review methodology Snyder 2019". Searches prioritized official Global Fund and COSO resources and the publisher record for the methodological article. Subscription bibliographic databases were not searched through verified database access.

Sources were purposively retained when they directly addressed PR responsibilities, financial management, grant reporting, Indonesia-specific audit findings, internal control, or review methodology. Duplicate pages and material without a clear source identity were not used as core evidence. The substantive corpus comprises six sources: four Global Fund institutional resource pages, one Indonesia audit, and one COSO resource. One additional methodological article supports the review design. No comprehensive screening counts or PRISMA flow diagram are reported because the search did not maintain a systematic record of every retrieved item.

Two supplementary Indonesian publications were identified through additional author-focused searches for Rahima Br. Purba and M. Irsan Nasution. One examines internal control and procurement fraud prevention in health institutions, while the other discusses performance auditing and substantive follow-up. They are used for contextual interpretation in the discussion and are additional to the six-source substantive corpus summarized in Table 1. A textbook on accounting theory by Purba [10] is used solely for conceptual interpretation of financial reporting and is likewise additional to the six-source substantive corpus; it is not treated as empirical evidence.

3.3 Extraction and Synthesis

Sources were organized by document type, institutional function, relevant claims, period of evidence, and limits of applicability. The synthesis compared expected oversight arrangements with observed findings, then developed evaluation dimensions where additional empirical evidence would be required. It did not treat guidance as proof of implementation. Indicators without supporting observations were retained only as proposals, without assigning performance scores.

Interpretive confidence was assessed through source purpose and scope. The audit supplies country-specific findings within its examination boundaries. Institutional pages define roles and processes but do not measure individual PR performance. COSO informs conceptual organization, while the methodological article supports review design. These differences were preserved throughout the interpretation.

Results

4.1 Evidence Profile

Table 1 summarizes the substantive corpus. Its composition shows that this review is primarily a policy- and-audit synthesis. The presence of several institutional documents should not be mistaken for several independent empirical studies confirming the same finding.

Table 1. Core Sources and Their Analytical Uses

Source	Analytical use	Interpretive boundary
Implementing Partners [1]	PR and SR responsibilities	Institutional expectations, not measured performance
Grant Implementation [2]	Oversight and assurance roles	Process description, not a causal evaluation
COSO Internal Control [3]	Control-system framework	Requires adaptation to grant-level evidence
Financial Management [4]	Financial-management domains	Guidance does not demonstrate compliance
PR Reporting [5]	Reporting and corrective information	Instrument availability does not establish data quality
OIG Indonesia Audit 2024 [7]	Country-specific observations	Restricted to audit scope, period, and sample

Source: Author synthesis of the cited documents.

4.2 Indonesia-Specific Audit Evidence

The 2024 OIG audit examined January 2021 to December 2023 and rated financial management and oversight for living support costs, payment-for-results incentives, and C19RM investments as effective. It identified no material issues in the sampled transactions. It also reported C19RM implementation delays associated with regulatory bottlenecks and equipment deployment planning, while sustainability and co-financing required significant improvement [7, pp. 3–6].

Taken together, these findings indicate why transaction control and implementation performance should be assessed separately. The audit supports a favorable conclusion about the financial areas examined, within its stated period and scope. It does not establish equivalent performance for every PR, SR, or expenditure category, and it cannot describe conditions after the examination period. The absence of material issues in sampled transactions also leaves uncertainty about transactions outside the sample.

4.3 Proposed Evaluation Indicators

The synthesis produces six operational dimensions for future evaluation, shown in Table 2. These are author-developed measures, not mandatory Global Fund indicators or observed Indonesian performance results. Targets should be specified with reference to grant conditions, risk exposure, and activity characteristics.

Table 2. Proposed Framework for Evaluating PR Financial Oversight

Dimension	**Proposed indicator**	**Required evidence**
Transaction compliance	Share of sampled transactions meeting authorization, documentation, and eligibility requirements	Transaction register, supporting records, sampling protocol
Reporting quality	Timely submissions and material corrections after review	Submission logs, reconciliations, revised reports
SR oversight	Risk-aligned review coverage and resolution of exceptions	Risk assessments, monitoring plans, verification records
Audit follow-up	Due actions completed and verified; recurrence of findings	Action register, closure evidence, retesting
Implementation timeliness	Transfer and activity delays classified by cause	Request, approval, transfer, and activity dates
Expenditure-output alignment	Consistency between expenditure and verified outputs, with explanations of variances	Matched financial and program reports

Source: Author-developed analytical framework.

The dimensions should initially be reported as a profile rather than collapsed into one score. Averaging could conceal a serious weakness in SR oversight behind strong reporting timeliness. Weighting and thresholds would require validation, while critical exceptions should remain visible regardless of performance on routine administrative indicators.

A further consideration concerns the fragmentation of accounting information systems. The fragmentation of information systems between the PR and SR makes the financial reconciliation process highly time-consuming. The PR frequently receives inconsistent reports that require re-verification. From a COSO perspective, this indicates a weakness in the information and communication component within the PR, which hinders real-time risk-based monitoring and reduces the reliability of accounting information [7].

Discussion

5.1 Distinguishing Compliance from Effective Resource Use

Oversight effectiveness depends on the question being asked. Transaction testing addresses whether expenditure was authorized, eligible, and supported. Implementation review addresses whether the financed work was completed when required. An evaluation should make that distinction explicit before assigning an overall judgment. Otherwise, a favorable assessment of payment controls may obscure unresolved delivery constraints.

Accounting theory supports this separation by distinguishing compliance with recording and authorization rules from the economic substance and decision usefulness of the reported information [10]. This distinction also changes how budget variances are interpreted. Underspending should trigger an examination of the activity schedule, procurement status, and decision history. It should not automatically be classified as savings or weak financial control. Similarly, expenditure consistent with the budget does not independently establish that outputs were delivered. The proposed framework therefore requires financial and program evidence referring to the same activity and period.

Related Indonesian evidence is provided by Anggasari, M. Irsan Nasution, and Rahima Br. Purba [8], who report a positive and significant association between internal control and fraud prevention in procurement at eye hospitals in Medan. Their questionnaire-based study offers contextual support for examining procurement controls in health institutions. It does not establish the effectiveness of Global Fund PR oversight, which requires grant-specific evidence.

5.2 From Reporting to Verified Corrective Action

One way to assess the use of financial information is to follow an exception from its first appearance to its resolution. The evaluator would establish when the issue was reported, how its cause was investigated, who was responsible for acting, and what evidence supported closure. This approach makes the decision process observable and provides a stronger basis for assessment than counting reports alone.

A corrective-action register would support this assessment by recording the issue, responsible person, deadline, evidence requirement, and closure decision. An action marked complete should be distinguished from an action independently verified. Repeated findings deserve separate attention because apparent closure may otherwise mask unresolved process weaknesses. These are recommendations derived from the analytical framework, not findings that all Indonesian PRs lack such arrangements.

Nasution and Faridani [9] discuss the risk that performance auditing becomes ceremonial when recommendations do not translate into substantive improvements. Their review supports examining the implementation and verification of corrective actions rather than relying solely on the production of audit reports. In this framework, that perspective informs the proposed audit-follow-up dimension; it is not treated as direct evidence about Indonesian Global Fund grants.

5.3 Risk-Based SR Oversight

The proposed SR dimension recognizes that oversight extends across organizational boundaries. A future assessment could compare monitoring intensity with documented exposure, including funding volume, organizational capacity, activity complexity, and previous exceptions. Applying identical review frequency to all SRs may allocate substantial effort to lower-risk processes while leaving more difficult cases insufficiently examined.

The relevant evaluation question is whether review coverage follows an explicit risk assessment and whether identified weaknesses lead to practical support or corrective action. Evidence should include both monitoring records and follow-up outcomes. Counting visits alone is insufficient because a visit may produce limited assurance if the underlying transactions and activities are not verified.

5.4 Implications for Management and Future Research

Joint reviews by finance and program teams could focus on the issues that require decisions: delayed activities, unresolved SR exceptions, unexplained variances, and overdue audit actions. Recording the responsible person and the evidence required for completion would make follow-up easier to verify. The framework can support such reviews before any attempt is made to combine its dimensions into a single score.

Future research could test the framework through multiple PR and SR case studies. Interviews should be triangulated with transaction records, financial reports, audit documentation, and transfer timelines. Comparisons should account for differences in grant size, disease component, implementation arrangements, and regulatory constraints. Longitudinal observation could examine whether changes in oversight precede improved resolution of problems, although temporal ordering alone would not prove causality.

5.5 Limitations

The review is dominated by official Global Fund material and relies primarily on one audit for Indonesia-specific observations. It does not represent a systematic search of Indonesian and international research databases. Public guidance accessed in 2026 is not assumed to reproduce every rule applicable during the audit period. Conceptual sources, including the accounting theory text [10], inform interpretation but do not supply empirical evidence on Indonesian PR performance. Transaction-level data, internal PR audit records, and SR or beneficiary perspectives were not available for direct verification. Accordingly, the study cannot provide a current field evaluation of all Indonesian grants or establish an aggregate effectiveness score.

Conclusion

The reviewed documents support a distinction between reliable financial controls and the wider effectiveness of grant implementation. Indonesia-specific audit evidence provides a bounded assessment, while institutional guidance clarifies the responsibilities against which practice can be examined. A fuller evaluation would need linked financial and program records, evidence of SR monitoring, and verified corrective actions. The six proposed dimensions offer a structure for gathering that evidence. Their value should be tested in PR and SR settings before they are used to compare organizations or support broader claims about grant performance.

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