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**Terms of Reference for Special Purpose Grant Financial Statement (SPGFS) Audit**

1. **Program background, audit structure and description of entities**
   1. **Program Background: [to be completed by the Principal Recipient]**
2. The Principal Recipient should include a brief background on the grant including its main objectives and activities. Reference may be made to the program description in the Grant Confirmation.
3. The Principal Recipient should describe any key information about the grant amount and implementation cycle which is important to understand the scope of the audit. For example the phase of the grant, the total amount committed, any changes to the structure of the grant, e.g. consolidation with another grant, amount budgeted for the year of audit and amount disbursed by the Global Fund to the Principal Recipient and from the Principal Recipient to the sub-recipients.
   1. **Program Entities and audit approach: [to be completed by the Principal Recipient]**
4. The Principal Recipient should describe the nature of the audit and how it is categorized, explaining any agreed exceptions. The Principal Recipient should tabulate all entities covered by the audit including entity name, legal status, audit scope, main activities funded and amount of expenditure in the reporting period and any other pertinent information that should be brought to the attention of the auditor.
5. **Contacts [to be provided confidentially to the auditor]:**
6. The Principal Recipient shall provide a list of important contacts for the conduct of the audit including their full contact details. This should include at a minimum: Principal Recipient Chief Executive and Chief Finance Executive, Program Manager, Grant Finance Manager, sub-recipient Chief Executives, Program Managers and key finance contacts.
7. **Objectives of the Audit**
8. The **objective of the financial audit** is to enable the auditor to express an independent professional opinion on each of the following:
9. the Special Purpose Grant Financial Statements prepared by the Principal Recipients;
10. the Principal Recipient’s compliance with, i.e. whether the grant funds have been used in conformity, with the provisions of the relevant grant agreement and applicable local laws[[1]](#footnote-2) and regulations[[2]](#footnote-3) .
11. The **objective of the audit is also** to comment on adequacy of the implementers’ internal control framework, and report on the weaknesses identified. This review will also include where appropriate:
12. internal control as a whole including Information Technology General Controls (ITGCs);
13. controls related to Principal Recipient or Global Fund hired third party agents[[3]](#footnote-4) including review of the terms and conditions of their engagement and adherence thereof.

The auditor **must** review the internal control framework of the Principal Recipient and key sub-recipients identified by the Global Fund Country team in consultation with the Principal Recipient. This review includes controls related to any third-party agent managing a process in the implementation of the grant[[4]](#footnote-5), including review of the terms and conditions of their engagement and adherence thereof.

1. **Responsibility for the preparation of Special Purpose Grant Financial Statements (SPGFS).**
2. The responsibility for the preparation of consolidated SPGFS, lies with the Principal Recipient. The Principal Recipient should ensure that information from Sub-Recipients is presented using the same methodology used by the PR in preparing the SPGFS.
3. **Special Purpose Grant Financial Statements (SPGFS).**
4. The SPGFS, in the currency of the grant agreement, should include the following components :
5. In the currency of the grant agreement, an Income and Expenditure Statement (IES) showing the Global Fund’s funds received, any other income received and all grant expenditures[[5]](#footnote-6). Grant expenditures should be reported against the budget[[6]](#footnote-7) in the format appended to the guidelines;
6. Any other notes[[7]](#footnote-8) applicable including as a minimum the breakdown of the following [To be tailored by *the Country Team/ Principal Recipient where necessary][[8]](#footnote-9)*:
7. Supplemental statements on advances and fixed assets, including:
   1. A statement showing sub-recipient advances and reconciliation of the total amount of grant funds advanced by the Principal Recipient to sub-recipients and total grant cash balance with sub-recipient recorded expenditure and Principal Recipient/sub-recipient cash balances at the end of the reporting period;
   2. A summary statement of assets showing the fixed assets purchased with grant funds. This summary statement should show the assets brought forward from previous periods (opening balances) as well as the additions, disposals, write-offs of the period being audited and the closing balance[[9]](#footnote-10); and
   3. The notes to the supplemental statements. These notes include information that would enhance a user’s understanding of the information in the IES and supplemental statements (significant assumptions, accounting estimates and related disclosures etc.) as well as the necessary tax recoverable disclosures[[10]](#footnote-11).
8. **Available documents and facilities**
9. With respect to each grant, the Principal Recipient will provide the auditor with access to all books and records pertaining to the grant as requested by the auditor, including a list of all key Principal Recipient and sub-recipient locations, noting the key documents held at each location. An indicative list of the documents which may be requested by the auditor includes:
10. The grant program financial statements;
11. Grant and sub-grant agreements[[11]](#footnote-12), including the detailed budgets;
12. Main supporting schedules to the financial statements including: income and expenditure, assets and liabilities, cash records;
13. Interim monthly or quarterly grant activity reports, as applicable (programmatic as well as financial);
14. General ledger, cash book, other important books and records held at either Principal Recipient or sub-recipient level;
15. Original supporting documentation to all reported expenditures (invoices, full support for all procurement of health products or other procurements requiring tender procedures, payrolls, bank vouchers, journal vouchers etc.) held at either Principal Recipient or sub-recipient level;
16. Bank statements;
17. Important correspondence between Global Fund and Principal Recipient, Principal Recipient and sub-recipients pertaining to grant implementation matters;
18. Financial procedures manuals, systems descriptions or any other documentation explaining the processes contributing to the production of reliable financial reports and maintaining internal control, either at Principal Recipient or sub-recipient levels;
19. Minutes of management meetings;
20. Internal audit reports relevant to Global Fund expenditures or any systems, governance or other issue which impinges on Global Fund grants.
21. **Audit Scope of Work**
22. The audit should be conducted in accordance with International Standards on Auditing (ISA) or International Standards of Supreme Audit Institutions (ISSAIs) and will include such tests and controls as the auditor considers necessary under the circumstances.
23. As part of the comprehensive audit report, the auditor must report on agreed Key audit matters for the reporting year, and on the following aspects:
24. **Compliance with applicable legislation:** Verify that the transactions comply in all material respects with any applicable legislation;
25. ***Reconciliation of General ledger with SPGFS:*** Review of the general and program ledgers to determine whether costs incurred were properly recorded ensuring that the costs charged to the grant reconcile to the program and general ledgers. Reconciliation of the SPGFS to the underlying records, principally the cash book.
26. ***Grant expenditures:*** Funds received by the Program from disbursements, generated by the Program’s funds[[12]](#footnote-13), including goods and services from direct disbursements to third parties, were spent in conformity with:

* Compliance: The approved budget and work plan existing at the time of the expenditure; and in line with provisions of the Grant Agreement and Global Fund’s Budgeting Guidelines, including any applicable grant conditions (as amended by any Implementation Letters);
* Eligible costs: Only for the purposes for which the funds were provided.
* Value for money: With due attention to economy and efficiency;
* Shared costs: Verification of the shared costs allocation mechanism and review that shared costs are accurate, complete, and reasonable;

1. ***Eligible costs:*** Review of the costs charged to the grant identifying and quantifying any ineligible costs as per definition of compliant and non-compliant expenditures included in the Budgeting Guidelines, sections 4 and 5; as well as agreeing expenditure to supporting documents on a sample basis. Compare actual expenditure with the budget, and obtain explanations for variances obtained (unapproved material budget variations should be included in the ineligible expenditure schedule)
2. **System of internal controls**: A comprehensive assessment at **PR** and **key Sub-Recipients** identified by the Global Fund Country team in consultation with the Principal Recipient, of the design and operating effectiveness during the period under review of:

* accounting and overall internal control system to monitor expenditures at all levels of the program and other financial transactions,
* adequacy and effectiveness of controls around cash transactions; and
* managing material risks to the achievement of the objectives of the Program.
* Specific attention has to also be paid to controls with respect to the risk of fraud at the Principal Recipient /Sub-recipients [ISA 240]; and
* to the controls on the processes entrusted to **third-parties[[13]](#footnote-14)** [If any].

For the Focused countries, the auditor should limit their assessment to the financial controls of the Principal Recipient/sub-recipients.

1. **Follow up on the status of findings of previous audit reports:** The auditor should follow up on management’s intended actions to address the findings of previous audits, including external audit, relevant internal audits and audits issued by the Office of the Inspector General (OIG) of the Global Fund;
2. **Designated bank accounts**: Where designated accounts (including those being used under an approved pooled funding program implementation mechanism) have been used by the Principal Recipient and sub-recipients, they have been maintained and operated in accordance with the provisions of the Grant Agreement and in accordance with the Global Fund’s rules and procedures. The auditors should perform direct bank confirmations for all designated bank accounts held by the Principal Recipients. In addition, they should review the process and controls that Principal Recipients perform on designated bank accounts maintained by key sub-implementers;
3. ***Funds flow mechanisms:*** Review of the procedures used to control the funds, including their channelling to contracted financial institutions and other implementing entities. Review the bank accounts and the controls on those bank accounts. Perform positive confirmation of balances, as necessary.
4. **Safeguarding of assets**: Verify that the Principal Recipient has put in place mechanisms for the tracking and safeguarding of assets purchased with grant funds and that they are being used for the intended purposes. Verify that Program’s fixed assets register exists, is maintained in accordance with the Grant Agreement; that property rights or related beneficiaries’ rights are established in accordance with the Grant standard terms and conditions;
5. **Disbursements to Sub Recipients**: Verify that disbursements made by the Principal Recipient to sub-recipients are in line with the sub-recipient sub-grant agreements and the approved work plan and budget. Verify that the Principal Recipient follows adequate process for validating expenditure reports submitted by the sub-recipients;
6. **Data retention and supporting documentation**: Necessary supporting documents, records, and accounts have been retained in compliance with provisions of the Grant Agreement. Procedures exist for security and management of electronic data (backup systems and procedures, etc.);
7. **Goods and services** - Have been procured transparently, competitively and in accordance with the Grant Agreement and the Principal Recipient or key Sub-recipient’s procurement procedures ;
8. **Procurement and distribution systems for pharmaceutical and health products** – Verification that procurement and inventory systems and controls are adequate to efficiently support the acquisition, storage, supply and distribution of pharmaceutical and health products, in accordance with program objectives. For PPM/Wambo products, the verification covers only storage, supply and distribution of pharmaceutical and health products;
9. ***Human Resource costs -***  Confirmation that HR costs charged to the grant are in accordance with the budget assumptions approved by the Global Fund and supported by appropriate contracts, payroll and records;
10. ***Travel and related costs -*** Review of travel and transportation charges to determine whether they in accordance with the budget assumptions approved by the Global Fund, are adequately supported and approved as per the implementer’s policies;
11. **Additional Scope**: In addition, the Global Fund may request the auditors to review any other areas of concern, in which case the additional scope would be agreed between the Global Fund and the auditors in advance:

* [Specify which one, if applicable]
* [Specify which one if applicable]

1. **Audit Procedures**
   1. **Planning**
      1. **Kick off Meeting with the Principal Recipient**
2. For each grant, the auditor will arrange for an opening meeting with the Principal Recipient and the Fiscal/Fiduciary Agent if applicable, to discuss and explain the planning, fieldwork and reporting. The auditor will explain the nature, objectives and scope of the audit.
3. During the preparatory and kick-off meetings, the auditor may request additional information and documents that he/she considers necessary or useful for the planning and fieldwork of the audit. The auditor may contact the Principal Recipient directly to obtain such information. For all Focused countries, the attendance of the Local Fund Agent is mandatory. In High Impact and Core countries, either the LFA or the FS should participate. .
   * 1. **Planning Activities, Audit Plan and Audit Work Programs**
4. For each grant, the auditor should plan the audit so that it is performed in an effective and efficient manner. Adequate planning involves ensuring that appropriate attention is devoted to important areas of the audit, that potential problems are identified and resolved on a timely basis and that the audit is properly organized and managed within the due dates.
5. The assessment of the risks of material misstatement at the financial statement level, and thereby the auditor’s overall responses, is affected by the auditor’s understanding of the control environment.
6. The auditor should have an audit plan documenting the audit approach and key principles of audit planning, fieldwork and reporting. The auditor should have audit work programs that detail and document the audit tests and procedures.
7. Before the start of the fieldwork and before the kick-off meeting, the auditor should provide to the Global Fund Finance Specialist[[14]](#footnote-15) and the Principal Recipient, the audit plan for each grant including the scope of the review. Enhanced focus will be placed on the audit approach at the Principal Recipient but also at the selected sub-recipients.
   1. **Materiality**
8. The auditor should apply materiality and a risk-based approach to detect material errors and misstatements in the expenditure and revenue stated in the Grant Financial Statements, whether caused by error or fraud.

19. For the purpose of these terms of reference, the auditor should use the following materiality levels to assess misstatements or errors, or whether a finding of non-compliance is material.

1. A materiality threshold of 2% of the total amount of the gross reported expenditure with a confidence level of 95% for Focused portfolios.
2. A materiality threshold of 2% of the total amount of the gross reported expenditure, minus PPM/Wambo expenditures when existing, with a confidence level of 95% for Core and High Impact portfolios.
   1. **Fieldwork**
      1. **Obtaining evidence regarding the design of controls and performing tests of controls**
3. The auditor will perform procedures to obtain evidence regarding the design of controls and perform tests of controls if he/she considers this appropriate or necessary for the purpose of this financial audit.
4. The auditor will focus the tests of controls on key financial controls, which relate to the subjects described in the terms of reference and which are relevant to the management of the risks. Findings of significant weaknesses and deficiencies in the design or operating effectiveness of the Principal Recipient controls should be reported in the Management Letter.
5. For Core countries, High Impact countries and a selected number of high risk Focused countries, the auditor **must** review the internal control framework (financial and programmatic) of the Principal Recipient and key sub-recipients identified by the Global Fund Country team in consultation with the Principal Recipient and report thereon. At the discretion of the Country Team, such testing could be performed during an **interim audit** at the Principal Recipient.
   * 1. **Substantive Procedures**
6. The auditor should perform substantive procedures to be responsive to his/her assessment of the risks of material errors or misstatements in the expenditure and revenue stated in the Grant Program Financial Statements, whether caused by error or fraud. The results of tests of controls, if any, should be taken into account. The auditor should perform substantive procedures which cover the subjects described in the terms of reference and which are relevant to the management of the risks[[15]](#footnote-16).
7. Regarding the risk of fraud, the auditor must comply with the International Standard on Auditing 240 “the Auditor’s responsibilities relating to fraud in an audit of financial statements”
   * 1. **Sampling and other means of selecting items for testing**
8. When designing and performing tests of controls and substantive tests, the auditor should apply audit sampling or other means of selecting items for testing. Audit sampling involves the application of audit procedures to less than 100% of items within a population of audit relevance (e.g. a class of transactions or account balance) such that all sampling units have a chance of selection in order to provide the auditor with a reasonable basis on which to draw conclusions about the entire population.
9. Audit sampling can use either a statistical or a non-statistical approach. The auditor may use a judgmental selection of specific items from a population (e.g. high value or key items, all items over a certain amount, items to obtain information or items to test control activities).
10. While selective examination of specific items will often be an efficient means of obtaining evidence, it does not constitute sampling. The projection to the entire population, of results of procedures applied to items selected in this way is not possible; accordingly, selective examination of specific items does not provide evidence concerning the remainder of the population. Sampling, on the other hand, is designed to enable conclusions to be drawn about an entire population based on testing a sample drawn from it.
11. The auditor **must** clearly provide details of the expenditure coverage by cost grouping and recipient and the sample selection methodology. For the prupose of this work, the auditors should sample each cost grouping existing in the summary budget of the grant under review. For sampling purposes, the auditor should use appropriate thresholds, based on their risk assessment. Annex 3 to these terms of reference should be used to document this information.
    * 1. **Analytical procedures**
12. Analytical procedures must be performed by the auditor, such procedures consists in verifying the financial data by assessing the plausible connections between both financial and non-financial information. **The analytical review of actual expenditure incurred with the Grant budget (budget – actual comparisons) is a critical compliance check**.
    * 1. **Using the work of internal auditors**
13. If relevant for the audit, ISA 610 “Using the Work of Internal Auditors” should be used by the auditor. If the auditor assesses that the internal audit function can be relied on for the assignment, the auditor should:

* Evaluate the specific work of the internal auditor and to what extent such work can be considered for the audit.
* Assess if the work of the internal audit is adequate for the objective of the audit.

1. Where the Principal Recipient has an internal audit function and the auditor does not rely on it, the auditor will be required to provide recommendations for improvement of the internal audit function in a dedicated section in the management letter.
   * 1. **Using the work of an expert**
2. The auditor may use the work of an individual or organization presenting an expertise in a field other than accounting or auditing, that is necessary to obtain sufficient evidence to reach his/ her conclusion. The auditor should comply with ISA 620 (Using the Work of an Auditor's Expert) insofar as this ISA is relevant to the audit.
   * 1. **Written representations**
3. Per the standard requirement stipulated in ISA 580 - Written Representations, the Principal Recipient Management should provide the auditor with a written representation letter. The auditor must request a letter of representation signed by the member(s) of the management of the Principal Recipient who has the primary responsibility for the grant and its financial aspects.
   * 1. **Complementary letter**
4. The auditor may, at any time during the audit process, draw up a complementary letter if he/she considers that the Global Fund must be made aware of facts and issues that are urgent, very unusual or of particular interest and importance to the Global Fund.
5. For instance, this could be the case of any fraud or irregularity that has occurred or that is likely to occur. The Global Fund will decide on follow-up measures including, where appropriate, the launching of an investigation by its Office of Inspector General.
   * 1. **Debriefing Memorandum ('Aide Mémoire')**
6. The auditor will draft a Debriefing Memo or the draft report for the closing meeting which will provide the main findings, resulting draft audit opinions and recommendations for discussion. The Principal Recipient should send a copy of the memo or draft report to the Global Fund.
   * 1. **Audit Exit Meeting in country**
7. The auditor should organize a closing meeting with the Principal Recipient. The purpose of this meeting is to discuss the Debriefing Memo or draft report and to obtain the confirmation and initial comments of the Principal Recipient on the auditor's findings, opinions and recommendations. The auditor and the Principal Recipient can agree outstanding information to be provided by the Principal Recipient and where applicable, a deadline for submission.
8. At the request of the Global Fund Country Team, the auditor will also debrief the Country Coordinating Mechanism on the conclusion of the audit. The Local Fund Agent should, at the request of the Global Fund, also be invited to participate in this meeting. For the Focused countries, attendance of the LFA is mandatory.

**10 Management Letter.**

1. In addition to the audit report, the auditor will prepare a Management Letter consolidating Principal Recipient and key sub-recipient findings. The auditors should use the template in Annex 4 for the Management Letter, and should provide with the requested information in the structure established by the template. Some key elements are:
   * It must be clearly noted on the face of the Management Letter that it is a confidential document and must be treated as such.
   * The Management Letter should state that the auditor acknowledges and agrees that the Management Letter shall be shared with Global Fund and the Local Fund Agent (on a confidential basis).
   * The Management Letter should use a system of grading points depending on the level of severity in line with that proposed in the [*Guidelines for Annual Audit of Global Fund Grant Program Financial Statements*.](http://www.theglobalfund.org/en/guidelines/)
   * Guidance should be sought from the IAASB’s:
     + Standard on communicating management letter issues to those charged with governance of an entity: http://web.ifac.org/download/ISA\_260\_standalone\_2009\_Handbook.pdf
       - also that on reporting internal control deficiencies:
       - http://web.ifac.org/download/ISA\_265\_standalone\_2009\_Handbook.pdf.
     + In the case of public-sector or government auditors (i.e. the Supreme Audit Institution) guidance can be obtained from INTOSAI Standards (see Chapter 4’s Reporting Standards in Government Auditing of INTOSAI’s Code of Ethics & Auditing Standards which can be found on <https://www.intosai.org/>)
   1. **Internal Control Framework**[[16]](#footnote-17)
2. The Management Letter must highlight the weaknesses in the internal control framework of the grant noted with respect to relevant processes For each weakness, the auditor is requested to provide a recommendation. For Core and High Impact countries having an interim audit, a Management Letter shall be issued on the internal control framework. The auditor must also present a summary of the control procedures of the Principal Recipient in the Management Letter.
3. The auditor must comment on instances of non-compliance in the accounting records, procedures, systems and controls that were identified during the course of the audit with particular reference to ineligible expenditures and systematic weaknesses.
4. The auditor must communicate matters that have come to their attention during the audit which might have a significant impact on the implementation and sustainability of the grant program in the Management Letter which shall include the following sections at a minimum:
   * **Internal control:** this section should capture all other key internal control issues noted by the auditor in performing the review described in the scope of work particularly in the following sub-categories (a) Financial Management, (b) Sub-recipient management (c) Program management (d) Stock management; (e) Information Technology General Controls (ITGCs); (f) controls related to Principal Recipient or Global Fund hired third party agents including review of the terms and conditions of their engagement and adherence thereof.
   * **Compliance with grant agreement and applicable law**: this section should highlight any instances of non-compliance with the relevant grant agreement that were noted by the auditor in the course of their work in forming an opinion on the SPGFS or confirm that none has been identified in the sample tested. This implies that the auditor should ensure that the expenditure corresponds to the activity approved in the detailed budget for the relevant period under review as well as corresponds to any subsequent budgetary adjustments including the required necessary approvals for such budget reallocations;
   * **Value for Money:** this section should capture the auditor’s view on the Principal Recipient and sub-recipient’s considerations regarding economy and efficiency as part of the auditor’s review of grant expenditures. The Global Fund country team can make a request for this additional service to be delivered by the auditor. All issues noted around value for money (control deficiency, estimated loss incurred as a result of inefficient process and others) should be stated in this section of the Management Letter;
   * **Ineligible and unsupported expenditures**: this section should provide a schedule of non-compliant expenditures identified by the auditors in the course of their work. The electronic version, machine-readable, of this section must be provided by the auditors to GF
   * **Follow-up on previous audit report**: in this section, the auditor will report on the implementation status of recommendations contained in previous audit reports.
   1. **Risk Management**
5. Specific to the Financial management section in the Management Letter, the auditor is expected, to categorize the level of risk for each of the six sub-categories of the Global Fund’s defined financial risks. The auditor should provide a summary table showing the perceived risk level in any of the following Global Fund’s defined levels: Low, Moderate, High, Very High ; and related explanations. The six categories are:
   * Inadequate Flow of Funds Arrangements;
   * Inadequate Internal Controls;
   * Financial Fraud, Corruption and theft;
   * Inadequate Accounting and Financial Reporting;
   * Limited Value for Money; and
   * Inadequate Auditing Arrangements.
6. The definitions of each of these categories are provided in[*the Global Fund Financial Risk Management guidelines*](https://www.theglobalfund.org/media/7540/financial_financialriskmanagement_guidelines_en.pdf?u=636784020850000000)*[[17]](#footnote-18)*. The auditor is expected, to categorize each finding, where applicable, into one of these six sub-categories and to provide a summary table showing the findings per sub-risk category and grading. The auditor’s judgement of what are the key audit risks and the methodology used to address these key risks should be included in that section.
   1. **Other important disclosures**
7. Based on the findings of the internal control framework review (eventually including a third-party agent) and the grade of these weaknesses, the auditor **must** indicate any other important information management should focus their attention on.
8. The Management Letter must include responses made by the Principal Recipient in discussing audit recommendations, along with a timeline for implementing agreed recommendations. In cases where either the Principal Recipient does not accept an audit finding or the auditor disagrees with the adequacy of the management response, the management letter will acknowledge that disagreement. All observations and recommendations will be discussed with Principal Recipient management before the letter is finalized.
9. **Draft report review process**
10. The Principal Recipient would provide comments on the auditor’s draft report within 10 calendar days from receipt of the draft report. The relevant Global Fund’s Country Team may also request to review the draft report. Following the review of the draft report, should the Global Fund request the auditor to carry out additional work, a new reporting deadline could be agreed.
11. The auditor should submit an updated draft report which takes into account the comments to the Principal Recipient (and eventually the Global Fund) within five calendar days from receipt of the comments. The Principal Recipient would provide feedback to the auditor on the updated draft report within five calendar days.
12. If the Principal Recipient 's comments are not received within this deadline, the auditor reminds the Principal Recipient until a written reply from the Principal Recipient is received. In case of excessive delays from the Principal Recipient (more than ten calendar days), the auditor should contact the Global Fund to find out an appropriate solution.
13. **Final report and language**
14. The final report and management letter must be in compliance with article 104 of the Guidelines for Annual Audit of Global Fund Grants, presented in one of the official Global Fund languages and using the templates in Annex 3 and Annex 4 of these Guidelines.
15. The auditor should submit three original hard copies to the Principal Recipient, and one electronic machine-readable copy of the final report and the excel file “Non-compliant expenditures”.[[18]](#footnote-19) to the Principal Recipient and to the Global Fund.[[19]](#footnote-20).

1. **Auditor performance assessment, rotation and termination**
2. The audit must refer to the relevant sections of the Global Fund Guidelines on Grant audit regarding how their performance will be assessed by the Global Fund and the implications thereof on the contract.
3. **General Information**
4. The selected audit firm will be granted timely, full and unrestricted access to Principal Recipient’s (and Sub-recipients’) financial management system, accounting records, asset, property and personnel that may assist in clarifying any matter related to the audit.
5. To assist the selected audit firm in planning the audit, the Principal Recipient will make available as a minimum the documents and information stated below. It is highly recommended as part of auditing requirements on understanding the nature of the entity’s operations, that the auditors familiarize themselves with the following:
6. The Global Fund’s *Guidelines for the annual audits of Global Fund Grant Program Financial Statements:* [*Guidelines and Tools - The Global Fund to Fight AIDS, Tuberculosis and Malaria*](https://www.theglobalfund.org/media/6041/core_annualauditsoffinancialstatements_guideline_en.pdf?u=637217622760000000)*;*
7. Grant agreements between the Principal Recipient and the Global Fund and sub-grant agreements concluded with sub-recipients. Any correspondence from the Global Fund approving a reprogrammed budget affecting the audited year;
8. Progress Updates (PU/DRs) and Management Letters. Confirmation of amounts disbursed and outstanding at the Global Fund should also be obtained;
9. Annual Financial Reports (AFR);
10. Guidelines for Budgeting on Global Fund programs: *[The Global Fund Guidelines for Grant Budgeting](https://www.theglobalfund.org/media/3261/core_budgetinginglobalfundgrants_guideline_en.pdf)*[;](https://www.theglobalfund.org/media/3261/core_budgetinginglobalfundgrants_guideline_en.pdf)

Principal Recipient’s approved Finance, Procurement, Sub-recipients’ Management and other relevant Manuals;

1. *It is also recommended to obtain an understanding of the Proposal/Concept Note under which the grant is being implemented. Proposals are available at the following link* [*Grant Portfolio - The Global Fund to Fight AIDS, Tuberculosis and Malaria*](https://www.theglobalfund.org/en/search/?q=Grant+portfolio) *and then navigate to the respective country page.*
2. The auditor should contact the LFA prior to preparing the audit plan enabling the LFA to highlight any key weaknesses and areas of concern up front. During the course of the audit, the auditor is encouraged to contact the LFA as and when needed to obtain any additional information/clarifications.

1. Laws: Reference to The Global Fund Grant Regulations (2014), article 8.4, 9.4, (link: https://www.theglobalfund.org/media/5682/core\_grant\_regulations\_en.pdf\_ [↑](#footnote-ref-2)
2. E.g., Social security regulations, taxes, procurement acts, disposal of medicines. [↑](#footnote-ref-3)
3. Such as Fiscal Agents, Fiduciary Agents or any other third party used by the Principal Recipient as a risk mitigation measure. [↑](#footnote-ref-4)
4. E.g., fiduciary agents, fiscal agents, central medical stores, and others. However, this excludes the Global Fund managed processes such as the Pool Procurement Mechanisms/Wambo. [↑](#footnote-ref-5)
5. When the audited period overlaps two Allocation Utilization Periods (AUP), the Financial Statements prepared by the Principal Recipient must distinguish Revenues and Expenditures for each AUP. This will be the case for extensions funded with the next Allocation funds [↑](#footnote-ref-6)
6. The official approved budget that shall be used for financial reporting is the one that was available for the reporting cycle unless it is modified through an implementation letter during the reporting cycle. [↑](#footnote-ref-7)
7. Notes to the IES should be provided for the elements of the current period, adjustments to previous period’s IES, and for the overruns in the cumulative period. [↑](#footnote-ref-8)
8. Staff Advances (With age analysis if possible); Refundable deposits; Any unreconciled balances; schedule of commitments. See Annexes 1 and 2. [↑](#footnote-ref-9)
9. The Principal Recipient must maintain a fixed asset register which could be required when needs by the Country Team and the different assurance providers [↑](#footnote-ref-10)
10. Refer to the Principal Recipient tax information described in [the Core PUDR guidelines](https://www.theglobalfund.org/media/6156/core_pudr_guidelines_en.pdf) for relevant details [↑](#footnote-ref-11)
11. Implementation Letters, SR agreements and all other legal agreements relevant to the implementation of the grant [↑](#footnote-ref-12)
12. From Interest generated, Revenues, exchange gains, VAT recoveries, recovery of funds from ineligible expenditures or other concept, etc. [↑](#footnote-ref-13)
13. For example, fiduciary agents, fiscal agents, central medical stores, and others. However, this excludes the Global Fund managed processes such as the Pool Procurement Mechanisms/Wambo [↑](#footnote-ref-14)
14. The Global Fund Finance Specialist may engage directly with the auditor in instances where independence and the unpredictable nature of audits may be compromised by sharing the detailed audit plan with the Principal Recipient. [↑](#footnote-ref-15)
15. When Designing and Performing Tests of Controls The ..." <https://www.coursehero.com/file/p13iulp/When-designing-and-performing-tests-of-c>. [↑](#footnote-ref-16)
16. All deficiencies relating to program management, stock management, financial management, etc. not described in the other 4 sections of the Management Letter [↑](#footnote-ref-17)
17. <https://www.theglobalfund.org/media/7540/financial_financialriskmanagement_guidelines_en.pdf?u=636784020850000000> [↑](#footnote-ref-18)
18. This is the responsibility of the auditor and should be mentioned in the contract between the PR and the Auditor. [↑](#footnote-ref-19)
19. When the Audi firm is directly selected by the PR and therefore has a direct contractual relationship with the PR, it is expected that this contract includes a clause requiring to the Auditor to send directly an electronic copy of the final audit report to the Global Fund. [↑](#footnote-ref-20)