

Global Fund Guidelines

FINANCIAL CLOSURE REPORT

July 2018

INTRODUCTION

When a grant reaches the end of an implementation period or ends following a decision by the Global Fund Secretariat, the grant or the implementation period needs to be closed.

The Financial Closure Report is a progress update by the Principal Recipient after the end of the grant or implementation period aimed at determining:

- **Final Closing Cash Balance:** *Cash balances after the implementation/payment of closeout activities and financial commitments, and/or balances with third parties (e.g. procurement agents, fiduciary agents etc.) must be returned to the Global Fund or transferred to the new implementation period (when applicable).*
- **Final Recoverable Amount:** *Amounts to be recovered from the Principal Recipient due to non-compliant expenditures (when applicable). Specific guidance on ineligible transactions is available in section 5 of the [“The Global Fund Guidelines for Grant Budgeting”](#).*
- **Final Current and Cumulative Expenditure**

The purpose of this document is to provide guidance to the Principal Recipient and Local Fund Agent, where relevant, on how to complete their respective parts of the Financial Closure Report. Each of the section is organized as follows:

- **Overview:** which provides a brief overview of the section content for the Principal Recipients and Local Fund Agents.
- **Detailed description:** Each table provides a summary of the key information required from the Principal Recipients and Local Fund Agents.

Timeline

The Principal Recipient prepares and submits the Financial Closure Report with the relevant sections completed at the latest 45 days after the end of the closure period¹.

The Local Fund Agent reviews the reports submitted by the Principal Recipient and captures their findings and recommendations in their relevant sections within 15 days after the Principal Recipient submission.

Based on the Principal Recipient's report and the Local Fund Agent's findings and recommendations (as applicable), the Global Fund Country Team determine the final unutilized cash at the end of an implementation period.

The final Closing Cash Balance will:

- be deducted from the grant funds amount of the new grant as stipulated in the grant confirmation in case of an implementation period reconciliation; or
- refunded to the Global Fund by the Principal Recipient in case of Grant Closure.

Financial Information

The information reported in the financial sections must be based on the Principal Recipient's accounting and other program records, and on those of Sub-Recipients. It needs to be supported by relevant breakdowns, schedules, summaries and notes based on the financial, accounting and management systems used.

The supporting documents should be made available for review of the Global Fund and its mandated assurance providers including the Local Fund Agent and external auditor. Where applicable, supporting documentation can be included in the annexes.

Principal Recipients are not expected to replace existing accounting and financial information systems or create parallel systems but are required to adapt, as needed, accounting and financial information from their existing systems in order to meet the Global Fund's requirements.

Only *compliant* expenditures under the program are permitted for the purpose of financial reporting to the Global Fund. Compliant expenditures are those that have been validated by the Global Fund Secretariat and/or assurance providers based on credible documentary evidence that they were in line with the Global Fund approved budget and used solely for program purposes consistent with the terms and conditions of the grant agreement. Specific guidance on ineligible transactions, is available in section 5 of the [“The Global Fund Guidelines for Grant Budgeting”](#).

Actual expenditures incurred in a currency other than the grant currency should ideally be translated into the grant currency using the spot rate applicable on the day of each transaction. If the use of

¹ When determining the timelines for the grant closure period, the Country Team should consider the timing that will be needed for the Principal Recipient to complete the grant closure activities and also the timing that will be needed to pay down any commitments arising during such grant closure period. The total grant closure period should incorporate a defined period for the grant closure activities period and a defined period commitments clearance period. The period to clear the commitments should not exceed 6 months and the total grant closure period should not exceed 12 months.

daily rates is not practical, the average exchange rate (monthly or quarterly) for the reporting period should be used. The source and actual exchange rates used in the calculations should be disclosed.

Principal Recipients are responsible for aggregating data from Sub-Recipients and submitting a consolidated report to the Global Fund.

The Principal Recipient should share any additional information that can improve the level of understanding of the reported financial information. The Principal Recipient should also make every possible effort to facilitate the work of the Local Fund Agent during its program review and verification process whether it is done on-site or remotely.

Definitions

For the purposes of the Global Fund's financial reporting, the following definitions apply:

- **Financial commitment:** A current contractual obligation to pay a specified amount of cash against goods and services already received i.e. the goods/services have been received, however, the related payment is not yet made (all or partial) either due to delay in/non-receipt of invoices, use of favourable payment terms or prolonged payment process. Financial commitments mainly include accounts payable and creditors.

For example, a contract was signed for the procurement of health products and these health products were received before the end of a reporting year. However, the related payment was not made either due to non-provision of invoices or prolonged payment process, etc.

- **Financial obligation:** A current contractual obligation to pay an agreed amount of cash (as per signed contract and/or Purchase Order) to a third party for the provision of goods/services at a certain point of time in the future, i.e. goods or services are yet to be received.

For example a contract is signed for the optimization of the financial management information system, however, as per the contract the services will be provided in the first quarter of next year.

Completing and submitting the Financial Closure Report

When completing the Financial Closure report, Principal Recipients and Local Fund Agents should **not** tamper with the template. Tampering with the template will prevent the Country Team from integrating the forms with the Global Fund's system. All forms that were subject to tampering will be **rejected** and a resubmission will be requested. In addition, Principal Recipients and Local Fund Agents should only use values as they appear in drop-down lists and should not overwrite them as this will also require a resubmission.

COVER SHEET

Overview

The cover sheet provides general information about the grant and the current reporting period.

Detailed description

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<p>General Grant Information</p> <ul style="list-style-type: none">▪ The General Grant Information shall be populated from the signed Grant Confirmation.▪ In addition to the Grant Currency, the Local Currency is also indicated on the cover sheet.	<ul style="list-style-type: none">▪ The Local Fund Agent can perform a quick check to ensure the information is accurate, otherwise flag it to the Country Team's attention.
<p>Period of Financial Reporting</p> <ul style="list-style-type: none">▪ The "period covered" shall be formatted as follows: <i>dd-mmm-yy</i> (e.g. 31-Mar-17).	<ul style="list-style-type: none">▪ The Local Fund Agent should verify that:<ul style="list-style-type: none">- the period covered is correct and immediately follows the period covered by the previous Progress Report/Disbursement Request.- the results are strictly attributable to the period covered.

RECONCILIATION OF FINAL CASH BALANCE IN GRANT CURRENCY

Overview

The Reconciliation of Final Cash Balance shows the movements in cash (cash inflows and outflows) combining Sub-Recipient balances² during the period covered by the report to provide information on the program's cash position as at the report end date to determine any unutilized cash at the end of an implementation period.

The Reconciliation of Final Cash Balance shows provides information on the program's cash position as at the report end date, showing the movements in cash (cash inflows and outflows) during the period covered by the report.

This statement should be completed in the currency of the grant, as stipulated in section 3.6 of the Grant Confirmation. It should take into account disbursements made directly to the Principal Recipient and on its behalf to third parties; other income received including that related to income generating activities; Principal Recipient **and** Sub-Recipient expenditure; net gains and losses arising from exchange rate fluctuations.

The cash reconciliation statement should fully reflect all bank accounts owned and held by the Principal Recipient and Sub-Recipients (when applicable) for implementation of grant activities irrespective of physical location and currency denomination of those accounts. It should also include any grant funds held with fiduciary agents (if applicable) or any other third parties.

The Principal Recipient might be requested to submit the following documents as supporting documentation to the Local Fund Agent and/or the Global Fund:

- (i) Cash book/Cash Ledger (showing the closing balance)
- (ii) Bank statement(s)
- (iii) Bank reconciliation statement(s) for (i) and (ii) above

The Principal Recipient is also requested to provide information on non-compliant expenditure identified under the grant to facilitate transparency and reporting of these to the Global Fund for data alignment purposes.

The respective sections have provision for reporting on transactions incurred during the current reporting period and adjustments approved by the Global Fund (Country Team). Upon validation of the report, the Country Team shares a communication with the Principal Recipient in the form of a Letter indicating the available cash balance (including any recoverable amount) for the Principal Recipient to take appropriate actions within the stipulated timelines.

² Please note that this approach differs from the regular PU/DR reporting whereby the Financial Closure Report requires the inclusion of both Principal Recipient and Sub-Recipient in the Opening Cash Balance position

Detailed description

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<p>This section captures relevant financial data to calculate the Principal Recipient (and Sub-Recipient) cash balance at the end of the implementation period.</p> <p>Item 1.1 – “Total Cash Balance as reported in the last Progress Update”: the total Cash Balance from the implementation period should correspond to the prior period’s total closing cash balance (Principal Recipient and Sub-Recipient cash balance) as reported by the Principal Recipient³ in the latest progress update (item 5.3 of the Principal Recipient Cash Reconciliation Statement in the PU/DR). There should be no restatement of prior period records unless required for audit purposes.</p> <p>2. Grant Income: This is to capture all income received under the grant between the end of the implementation period and the closure period reported in the current progress update period:</p> <ul style="list-style-type: none"> ▪ Item 2.1 – “Disbursement made to the Principal Recipient”: direct disbursements made to the Principal Recipient by the Global Fund between the end of the implementation period and the end of the reporting period (closure period), based on information contained in the disbursement notification letter(s) sent to the Principal Recipient. <p>NOTE: Any direct refunds made to the Global Fund during the progress update period, should be deducted in this item.</p> <ul style="list-style-type: none"> ▪ Item 2.2 – “Disbursement to third parties by the Global Fund on behalf of the Principal Recipient”: direct payments made by the Global Fund to third parties as authorized by the Principal Recipient (e.g. payments made under the Pooled Procurement Mechanism to a procurement agent) between the end of the implementation period and the end of the reporting period (closure period). This amount should match the disbursement notification letters sent to the Principal Recipient for such 	<p>The Local Fund Agent reviews¹² and proposes adjustments as appropriate (including providing explanations as relevant in the section “For Local Fund Agent Use Only” on adjustments for exceptions and/or gives additional contextual information to the Principal Recipient’s reported information). The Local Fund Agent’s scope of work (unless otherwise agreed with the Global Fund Country Team) would usually include the following:</p> <ul style="list-style-type: none"> ▪ Verify consistency with the latest progress update information and provide comments for identified deviations. ▪ Verify the accuracy of entries for grant income in respect of disbursements from the Global Fund, third party disbursements, interest received, income generating activities and any other income received, by vouching to accounting system including source documents. ▪ Determine whether transactions and events that should have been recorded have been recorded in the correct reporting period using a risk and control-based approach. ▪ Ascertain whether the events, transactions, balances and other matters disclosed in the cash reconciliation statement: <ul style="list-style-type: none"> ✓ are clearly expressed; ✓ have occurred and/or are relevant to the accounting period; ✓ pertain to the entity; and ✓ are disclosed at appropriate amounts.

³ This should be based on the accounting records and transactions of the Principal Recipient.

¹² Review procedures may include but not limited to the inquiry of management/staff, observation of process/procedures and inspection of financial information.

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<p>payments.</p> <p>NOTE: Any associated bank charges, currency translation fees and other financial transactions costs on disbursements should not be deducted instead these are included as expenditure in the item 4.1 below.</p> <ul style="list-style-type: none"> ▪ Item 2.3 – “Other income”⁴: this represents any additional income outside the above items. These include, but not limited to, refunds (e.g. from tax authorities, suppliers, procurement agents rebates), income arising from disposal of assets, income received during the current reporting period from bank accounts held by the Principal Recipient as indicated in bank statements, program specific donations or contributions by third parties, as well as the sale of commodities/products and other services (when applicable) (e.g. insecticides-treated nets, micro loan interest...), as well as other income-generated activities funded by the program and approved by the Global Fund. ▪ Item 2.4 – “Total Grant Income”: is automatically calculated based on the financial information entered in the fields above. This represents the sum of items 2.1, 2.2, 2.3 and 2.4. <p>3. Financial Commitments⁵: This is to capture the value of the Financial Commitments:</p> <ul style="list-style-type: none"> ▪ Item 3.1 – “Financial Commitments as reported in the last Progress Update”: this represents the sum of all the financial commitments (both at Principal Recipient and Sub-Recipient level) at the end of the implementation period as reported by the Principal Recipient in the latest progress update. ▪ Item 3.2 – “Adjustments to the Financial Commitments”: these mainly include, but are 	<ul style="list-style-type: none"> ▪ Verify the reasonableness of the amounts disclosed as Principal Recipient financial commitments and approved exceptions in accordance with the above definitions on financial commitment and obligation. This includes assurance that these commitments have third party supporting documents and represent goods and services rendered with reference to the currently approved grant budget. ▪ Verify that the included financial commitments match the financial commitments reported in the last Progress Update

⁴ Refund from Sub-Recipients should not be included as other income since the Total Cash Balance as reported in the last Progress Update (item 1.1) already include the Sub-Recipients open advances at Principal Recipient level

⁵ A current contractual obligation to pay a specified amount of cash against goods and services already received i.e. the goods/services have been received, however, the related payment is not yet made (all or partial) either due to delay in/non-receipt of invoices, use of favourable payment terms or prolonged payment process. Financial commitments mainly include accounts payable and creditors. For example, a contract was signed for the procurement of health products and these health products were received before the end of a reporting year. However, the related payment was not made either due to non-provision of invoices or prolonged payment process, etc.

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<p>not limited to, changes arising from the prior periods' progress update financial information (i.e. change in the value of the financial commitments due to refunds, changes in invoices amount,...). The Principal Recipient should also include or take into account adjustments⁶ that were validated, cleared and officially communicated by the Global Fund in Performance Letters. This amount could be positive or negative depending on the nature of the adjustments.</p> <ul style="list-style-type: none"> ▪ Item 3.3 – “Total Financial Commitments”: is automatically calculated based on the financial information entered in the fields above. It represents the sum of items 3.1, 3.2. <p>4. Grant Cash Outflows:</p> <ul style="list-style-type: none"> ▪ Item 4.1 – “Principal Recipient and Sub-Recipient Expenditure (including payments made against the Financial Commitments)”⁷: this represents close out expenditure at Principal Recipient and Sub-Recipient level and the payments made to date against the financial commitments from the prior implementation period. <p>NOTE: <i>Principal Recipient can only make payments under the implementation period up to 6 months after the end date of the implementation. If a commitment has not been liquidated prior to the date, the Principal Recipient is required to request a written approval from the Global Fund.</i></p> <p>NOTE: <i>Any associated bank charges, currency translation fees and other financial transactions costs on disbursements should also be included in item 4.1.</i></p> <ul style="list-style-type: none"> ▪ Item 4.2 – “Total Grant Cash Outflows”: is automatically calculated based on the financial information entered in the fields above. <p>5. Reconciling Adjustments This section of the cash reconciliation form makes provision for adjustments required in reconciling the total cash balance of the Principal Recipient and Sub-Recipients. These adjustments have</p>	<ul style="list-style-type: none"> ▪ Verify the reasonableness of any adjustments made by the Principal Recipient on the financial commitments and the approved exceptions ▪ Verify that grant cash outflows constitute compliant expenditures and provide details/analysis on exceptions to eligibility as part of budget variance analysis. ▪ Recommend and explain its adjustments to the reported figures due to identified ineligible transactions as appropriate and taking into account sections 3.5 and 5 of “The Global Fund Guidelines for Grant Budgeting”.

⁶ Includes any exceptions on financial commitments and financial obligations approved by the Global Fund as per section 2.2.1 of the “The Global Fund Guidelines for Grant Budgeting”.

⁷ Please note that no advances or pre-payments are allowed under the closing Implementation Period. The objective of the closure report is to recognize all cash based expenditure and/or liquidation of commitments accrued as expenditure to determine final cash balance attributed to the closing Implementation Period. Any open advances (Sub-Recipient, procurement agents, etc.) or pre-payments not related to the current Implementation should be reflected as part of the item 6.2

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<p>been categorized as follows:</p> <ul style="list-style-type: none"> ▪ Item 5.1 – “Other reconciliation adjustments (including for prior periods)”: these mainly include, but are not limited to, changes arising from prior periods’ progress update financial information (i.e. any of the elements of grant income and expenditure above, impacting on the calculation of Principal Recipient cash balance) emanating from correction of errors and mispostings, foreign exchange gains or losses from translating closing non grant currency balances (functional and/or other currencies) to grant reporting currency balances at the end of the progress update period, and delayed expenditure acquitted at SR level related to the ending implementation or grant period. This amount could be positive or negative depending on the nature of the adjustments. The Principal Recipient should also include or take into account adjustments that were validated, cleared and officially communicated by the Global Fund in Performance Letters, or otherwise, covering prior periods. ▪ Item 5.2 – “Ineligible transactions⁸ from previous periods for which justification was approved by the Global Fund”: This adjustment represents approval of justification provided by the Principal Recipient on expenditure previously classified as non-compliant. Such Global Fund approvals are issued in the form of an official communication⁹. This amount does not impact on the calculation of Principal Recipient cash balances. This is because it does not involve actual cash flows in the reporting period since cash outflow from this expenditure has occurred in prior periods¹⁰. ▪ Item 5.3 – “Reimbursement of ineligible transactions from previous periods”: the amount of refunds¹¹ made to the grant bank account or transferred directly to the Global Fund during the progress update period by the Principal Recipient. This impacts on Principal 	<ul style="list-style-type: none"> ▪ Check that all prior period adjustments as officially communicated to the Principal Recipient by the Global Fund have been accurately entered in the report and are backed by adequate supporting documents. ▪ Verify consistency between justified/cleared ineligible transactions to Global Fund official communication letter to Principal Recipient on the issue.

⁸ Please refer to Section 5 of [The Global Fund Guidelines for Grant Budgeting](#) for more information on eligibility of expenditure.

⁹ Official Letter signed by the Fund Portfolio Manager, the Regional Manager or Head of Department, Performance Letter or Notification Letter.

¹⁰ This entry helps in tracking of non-compliant expenditure and decisions made on such expenditure by ensuring transparent alignment of the Principal Recipient and the Global Fund records.

¹¹ In the event such refunds are in the form of replacement of assets or commodities, the Global Fund would issue a formal letter accepting this mechanism and updating the non-compliant expenditure accordingly in the Global Fund records.

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<p>Recipient cash balance computation only (i.e. an increase in cash balance).</p> <p>6. Cash Balance</p> <ul style="list-style-type: none"> ▪ Item 6.1 – “Total Cash Balance from the implementation period”: is automatically calculated based on the information entered in the fields above. ▪ Item 6.2 – “Advance payment made for the next implementation period”: represent cumulative cash outflows made over and up to the end of the previous implementation period that are attributable to activities that will be implemented by the Principal Recipient (or Sub-Recipient) in the next implementation period (e.g. prepayment for procurement). This should be consistent with item 4.5 of the latest Principal Recipient Cash Reconciliation Statement in the PU/DR with any adjustment explained accordingly. This should exclude advance payments made during the closure period. ▪ Item 6.3 – “Final Closing Cash Balance of the implementation period”: is automatically calculated based on the financial information entered in the fields above. It represents the final cash balance from the previous implementation period. <p>Principal Recipient Ineligible transactions in Grant Currency</p> <p>This section is meant for the tracking of ineligible transactions in order to ensure transparency and alignment on potential recoverable amounts as at the reporting period end date, arising from expenditures which have been declared as ineligible in the course of the previous implementation period of the grant and formally communicated through Performance, Implementation or Notification Letters.</p> <ul style="list-style-type: none"> ▪ Item 7.1 – “Ineligible transactions validated for the reporting period”: relates to identified expenditure in the current reporting period deemed non-compliant by the Principal Recipient based on the guidelines on ineligible transactions contained in section 5 of the “The Global Fund Guidelines for Grant Budgeting”. ▪ Item 7.2 – “Ineligible transactions from previous periods for which justification 	<ul style="list-style-type: none"> ▪ Check supporting documents (such as pay slips, wire transfers, bank statements, etc.) for refunds made to the program, cross-referencing amount to Global Fund official letter on refunds. ▪ Verify accuracy and consistency of closing cash balances (Principal Recipient and Sub-Recipient) ensuring that the spot exchange rate is reasonable with reference to official central bank spot rate or other applicable inter-bank rate and that the amounts agree with updated cash book balances from month end bank reconciliations. ▪ Verify the reasonableness of exchange rates used to convert period and expenditures into the grant currency.

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<p>was approved by the Global Fund”: is derived from the item 5.2 above.</p> <ul style="list-style-type: none"> ▪ Item 7.3 – “Reimbursement of ineligible transactions from previous periods”: is derived from the item 5.3 above and reflects transactions for which the Principal Recipient has provide a physical refund to the grant bank account or transferred the funds directly to the Global Fund. ▪ Item 7.4 – “Cumulative ineligible transactions for the implementation period”: is the sum of all ineligible transactions since the start of the current implementation period. ▪ Item 7.5 – “Open Ineligible transactions to be justified and/or reimbursed”: represents the amount of ineligible transactions as of the end of the reporting period. It is automatically calculated based on the information entered in the fields above. <p>NOTE: <i>The Principal Recipient is required to input cumulative prior periods’ information on ineligible transactions in items 7.2 to 7.5, including those for which justification was approved by the Global Fund and/or reimbursement was made.</i></p>	

FINANCIAL COMMITMENTS AND APPROVED EXCEPTIONS

Overview

This section provides the list of:

- Financial Commitments at the end of the implementation period; and
- Financial Obligations at the end of the implementation period that were exceptionally approved by the Global Fund to be paid using the grant funds from the ending implementation period.

Definitions

For the purposes of the Global Fund's financial reporting, the following definitions apply:

- **Financial commitment:** A current contractual obligation to pay a specified amount of cash against goods and services already received i.e. the goods/services have been received, however, the related payment is not yet made (all or partial) either due to delay in/non-receipt of invoices, use of favourable payment terms or prolonged payment process. Financial commitments mainly include accounts payable and creditors.

For example, a contract was signed for the procurement of health products and these health products were received before the end of a reporting year. However, the related payment was not made either due to non-provision of invoices or prolonged payment process, etc.

- **Financial obligation:** A current contractual obligation to pay an agreed amount of cash (as per signed contract and/or Purchase Order) to a third party for the provision of goods/services at a certain point of time in the future, i.e. goods or services are yet to be received.

For example, a contract is signed for the optimization of the financial management information system, however, as per the contract the services will be provided in the first quarter of next year.

Detailed description

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<p>Table A. Financial Commitments</p> <p>This section captures all the financial commitments (both Principal Recipient and Sub-Recipient) at the end of the implementation period and should be included in item 3.3 of the Principal Recipient Reconciliation of Final Cash Balance tab.</p> <p>1. Module Correspond to the budget line's associated module.</p> <p>2. Intervention Correspond to the budget line's associated intervention.</p> <p>3. Activity Description Correspond to the budget line's associated activity description.</p> <p>4. Cost Input Correspond to the cost input against which the transaction will be captured.</p> <p>5. Amount in Grant Currency Corresponds to the amount due to the supplier.</p> <p>6. Delivery date Correspond to the date the goods/services have been received.</p> <p>7. Effective Payment date Correspond to the actual date the payment was made to the supplier by the Principal Recipient.</p> <p>Table B. Approved Exceptions</p> <p>This section captures all the financial obligations (both Principal Recipient and Sub-Recipient) at the end of the implementation period that were exceptionally approved by the Global to be paid using the grant funds of the ending</p>	<ul style="list-style-type: none"> ▪ The Local Fund Agent should check that the Principal Recipient has completed this section of the table in line with the guidance. ▪ Verify the reasonableness of the amounts disclosed as Principal Recipient financial commitments and other financial obligations in accordance with the above definitions on financial commitment and obligation. This includes assurance that these commitments and other obligations have third party supporting documents and represent goods and services rendered or expected to be rendered with reference to the currently approved grant budget, annual funding decisions and associated disbursements made to the Principal Recipient. ▪ The level of effort should be agreed between the Global Fund Country Team and the Local Fund Agent, depending on the requirements of the Country Team.

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<p>implementation period and should be included in item 3.3 of the Principal Recipient Reconciliation of Final Cash Balance tab.</p> <p>1. Module Correspond to the budget line's associated module.</p> <p>2. Intervention Correspond to the budget line's associated intervention.</p> <p>3. Activity Description Correspond to the budget line's associated activity description.</p> <p>4. Cost Input Correspond to the cost input against which the transaction will be captured.</p> <p>5. Amount in Grant Currency Corresponds to the amount due to the supplier.</p> <p>6. Delivery date Correspond to the date the goods/services have been received.</p> <p>7. Payment date Correspond to the actual date the payment was made to the supplier by the Principal Recipient.</p>	

Expenditure Reporting

Overview

The report covers in-country expenditures and variance analysis (when applicable) against the approved activity plan and funding for Principal Recipient and Sub-Recipients.

The reported financial information should include the approved budgets (when applicable), expenditures and variance analysis by (a) cost groupings; (b) modules and interventions; and (c) implementers (Principal Recipients and Sub-Recipients). The total budget and expenditure amounts across all three breakdowns should be the same.

Reported expenditures should include all activities for which the goods and services have been received by the grant implementer.

The reporting by implementing entity should include both the name and the type of implementing entity. This reporting should be done at the Principal Recipient and Sub-Recipient levels (it is not necessary to report at the Sub-Sub-Recipient level).

Financial information should be reported for the current financial reporting period) and cumulatively from the beginning of the implementation period. Reporting should cover the entire grant implementation period budget and expenditure information.

Adjustments to reported expenditures

All adjustments to Principal Recipient and sub-recipient expenditures in expenditure reports that have already been reported and approved (prior period expenditure reporting) should be made in the current reporting period and explained in the variance analysis of the most current reporting cycle.

It is not possible to change expenditure data in the reports that have already been submitted to and approved by the Global Fund, because prior period expenditure data is locked for further changes. Such changes may be as a result of finalization of expenditure verification, refunds received from suppliers/procurement agents or other audit adjustments for Principal Recipient/Sub-Recipient/Sub-Sub-Recipient activities. Consequently, the adjustment would need to be captured as part of the current expenditure reporting and not as a re-statement of the previous annual financial reporting to which the adjustment relates.

Detailed description

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<ul style="list-style-type: none"> ▪ Column “Budget for Reporting Period”: corresponds to the approved budget¹³ amount for the closure period formalized through an implementation letter. <p><i>NOTE: In the case of Implementation Period Reconciliation, the column “Budget for Reporting Period” will be empty</i></p> <ul style="list-style-type: none"> ▪ Column “Actual Expenditure”: should correspond to the actual expenditure (Principal Recipient direct expenditure and Sub-Recipient direct expenditure) incurred during the current reporting period. <p><i>NOTE: Financial Commitments already reported as expenditure in the previous Expenditure Report should not be included.</i></p> <p><i>NOTE: The Principal Recipient should not report the disbursements to Sub-Recipients as expenditure as they have to report the actual expenditure incurred by the Sub-Recipients. All Sub-Sub Recipient expenditures as validated and compliant should be captured as part of Sub-Recipient expenditures</i></p> <ul style="list-style-type: none"> ▪ Column “Budget Vs Actual Variances”: is automatically calculated based on the information entered in the fields above. ▪ Column “Absorption Rate”: is automatically calculated based on the information entered in the fields above. <p><i>NOTE: In the case of Implementation Period Reconciliation, the columns “Budget Vs Actual Variances” and “Absorption Rate” will be hidden.</i></p> <ul style="list-style-type: none"> ▪ Column “Explanation of Variances”: It is mandatory to provide an explanation for Absorption Rate below 95% and above 105% of the budget. The Principal Recipients should be as specific as possible when commenting on variances and must ensure that they explain the link with programmatic results. 	<p>The Local Fund Agent should review the Annual Financial Report and verify that:</p> <ul style="list-style-type: none"> ▪ The total “Budget for Reporting Period” corresponds to the approved budget amount (when applicable) for the relevant period as per the summary budget submitted with the grant confirmation or a revised budget subsequently approved through an implementation letter. ▪ The Actual expenditure are eligible. <u>Eligible</u> expenditures are those that have been validated by the Global Fund Secretariat and/or assurance providers based on credible documentary evidence that they were in line with the Global Fund approved budget and used solely for program purposes consistent with the terms and conditions of the grant confirmation. Specific guidance on ineligible transactions is contained in section 5 of the “The Global Fund Guidelines for Grant Budgeting”. ▪ Recommend and explain its adjustments to the reported figures due to identified ineligible transactions (including mistakes/inaccuracies) as appropriate and taking into account sections 3.5 and 5 of “The Global Fund Guidelines for Grant Budgeting”. ▪ Comment on the Principal Recipient’s explanation of variances (when applicable). ▪ The cumulative budget and expenditure figures reflect the aggregated amounts from the beginning of the implementation period to the end of the period covered by the progress update. ▪ The reasonableness of any adjustments to cumulative budgets and actual expenditures proposed by the Principal Recipient.

¹³ In the case of Implementation Period Reconciliation, the column will be empty

Guidance for both Principal Recipient and Local Fund Agent	Local Fund Agent-specific notes
<p>NOTE: <i>In cases where a more detailed analysis of the variance is necessary to ensure an adequate explanation of the variance and the relationship to the programmatic results, the Principal Recipient should summarize the explanation in the “Explanation of Variances” Column and then elaborate further in a an empty Worksheet in the template to provide additional information justifying the variance. Please ensure to include in the “Explanation of Variances”, the reference to the detailed explanation if applicable (e.g. See Worksheet 1, 2, 3, etc.).</i></p> <ul style="list-style-type: none"> ▪ The “Cumulative Budget”, the “Cumulative Actual Expenditure”, the “Cumulative Budget Vs Actuals Variances” and the “Absorption Rate” columns should reflect the aggregated amounts (including any adjustments) from the beginning of the implementation period to the end of the period covered by the current progress update. 	