

Annex 1

Charter of the Audit and Finance Committee

CHARTER OF THE AUDIT AND FINANCE COMMITTEE

November 2015

A. Purpose

1. The purpose of the Audit and Finance Committee (the “Committee”) of the Global Fund to Fight AIDS, Tuberculosis and Malaria (the “Global Fund”) is to (i) provide oversight of the financial management of the Global Fund’s resources; (ii) provide oversight of the internal and external audit, as well as investigation, functions of the Global Fund; and (iii) ensure optimal performance in the corporate and financial operations of the Global Fund.

B. Functions

2. The Board has delegated its authority to the Committee to exercise the following powers and perform the following functions.

Decision-Making Powers

- 2.1 The Committee shall exercise the following decision-making powers:

- a. Approval of asset and liability, investment and financial management strategies or policies to minimize losses and preserve the capital value of the Trust Fund of the Global Fund, as well as any other accounts utilized by the Global Fund for the deposit or management of its resources.
- b. Approval of frameworks, or modifications to such frameworks, to guide the implementation of Board-approved policies regarding the corporate and financial operations of the Global Fund, to the extent consistent with applicable Board strategies and initiatives.
- c. Approval of modifications to Board-approved human resources policies or frameworks, including matters related to the Global Fund Provident Fund.
- d. Approval of the external audit plan and related fee arrangements.
- e. Approval of the interim financial statements of the Global Fund.
- f. Approval of the Office of the Inspector General’s (“OIG”) annual audit and investigation work plan, guidelines, processes and procedures.

Advisory Functions

- 2.2 The Committee shall advise and make recommendations to the Board on the following:
 - a. Selection and appointment of the external auditor of the Global Fund.
 - b. Approval by the Board of the annual audited financial statements of the Global Fund.

- c. In accordance with the risk management strategy or related policies approved by the Board: (i) the risk-stratification matrix of the Global Fund grant portfolio; (ii) the fiduciary control framework for grant management; (iii) the review and mitigation of corporate and financial risks; and (iv) appropriate risk differentiation to be exercised by the Global Fund in the management of such risks; and (v) analyses of risk areas at the request of the Coordinating Group.
- d. Key performance indicators—methodology and targets—to assess the Global Fund’s performance with respect to corporate and financial management.
- e. Periodic (e.g., quarterly, annual, multi-year) projections of the Global Fund’s cash flow, including actual receipts and expenses, based upon review by the Committee of materials prepared by the Secretariat and the World Bank in its capacity as Trustee for the Global Fund.
- f. Modifications to the policy frameworks governing the receipt and management of contributions to the Global Fund, including the contribution modalities available to donors.
- g. Modifications to the Comprehensive Funding Policy and any other Board-approved policies governing the allocation and commitment of Global Fund assets for the approval of funding grant programs.
- h. Modifications to the resource mobilization strategy of the Global Fund.
- i. Adoption of, or modifications to, policies related to the financial and operational implementation of sourcing and procurement initiatives.
- j. The approval by the Board of (i) the annual operating expenses budget of the Global Fund, including the component budgets for the Secretariat and the OIG, (ii) the accompanying corporate work plan for each year’s operating expenses budget; and (iii) proposed operating expenditures that exceed the annual operating expenses budget threshold approved by the Board.
- k. The appropriateness of the scope of the mandate and functions of the OIG, and the strategic priorities of the OIG.
- l. Adoption of, or modifications to, policies related to financial and operational oversight, including those related to the activities of the OIG.
- ~~m. The annual performance assessment of the Inspector General (in executive session).~~

Oversight Functions

- 2.3 The Committee shall have responsibility for oversight and review in the following areas:

- a. The financial management of Global Fund resources, including annual review of (i) financial forecasts; (ii) status of donor pledges and contributions; (iii) the activities of, and relationship with, the World Bank in its capacity as Trustee for the Global Fund; and (iv) financial management performance against key performance indicators adopted by the Board.
- b. The corporate management and operations of the Secretariat, including annual review of (i) the Secretariat's risk assessment and management processes in line with the risk management policy approved by the Board, taking into consideration the audit and investigation findings of the OIG; (ii) the Secretariat's response to recommendations and findings by the external auditor and the OIG, including reference of such matter to the committee of the Board with the relevant mandate; and (iii) corporate management performance against key performance indicators adopted by the Board.
- c. The OIG, including review of (i) the results of periodic independent review and assessment to confirm conformance with prevailing international standards and guidelines; and (ii) the appropriate use of resources by the OIG based upon OIG functions and deliverables.
- d. The annual expenditures of the Global Fund against budgets approved by the Board, as well as performance against approved work plans.
- e. The Secretariat's implementation of sourcing and procurement initiatives, and their financial or operational implications, in accordance with strategies and policies on market dynamics, such as market-shaping interventions, approved by the Board.
- f. The resource mobilization strategies, policies and activities of the Global Fund, including review of (i) the status and effectiveness of replenishment activities; (ii) engagement of private donors and development of innovative financing initiatives; and (iii) management of in-kind donations by the Global Fund.
- g. The adequacy, efficiency and effectiveness of internal controls, including review of (i) the implementation of measures to incorporate into business practices the audit and investigation findings of the OIG; (ii) the fiduciary obligations of grant recipients; and (iii) key risk areas as requested by the Coordinating Group.
- h. The adequacy and effectiveness of fiscal management policies and processes, including investment and foreign exchange hedging strategies, and policies governing the commitment of Global Fund assets.
- i. Financial accounting and reporting policies applicable to the preparation and presentation of the annual financial statements of the Global Fund.
- j. The methods for enhancing value for money by improving productivity and efficiency at all levels of the organization and operation of the Global Fund, including sourcing and procurement initiatives.
- k. The corporate administrative policies and activities of the Secretariat, including human resources and insurance policies, involving consultation as appropriate

with the Global Fund Ombudsman, representatives of staff and the Global Fund Legal Counsel.

- l. Review the adequacy and appropriateness of (i) strategies and policies relating to the communication of OIG findings; and (ii) communication to and engagement with stakeholders in response to OIG reports.
- m. Minimum standards for external auditors of grant recipients and policies describing the appropriate scope of work of such auditors.

C. Composition

3. The Committee shall be comprised of the following members:¹
 - i. Five voting representatives of constituencies from the implementer group;
 - ii. Five voting representatives of constituencies from the donor group;
 - iii. One non-voting independent member with financial audit expertise;
 - iv. One non-voting independent member with forensic investigations expertise;
 - v. One non-voting, neutral Chair;
 - vi. One non-voting, neutral Vice-Chair; and
 - vii. Two representatives of the non-voting, ex-officio members of the Board, one of which shall be the World Bank, with each such individual acting in a non-voting, ex-officio capacity.
4. Nomination and appointment of the members of the Committee shall be according to the Operating Procedures of the Board and Committees.
5. The Chair and Vice-Chair of the Committee will alternate between individuals nominated by donor and implementer constituencies each term, provided that the Chairs of the Committee and the Strategy Committee are selected from nominations by different constituency groups each term.
6. Committee Members shall have (i) qualifications and expertise in senior positions in the key areas of work and mandate of the Committee; and (ii) the key competencies of committee members set forth in the Operating Procedures of the Board and Committees.

¹ The constituencies contained within the implementer group and donor group are identified based upon the description of the Board within the Bylaws (Article 7). The implementer group consists of the group encompassing the seven developing country seats, the two non-governmental organization seats, and the representative of a non-governmental organization who is a person living with HIV/AIDS or from a community living with tuberculosis or malaria. The donor group consists of the group encompassing the eight donor seats and the private foundation and private sector seats.

7. The two independent members of the Committee shall serve in their personal capacity and shall not seek or accept instructions in regard to their performance on the Committee from any constituency of the Global Fund Board, including any government, organization or other authority, other than through action by the Board.
8. The two independent members of the Committee may receive an honorarium for service in accordance with an honorarium framework as may be approved by the Board, in addition to travel expenses and per diem.
9. All independent members will be required to sign a declaration of independence, as defined in the Operating Procedures of the Board and Committees.²

D. Term of Office

10. The members of the Committee shall serve coinciding two year terms, or until the appointment of his or her respective successor. The Chair and Vice-Chair of the Committee shall serve coinciding two-year terms, or until the appointment of their respective successors.

E. Reporting and Communication

11. The Committee will develop its activity in accordance with the committee work methods outlined in the Operating Procedure of the Board and Committees.
12. The leadership of the Committee shall interact regularly with and report to the Coordinating Group on the results of the Committee's deliberations, as well as any issues relevant to its discussions.
13. The Chair and Vice-Chair of the Committee shall prepare a report of its work after each committee meeting and submit a report summarizing the Committee's work for each meeting of the Board. The Committee may also prepare ad-hoc reports as requested by the Board and/or Coordinating Group, which may relate to the inter-sessional activities of the Committee and its members.
14. The Chair of the Committee shall be in regular contact and meet with the Inspector General (the "IG"), without members of the Secretariat being present, to discuss the remit of the IG and any issues arising from audits and investigations. In addition, the IG and the external auditor shall be given the right of direct access to the Chair and Vice-Chair of the Committee.

F. Rules of Procedure, Member Roles and Responsibilities

15. The rules of procedure of the Committee, including procedures for quorum and voting, and the roles and responsibilities of Committee members shall be as set forth under

² Appendix I provides the criteria for independence and the declaration of independence.

the Operating Procedures and Board and Committee Member Roles and Responsibilities, respectively.

G. Review of the Audit and Finance Committee

16. The Committee and its members are held accountable by the Board. The Committee will undergo a performance assessment against its mandate based on the performance assessment framework approved by the Board.
17. This Charter may be amended from time to time by the Board.

Appendix I

Criteria for independent members of the Audit and Finance Committee

1. Members of the governance, advisory and administrative bodies of the Global Fund (“Global Fund Officials”) may not serve as independent Committee members.³

2. In addition, a candidate will not be considered independent if he or she:
 - a. has been a Global Fund Official at any time within the last three years⁴;

 - b. has within the last three years served in an elected or appointed position within the Government of a country represented through a constituency on the Board;

 - c. has been within the last three years an employee of a firm that has provided audit, assurance or other oversight services to the Global Fund;

 - d. has participated or attended deliberations of the governance, advisory and administrative bodies of the Global Fund within the last three years as a delegate for a constituency of the Board;

 - e. has been within the last three years an employee of a company or an organization that has directly or indirectly made payments to or received payments from the Global Fund in any of the last three calendar years in excess of the lesser of US\$500,000 or 2 per cent of the consolidated expenditures or revenues of the company or organization; or

 - f. holds any professional responsibilities that might infringe on her/his independence.

³ Global Fund Officials include, but are not limited to, Board members and alternates, members of Board Committees, members of the Technical Review Panel and other advisory bodies, and employees, consultants and contractors of the Secretariat and the OIG.

⁴ An individual who has served as an independent member of a Board Committee may be renewed for one additional term.

**Declaration of Independence for
the Audit and Finance Committee**

I declare to the best of my knowledge that having read the criteria for independence appended to the Charter of the Audit and Finance Committee (the “Committee”), I am eligible to serve as an independent member of that Committee. I undertake to discharge my functions and responsibilities as a member of the Committee with the interests of the Global Fund alone in mind and I will not to seek or accept instructions in regard to the performance of these functions from any constituency of the Global Fund, including any government, constituent organization or other authority, other than through action by the Board.

Should there be any change in my relationship with the Global Fund with respect to the criteria for independence, I will immediately inform the Chair of the Global Fund Board.

Signed: _____

Date: _____