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# Guidelines for Annual Audit of Global Fund Grants

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NOVEMBER 2019

GENEVA, SWITZERLAND

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# Glossary

<b>Cash Accounting</b>	A method of accounting that recognizes receipts and payments in the financial statements when cash is received, and cash is paid out, respectively.
<b>Accrual Accounting</b>	Under accrual accounting the revenue or income is recorded when it is earned, and expenditure is recorded when it is incurred <sup>1</sup> irrespective of the dates in which any associated cash flows occur.
<b>Modified Cash Accounting</b>	It combines cash accounting with accrual accounting. Under modified cash accounting: <ul style="list-style-type: none"><li>• income and expenditure are recognized or accounted for using a cash basis;</li><li>• short-term financial statement items (current assets and current liabilities) are recognized or accounted for using a cash basis; and</li><li>• long-term financial statement items (non-current assets and liabilities) are recognized or accounted for using an accrual basis.</li></ul>
<b>Modified Accrual Accounting</b>	It combines the accrual accounting with the cash accounting, under modified accrual accounting: <ul style="list-style-type: none"><li>• income/revenue is recognized/accounted for using a cash basis;</li><li>• expense/expenditure are recognized/accounted for using accrual basis;</li><li>• short-term financial statements items (current assets and current liabilities) are recognized/accounted for using accrual accounting; and</li><li>• long-term financial statements items (noncurrent asset and liabilities) are recognized/accounted for using a cash accounting basis.</li></ul>
<b>Accounting Principles</b>	Accounting principles are a set of rules, standards and guidelines used by an organization for the recording and reporting of financial information. They define the bases by which the transactions, assets and liabilities are valued and presented in the financial statements.
<b>Accounting Policies</b>	Accounting policies are the specific principles, bases, conventions, rules and practices applied by an organization when preparing and presenting financial statements.
<b>IFRS</b>	International Financial Reporting Standards issued by the International Accounting Standards Board (IASB). This Board sets accounting standards globally for the private sector and upon its creation in 2001, it adopted all International Accounting Standards (IASs) which had been previously issued by its predecessor body, the International Accounting Standards Committee (IASC).

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<sup>1</sup> The amount an organization or person has paid or has committed to pay for goods or services received from another organization or person.

<b>Internal Controls</b>	Internal Controls include policies and procedures, geared towards managing key operational risks, financial and non-financial, associated with various Global Fund grant funded activities at Principal Recipient and Sub-recipient levels.
<b>INTOSAI</b>	The International Organization of Supreme Audit Institutions (INTOSAI) is a global body comprising Supreme Audit Institutions (or national audit offices) which issues public sector/government auditing standards to be applied by its members.
<b>IPSAS</b>	International Public Sector Accounting Standards (IPSAS) are those applicable to public sector/government entities. They are issued by the International Public Sector Accounting Standards Board of IFAC (the International Federation of Accountants).
<b>ISAs</b>	International Standards on Auditing (ISAs) are developed by the International Auditing and Assurance Standards Board (IAASB) and contain basic principles and essential procedures together with related guidance in the form of explanatory and other material.
<b>ISSAI</b>	The International Standards of Supreme Audit Institutions (ISSAI) are the professional standards and best practice guidelines for public sector auditors.
<b>Management Letter</b>	A document prepared by the auditor for the management of an audited entity highlighting all key findings as a direct consequence of the audit work performed to form an opinion on the financial statements. It also sets out findings (such as weaknesses in internal controls), implications and recommendations and solicits the response of the audited entity's management to the audit findings and recommendations.
<b>Sub-recipients and Sub-Sub-recipients</b>	A Sub-recipient receives grant funds directly from the Principal Recipient of a Global Fund grant and implements certain program activities. The Principal Recipient enters into a written agreement with a Sub-recipient to formalize the terms and conditions and includes the name of the Sub-recipient in the Detailed and Summary Budget of the relevant grant agreement. A Sub-sub-recipient receives grant funds indirectly from the Principal Recipient through a Sub-recipient under similar arrangements. These guidelines refer to Sub-recipients, which includes Sub-Sub-recipients. In certain cases, for effective risk management and with the agreement of the Principal Recipient, the Global Fund may make direct cash disbursements to a Sub-recipient and Sub-Sub-recipients under the main grant agreement.

# 1 Introduction

## 1.1 Background

1. The implementation of these guidelines is mandatory for reporting periods ending 31 December 2019 and onwards.
2. A core component of the Global Fund's risk and assurance framework is the audit of the grant. Revenues and expenditures of Principal Recipients and Sub-recipients are to be audited annually in accordance with [the Global Fund Grant Regulations \(2014\)](#).
3. Audits are primarily intended to provide the Global Fund with assurance that disbursed funds were used for the intended purposes in accordance with the relevant grant agreement, including the approved budget and the Performance Framework, and that the financial statements fairly represent the financial transactions and balances of the grant.

## 1.2 Purpose

4. The purpose of these guidelines is to outline Global Fund requirements for audit arrangements, as follows:
  - (1) Different types of audits for Global Fund grants and their corresponding terms of reference;
  - (2) Scope of work of the respective audits;
  - (3) Selection and accreditation requirements for external auditors;
  - (4) The Global Fund financial reporting framework for grants;
  - (5) Content of audit reports; and
  - (6) Roles and responsibilities of the relevant parties to the audit process, including the Global Fund Secretariat, Country Coordinating Mechanisms, Principal Recipients, Sub-recipients, Local Fund Agents and external auditors.
5. The guidelines will be updated based on best practices on an ongoing basis.
6. According to Global Fund Grant Regulations (2014), the Global Fund will act when audit arrangements and reports do not follow the requirements as outlined on this document. Actions involve withholding disbursements, terminating grant agreements or taking other relevant measures.

## 1.3 Key principles

7. These guidelines follow these key principles:
  - **Flexibility:** adapt audit type based on the financial risk profile of the grant and the country categorization. The guidelines introduce other assurance engagements including performance audit, system audit, asset safeguard engagement, and fraud-related engagements. They also define the conditions under which each audit type can be used.
  - **Risk-based scope:** audit scope will be based on the risk level of the grant. The financial risk level will be directly taken from the Global Fund Integrated Risk Management tool for consistency purposes.
  - **Reliance on Principal Recipient audit mechanisms:** the Principal Recipient's statutory auditor (including Supreme Audit Institutions for government entities) is the preferred option for auditing purposes, if deemed efficient and effective. This is in line with the Global Fund's strategic objective to build Resilient and Sustainable Systems for Health (RSSH) and more

specifically, facilitate the use of country or donor harmonized financial management systems. Otherwise, a grant-specific auditor should be contracted, who will provide an opinion on the Financial Statements

- **Consistency:** In the case of financial and systems audits, these guidelines establish minimum requirements of format and scope of financial statements and audit report to drive consistency in reporting.



## 2 Types and scope of audits and financial assurance engagements for Global Fund grants

8. Different types of audits of grants have been introduced by the Global fund to ensure that there is a link between the financial risks that grants are exposed to with the assurance needs. These range from a standard financial audit to targeted assurance engagements following a recognized standard.
9. The Global Fund's Regional Finance Manager, based on the recommendations of the Finance Specialist within the Country Team, determines the best audit option based on risk, materiality of the funding at risk and their knowledge of the grant implementation arrangements.

### 2.1 Financial Audit

10. The financial audit is the standard and main type of audit performed in Global Fund grants and is chosen by default. Based on risk considerations, the financial audit could have several variants including the audit of Special Purpose Grant Financial Statements, a program audit or the Principal Recipient statutory audit.
11. Other types of audit include performance audit, systems audit, fraud-related engagements and assets safeguard audit .

#### 2.1.1 The Special Purpose Grant Financial Statement (SPGFS) Audit

12. The objective of the SPGFS audit is to:
  - 12.1. enable the auditor to express an independent professional opinion on each of the following:
    - (1) the Special Purpose Grant Financial Statements prepared by the Principal Recipients;
    - (2) the Principal Recipient's compliance with having used grant funds in conformity with the provisions of the relevant grant agreement and applicable local laws and regulations.
  - 12.2. comment on adequacy of the implementers' internal control framework, and report on the weaknesses identified. This review will also include, if applicable:
    - (1) internal controls including Information Technology General Controls (ITGCs);
    - (2) controls related to Principal Recipient or Global Fund hired third party agents<sup>2</sup> including review of the terms and conditions of their engagement and adherence thereof.

#### 2.1.2 Program Audit

13. In some circumstances, a wider program (or entity) audit, such as a national program report or the annual report of the Principal Recipient or its parent company or other principal legal entity, may be acceptable as an annual financial audit, provided that:
  - a) it clearly distinguishes Global Fund grants' income, expenditure and balances;
  - b) the auditor expresses an opinion on Global Fund-related income and expenditure by grant separately;
  - c) the auditor expresses an opinion on compliance of expenditures against the provisions of the relevant Global Fund grant agreement and applicable local laws and regulations;

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<sup>2</sup> Such as Fiscal Agents, Fiduciary Agents or any other third party used by the Principal Recipient as a risk mitigation measure.

- d) the auditor comments separately on other aspects of the terms of reference for a financial audit annexed to these auditing guidelines; and
  - e) the report is submitted to the Global Fund within six months from the end of the reporting period.
14. For such cases, the terms of reference for the program audit should be reviewed by the Finance Specialist within the Global Fund Country Team to confirm that they meet Global Fund's standard requirements.

### **2.1.3 Implementer statutory financial audit**

15. In some instances, the Global Fund will rely on the implementer's annual statutory audit, without separating Global Fund grant-funded financial statements, based on the implementers' risk rating and on whether the minimum requirements for the external auditor eligibility (section 4.2.1) have been fulfilled.
16. In this case, no audit cost would be expected to be covered by the respective Global Fund grant unless:
- (1) the Global Fund Country Team requires the auditor to look at specific internal control related matters; or
  - (2) the audit of the respective Global Fund grants was not included in the scope of the statutory audit.
17. In the case where the Global Fund uses the annual statutory audit of the Principal Recipient, a Special Purpose Grant Financial Statements Audit will be performed once during the implementation period to cover the entire implementation period of the respective grant.

## **2.2 Performance Audit**

18. The performance audit is an objective examination of systems, programs or organizations from the point of view of three of the dimensions of value for money: economy, efficiency and effectiveness<sup>3</sup>. Its purpose is to provide an objective analysis to assist implementer's management and the Global Fund Country Team to use the information to improve program performance and operations, reduce costs, and facilitate decision making by parties with responsibility to oversee or initiate corrective action. It aims to provide a linkage between financial and programmatic performance with an enhanced focus on the cost incurred in relation with the results achieved.
19. The performance audit includes three main approaches:
- (1) Result-oriented approach, when the auditor verifies that the initial objectives have been achieved as intended. In this case, the auditor will be requested to use the verified programmatic achievement and assess whether they have been reached with due consideration of economy, efficiency and effectiveness;
  - (2) Problem-oriented approach, in which the auditor analyses the root causes of a problem. This could include examining the shortcomings in program implementation design or processes that prevented the achievement of objectives. It could also relate to a process or a particular activity; and/or
  - (3) System-oriented approach, which examines the adequate functioning of management systems.

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<sup>3</sup> Definition from ISSAI 3100- Performance audit guidelines - Key Principles

20. The performance audit would be particularly beneficial for grants presenting performance challenges at program or activity level, or when the Global Fund would like to have a deeper understanding of systems functioning and/or grant implementation.

### **2.3 Systems Audit**

21. Systems audit focuses on the design and/or operating effectiveness of an implementer's internal control system. The objective of the systems audit is to enable the auditor to express an opinion on whether:
- (1) the internal control system set up by the implementer was suitable designed, whether automated or not. to ensure that risks to achieving program objectives are adequately managed.
  - (2) whether processes are properly documented, and key controls formalized; and
  - (3) the system operates effectively during the reporting period, when the audit is extended to its operating effectiveness.
22. The auditor should test the existence of internal controls during the reporting period and whether the control system is operating effectively as designed.
23. Systems audits will be performed when Global Fund's assurance providers have identified weaknesses in an implementers' control environment or to reassure the Global Fund that the systems that an implementer uses are the appropriate ones to effectively manage grant funds to support achievement of grant objectives
24. A system audit will be performed at a Principal Recipient or sub-recipient on the basis of the financial risk level of the grant as well as the materiality of grant funds involved.

### **2.4 Limited Review**

25. Based on the financial risk level of the grant, a limited review may also be performed. The objective of a limited review is to enable the auditor to issue an opinion on the (1) Income and Expenditure Statement (IES) showing Global Fund funds received, any other income received and all grant expenditures<sup>4</sup> and (2) a statement of cash balance. To do so, the auditor will comply with the International Standard on Review Engagement 2400/2410 (ISRE 2400 or 2410) and perform inquiries and analytical procedures to obtain sufficient evidence to form a conclusion on the above-mentioned financial statements.

### **2.5 Asset Safeguard Engagement**

26. The objective of the asset safeguard engagement is to enable the auditor to perform audit procedures to provide reasonable assurance regarding prevention, timely detection of unauthorized acquisition, disposal, misuse, loss or theft of program assets<sup>5</sup> that could have a material effect on the financial statements or the program's outcome.
27. The asset safeguard engagement will be recommended on grants with material assets (whether inherited from previous grants or acquired with ongoing grants) and/or where red flags on asset management or asset diversions have been identified by the assurance providers (e.g. External Auditors, LFA, or others).

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<sup>4</sup> Grant expenditures should be reported against the budget in the same format of the Annual Financial Reporting (AFR) with all three tables

<sup>5</sup> in respect of a Program, means collectively all goods or other tangible or intangible property acquired wholly or partly using Grant Funds, including, but not limited to, any asset not fully paid for, under such Program;

## 2.6 Fraud-related Engagements

28. Fraud-related engagements will be conducted periodically and will be based on prevention and detection controls around fraud. Forensic audits may be conducted in cases of suspected fraud, to substantiate indications of suspected fraud and gather evidence that would be presented in a court of law . It must be undertaken by a specialized forensic auditor or investigator.
29. Fraud-related engagements would be recommended in instances where:
- (1) the Principal Recipients and/ or key sub-recipients would not have been assessed on fraud management for more than five years;
  - (2) activities susceptible to fraud and fraud-related red-flag activities constitute a significant amount of the budget;
  - (3) minor instances of fraud or inadequate controls on fraud management have been detected by an assurance provider;
  - (4) the Global Fund Country Team and/or management of the Principal Recipient requires assurance of the anti-fraud and corruption control environment; and/or
  - (5) suspected fraud has been reported to the Global Fund.

## 2.7 Other Specific Situations

### 2.7.1 Grant Closure

30. When a grant reaches the end of an implementation period or ends following a decision by the Country Coordinating Mechanism (CCM) and/or the Global Fund Secretariat, the grant needs to be closed. The closure period lasts for six months after the implementation period ends and closure activities should be completed during this time<sup>6</sup>. This is specifically relevant to Principal Recipients who will not continue in this role for Global Fund grants. Generally, the external audit for the closure period is not required except under certain specific circumstances. Unless waived by the relevant authority<sup>7</sup> in writing, an audit is required when one of the following conditions is met:
- (1) The financial risk level as documented and validated (by the Global Fund's Regional Finance Manager or Senior Manager, Program Finance and Controlling) in the Integrated Risk Module is high or very high;
  - (2) The closure budget is more than 10% of the grant budget or more than US\$1 million whichever is lower; and/or
  - (3) The previous audit report (the audit of the year before the last year of the implementation period) has a qualified, adverse or disclaimer audit opinion.
31. If an audit is not required, the Local Fund Agent should be used to provide assurance on the Financial Closure Report over the grant Closure Period.

### 2.7.2 Audit of grants involving Common Funding Mechanisms (CFM)

32. When the Global Fund jointly finances a program along with other donors and/or partners which involves the common pooling of funds and/or a common budget (e.g. as part of a sector-wide approach (SWAp)), a single financial statement and audit report covering all receipts and expenditures is acceptable as long as the Global Fund disbursements to the program are clearly indicated in the notes to the financial statements.

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<sup>6</sup> For further details refer to OPN on Implementation Period Reconciliation and Grant Closure.

<sup>7</sup> The Regional Finance Manager or Senior Manager, Program Finance & Controlling in this case.

33. The common distinguishing feature of the CFM is that expenditures cannot always be directly attributable to the Global Fund. However, provided that Global Fund disbursements can be reconciled with the overall CFM expenditures, the Global Fund will accept a single financial statement and audit report which meets the requirements of both the country authorities and development partners. The Global Fund will determine if the report meets its quality standards. When the audit arrangements deviate materially from Global Fund requirements (such as a delayed submission of audit reports), the Global Fund may finance an independent audit to seek compliance with its requirement for timely assurance.

### **2.7.3 Audit of grants involving headquarters (HQ)-generated expenditures**

34. Expenditure transactions from Principal Recipients or sub-recipients generated in their headquarters located in a different country to the grant implementation, do not change the scope of the audit and the relevant offices are responsible to provide the auditors with sufficient and appropriate evidence of headquarters' generated expenditures. This is generally the case for International Non-Governmental Organizations.
35. The Global Fund could agree to have a special arrangement to audit headquarters generated expenditures centrally. In this case, the Global Fund will advise the in-country auditor (in writing) to restrict their scope and audit plan to local expenditures only.

### **2.7.4 Exceptional cases of United Nations-affiliated organizations**

36. The Global Fund routinely enters into grant agreements, that may include a Framework Agreement, with United Nations-affiliated organizations and other non-governmental organizations. These framework Agreements may include provisions that provide guidance in relation to audits. Where such organizations (such as UNDP, UNICEF) are appointed as Principal Recipients or sub-recipients, their policies on accounting, preparing financial statements, and auditing will apply, as governed by the provisions of the relevant grant agreement signed with these entities.

### **2.7.5 Audit of grants using different funds channeling models (Innovative Financing)**

37. For effectiveness and sustainability purposes, the Global Fund may be involved in different models of channeling funds into countries, also known as innovative financing mechanisms. To date, the Global Fund has mainly been involved in Payment for Results and on Blended Finance funding models.
38. The audit and assurance approach for countries or implementers willing to use one or more of these innovative finance mechanisms might be differentiated taking into account the peculiarities of the arrangement. This could include one or more of the following:
- (1) Reliance on statutory audit of the beneficiary;
  - (2) Grant-specific financial audit;
  - (3) Any other audit type included in these guidelines;
39. Whichever the case, the audit approach is to be agreed with the Financial Risk and Assurance Team at the Global Fund.

### **2.7.6 Single Audit principle**

40. In order to gain efficiencies in the audit process and improve the quality of audit deliverables, the Global Fund initiated an audit approach with certain INGOs regarding the engagement of corporate auditors of the relevant INGO, or a selected audit firm. These organizations would annually perform a single audit of all grants implemented by the INGO on behalf of the Global Fund. Upon completion of the audit, the auditor should issue grant-specific audit reports and

opinions, including the grant-specific management letters as required by the terms of the agreement with the Global Fund.

## 3 Audit scope and risk-based differentiated approach

### 3.1 Grant consolidated audit, or grant-specific audit at SR level

41. As a general standard, the Global Fund requires a consolidated grant-specific audit. This implies obtaining one overall audit opinion combining the balances and transactions of the Principal Recipient and sub-recipients funded by the Global Fund grant as well as all other service providers stated under the grant agreement. Differentiated fiscal periods for Principal Recipient and sub-recipient should not prevent the consolidation of financial statements. If the accounting framework (policies) used by the sub-recipient differs from the one used by the Principal Recipient, the sub-recipient should report using the Principal Recipient's accounting framework to enable the grant level consolidation and reporting of grant expenditures to the Global Fund by the Principal Recipient. Principal Recipients should coordinate with the Sub-recipients to receive the necessary financial reports to enable the timely consolidation of the financial statements.
42. In exceptional circumstances, separate sub-recipient audits may be acceptable where:
  - (1) The time taken to perform a consolidated audit of expenditures and submit the audit report would extend beyond the required deadline, which is within six months from the audited period end-date; or
  - (2) The level of fiduciary risk is considered high, a full scope audit of some sub-recipients may be required by the Global Fund.
43. When a sub-recipient is being audited separately, these auditing guidelines would fully apply. The decision to audit a sub-recipient separately as a standalone audit must be validated in writing by the Global Fund Regional Finance Manager, based on the recommendations of the Finance Specialist within the Country Team, in consultation with the Financial Risk and Assurance team.

### 3.2 Risk level determination

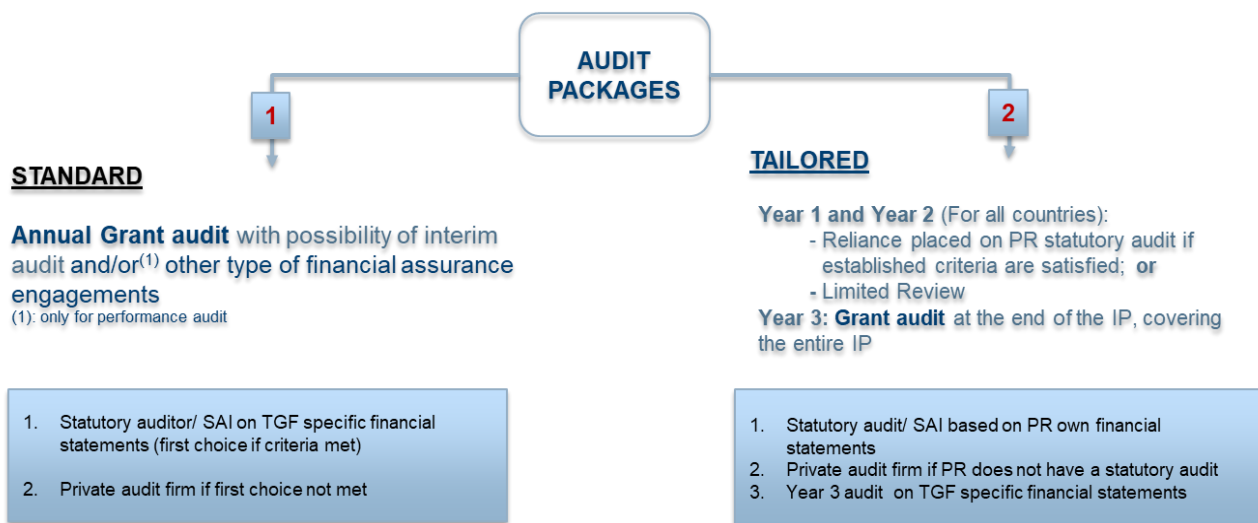
44. The Global Fund Board-approved risk management framework contemplates risk differentiation, permitting the use of different assurance models based on the levels of risk), A risk-based approach has been developed to inform the decision on the type of audit to be undertaken:
  - (1) The Global Fund country classification (e.g. High Impact, Core and Focused) aligned to the Global Fund differentiation process;
  - (2) The Global Fund grant financial risk rating based on the Integrated Risk Management (IRM) module which determines the financial risk level of the grant, where risks are mapped into nine grant-facing corporate risk categories (Program Quality, Strategic Data Quality and Availability, Human Rights & Gender Inequality, Grant-Related Fraud & Fiduciary, Accounting and Financial Reporting by Countries, Quality of Health Products, Procurement, In-Country Supply Chain and National Program Governance and Grant Oversight); and
  - (3) The total amount of grant funds for the Implementation Period.
45. Upon determination of the grant profile based on the criteria described previously, the corresponding type of audit engagement will be determined and approved by the Regional Finance Manager<sup>8</sup>.

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<sup>8</sup> Or the senior manager, Program Finance and Controlling mainly in the focused countries

### 3.3 Audit package (risk-based matrix)

Figure 1: Audit package



46. Two audit packages are available based on risk approach (Figure 1).

#### 3.3.1 Standard audit package

47. The standard audit comprises a grant-specific financial audit and could be coupled with one of the other types of audit to review other possible risk areas. The financial audit could be preceded by an interim audit providing an early warning report.
48. When the Global Fund Country Team opts for a performance audit in a given year, the financial audit might not be required for that year. In such cases, the financial audit of the subsequent year will cover the previous and the current year.
49. The statutory auditor of the Principal Recipient or a private audit firm selected by the Principal Recipient can perform the audit work. The Global Fund can select an auditor if the statutory auditor of the Principal Recipient does not meet the minimum criteria as per section 4.2.1. of these guidelines.
50. Standard audit packages will be systematically performed when grants are rated with medium to very high financial risk levels.

#### 3.3.2 Tailored audit package

51. The tailored audit is characterized by placing reliance on the statutory audit of the Principal Recipient for year 1 and year 2 of the respective implementation period, if the established criteria<sup>9</sup> to use the statutory auditor is satisfied.
52. When the criteria are not satisfied, the statutory audit of the Principal Recipient cannot be used for financial assurance on Global Fund grants, and a limited review engagement will be performed by an audit firm meeting the criteria instead.
53. In the third year of the respective implementation period (or earlier if required), a grant-specific financial audit of the grant covering the entire implementation period is requested. The tailored

<sup>9</sup> detailed in the section 4.2.1 below



audit package will be systematically performed when grants are rated with low to medium financial risk levels.

Table 1: Risk based audit package

Financial Risk level	Very High	High	Moderate	Low	
Country classification					Grant Total Budget (TBg)
High Impact/ Core	Standard	Standard	Tailored	Tailored	TBg<=10m\$
	Standard	Standard	Standard	Tailored	50m\$<TBg<10m\$
	Standard	Standard	Standard	Standard	TBg>= 50m\$
Focused	Standard	Standard	Tailored	Tailored	TBg<=10m\$
	Standard	Standard	Tailored	Tailored	50m\$<TBg<10m\$
	Standard	Standard	Standard	Tailored	TBg>= 50m\$

- (1) The grant total budget is the Board-approved budget for a given implementation period. Table 1 provides the main scenarios based on which the different audit packages should be allocated.
- (2) Any modification to the audit package as proposed in this matrix will require approval by the Global Fund Regional Finance Manager. For High Impact and Core countries, the audit package should systematically follow the categories in Table 1. With approval of the Global Fund Regional Finance Manager, the Finance Specialist in the Country Team may opt for a Standard approach even when a tailored approach is proposed. This will not be the case in Focused countries where a more flexible risk-based approach could be used.

### 3.4 Audit Terms of Reference (ToRs)

54. Principal Recipients must apply the standard ToRs for all types of audits, unless existing audit ToRs incorporate Global Fund standard requirements outlined in these guidelines, in which case these can be retained. Those ToRs will be reviewed by the relevant Global Fund Country Team (or the Local Fund Agent) to confirm that they meet Global Fund standard requirements (auditing standards, accounting standards, financial statements, and others) as outlined in these guidelines and should be approved by the Global Fund Regional Finance Manager.
55. In addition to the standard audit ToRs, the Global Fund may require additional procedures to be planned and carried out by the auditors. The nature, timing and extent of these procedures and the form of reporting will be agreed between the Global Fund and the auditors prior to the commencement of the assignment and the additional costs, if any, will be covered by the grant.
56. In the case of Focused Portfolios, the Global Fund will review and approve the relevant terms of reference once during an implementation period. However, the relevant terms of reference may be reassessed in certain exceptional situations, such as:
  - material changes in implementation arrangements;
  - heightened risks flagged as part of the capacity assessment and/or the annual Integrated Risk Module (IRM) review of the Principal Recipient. It can also be emerging risks trends from routine oversight and monitoring of key deliverables by an assurance provider during implementation; and
  - changes in the scope of the audit as required by the auditing guidelines.

## 4 Auditor selection and accreditation

### 4.1 Type of auditor for Global Fund grants

#### 4.1.1 Government Supreme Audit Institutions (SAIs)

57. For Global Fund grants managed by a governmental Principal Recipient (e.g. state-owned entity or statutory authority), the SAIs are the preferred auditors, provided they comply with minimum requirements established in these guidelines (section 4.2.1).
58. The host country's principal government audit agency, often referred to as the 'Supreme Audit Institution' (SAI), may be required by national legislation to audit Global Fund grants being implemented by government agencies.
59. The Global Fund may either seek the independent advice of any regulatory or representative<sup>10</sup> body charged with overseeing the quality of work of its members, perform a due diligence review or inquire with donors working locally to provide a reference as to the SAI's suitability.
60. When the Global Fund determines that the SAI does not meet the required standards, the SAI may propose sub-contracting the audit work to an independent firm under the overall responsibility of the SAI. If such an arrangement would infringe the local legislative requirements, the Global Fund will decide the most appropriate grant audit arrangements in consultation with the Principal Recipient.
61. When the audit field work and/or preparation of the audit report is contracted to another party by the SAI the same list of minimum requirements applies as in the section 4.2.1.

#### 4.1.2 Corporate or institutional auditors

62. Whenever possible, the Global Fund will use corporate or institutional auditors of Principal Recipients to leverage their knowledge and to reduce the workload on the Principal Recipient. This can be done when the auditors meet Global Fund requirements and when the Principal Recipient is willing to share its audit report. The corporate or institutional auditor refers to the audit firm engaged by the Board of Directors to provide an independent audit opinion on the organization's consolidated financial statements.

#### 4.1.3 Contractual auditors

63. Contractual auditors will be selected in instances where the SAI or the corporate auditors do not comply with minimum Global Fund requirements as described in section 4.2.1. Private audit firms would provide this service and be appointed following a competitive tender process. It is advisable that the contract covers the entire implementation period, with annual renewal to be subject to satisfactory performance.
64. When Global Fund grants are managed by the same implementing entity as another donor, the Global Fund may, in accordance with the Global Fund Procurement Regulations, decide to use the auditor selected by this donor provided:
  - (1) The selection process was open and competitive<sup>11</sup>; and
  - (2) The auditor meets the minimum requirements as described in section 4.2.

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<sup>10</sup> An example body would be the AFROSAI-E and CREFIAF (Anglophone and Francophone Africa SAIs respectively).

<sup>11</sup> This would not apply in the case of a Supreme Audit Institution.

#### 4.1.4 Regional Auditor

65. The regional audit approach consists of using one auditor for several grants across different countries in one or more regions as per Global Fund country classification. Having one auditor across different countries enhances the interaction, the consistency of the process and the quality of the deliverables.
66. The relevant Global Fund Country Teams can opt to include their grants as part of the regional audit. In this case the Global Fund will select the regional auditor. The audit costs will be charged to the relevant grant(s).

## 4.2 Auditor selection and accreditation

### 4.2.1 Minimum requirements for grant's auditors

67. The following are the minimum requirements for an auditor of a Global Fund grant. The auditor must:
  - (1) Included on an accredited list of auditors of a recognized donor<sup>12</sup> with operations in the relevant host country<sup>13</sup>. In the case of SAIs the auditor should be accredited as meeting required standards by any relevant authority which is qualified to assess work standards<sup>14</sup>. If in doubt about the issue of accreditation, the Global Fund should be consulted;
  - (2) An independent firm, free from conflicts of interest with the implementing partner, CCM, LFA, and other assurance providers for the grant, and the respective Global Fund country team;
  - (3) Professionally competent and have experience in planning and conducting audits of this nature;
  - (4) Eligible to practice as an external auditor and express audit opinions pursuant to the laws, rules and other requirements of the country where the grant is implemented;
  - (5) Aware of the Global Fund's Code of Conduct for Suppliers and compliant of its provisions. The relevant implementer will ensure its compliance or take corrective measures if not, including dismissal.
68. The Global Fund reserves the right to provide its own pre-qualified shortlist of acceptable audit firms under certain circumstances.

### 4.2.2 Approval procedures

69. The selected auditor, including existing PR auditors, must be approved by the Global Fund. Apart from the Supreme Audit Institutions, the auditor must be selected based on a competitive process. The following are indicative processes to follow:
  - i. The Principal Recipient administers the tender for the audit, but the Global Fund must approve the final selection of the auditor (through the Global Fund's Finance Specialist).

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<sup>12</sup> For example: World Bank, EBRD, OIG/RIG (USAID), European Commission (Court of Auditors).

<sup>13</sup> Where the list of accredited auditors does not exist, the Finance specialist should consult with the partners in-country, consult with the LFA or select through an open process one of the audit firms in the relevant Host Country that have satisfactorily audited the grants in the past.

<sup>14</sup> In determining the suitability of the SAI, the Global Fund will also consider factors such as the SAI's ability to incorporate the elements of the Global Fund's standard terms of reference and scope of work as well as adherence to reporting timeliness as described in these guidelines.

When a list of approved auditors exists, the Principal Recipient will only provide a tender for the auditors on this list, exclusively;

- ii. The Principal Recipient submits the tender file to the Global Fund Country Team, together with all documents related to the audit tender for approval. The Principal Recipient makes a report of its recommendations to the Global Fund Country Team in a timely manner so that the audit and other deliverables are not delayed.
- iii. The Finance Specialist in the Global Fund Country Team will, in some cases, request the LFA to review the recommendations and supporting documentation to confirm that the Principal Recipient's procedures and the tender process were followed. The Global Fund Country Team endorses the selection of auditor or refers to the Principal Recipient if not in agreement.
- iv. The auditor must confirm in writing any conflicts of interest prior to engagement. Conflicts can only be waived in agreement with the Global Fund Country Team and the Regional Finance Manager or the Senior Manager, Program Finance & Controlling for focused portfolios. The Global Fund country team will seek guidance on any special COI matters with the Global Fund Ethics Office.
- v. In exceptional circumstances, the Global Fund may decide to procure the external audit on behalf of the implementer. This will be communicated by including this aspect in the grant confirmation or through an official letter. The Global Fund will administer the tender and the selection process and the fees will be paid through the grant. The auditor selection will be approved by the Global Fund<sup>15</sup>. This practice will occur when there are, for example: capacity issues at implementer level, historic delayed procurement at implementer level, poor performance by previous external auditors, high risk environments, delayed submission of external audit reports, and others.

70. The Global Fund may approve the use of an existing or incumbent auditor provided they meet the standards required in section 4.2. For grant-specific financial audits, the Global Fund reserves the right to require a retendering when auditor has already been appointed.

71. In the case of Focused portfolios, the LFA will conduct the review of the auditor selection process and the selected auditor will be retained by the Principal Recipient for the entire implementation period, subject to satisfactory performance as per section 4.4 and the requirements in section 4.2.1.

### **4.3 Appointment of the auditor**

72. Audit arrangements should be agreed between the Global Fund and the Principal Recipient prior to signing the grant agreement, specifically during grant making. This includes such issues as the overall approach to selection and approval of the auditor. The main features of the auditor's proposal, including staffing and coverage, described during the tender process will be compared to the final contract with the auditor.

73. The auditor should be selected within three months from signing the grant agreement and the engagement will run for no longer than the end of the implementation period of the ongoing grant or three years in total<sup>16</sup>.

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<sup>15</sup> Selection must be approved by the Global Fund Regional Finance Manager and Head of Department for Program Finance & Controlling and validated by the Financial Risk and Assurance team.

<sup>16</sup> For instance, for an implementation period of 3 years, the auditor could be appointed for up to 3 years. However, if an auditor is appointed after the 2<sup>nd</sup> year of the implementation period, the Principal Recipient will have the choice to appoint the auditor for either a period of up to the end of implementation period of the grant or 3 financial years maximum. The annual renewal of the auditor will be based on its performance. Refer to 4.4

#### **4.4 Auditor performance assessment, rotation and termination**

74. The auditor's performance will be assessed by the Global Fund and by the CCM, when capacity allows. The Global Fund may request the auditor to explain its quality assurance and internal compliance procedures and how they apply to the Global Fund assignment. The auditor is required to make its audit working papers available to the Global Fund if requested.
75. The Global Fund has no specific policy of auditor rotation. The Global Fund respects best practices promulgated by the relevant professional body to which the audit firm belongs. However, if there is any evidence that the auditor is not performing its duties in a fully independent and professional way, the Global Fund may require a retendering of the audit. Good performance will be evaluated based on: (i) timeliness of the audit report, (ii) compliance of the audit with the agreed terms of reference, (iii) technical soundness of the audit report, and other criteria that the Global Fund would deem appropriate.
76. Principal Recipients must notify the Global Fund Country Team and seek the Global Fund's non-objection in writing, prior to terminating a contract with an existing auditor. Notification must include detailed reasons for termination and plans to enter into another audit arrangement. Any alternative arrangements must meet Global Fund's minimum requirements. The Global Fund may decide not to object to the termination of an audit contract where this is in the interest of auditor independence and would be in compliance with international best practice.

#### **4.5 Audit Fees**

77. The Global Fund grant audit fees may be financed from the Global Fund grant budget. Similarly, separate sub-recipient audits agreed with the Global Fund should be financed through the grant. However, the fees normally associated with the annual audit of the program or institutional financial statements of a Principal Recipient, which would otherwise have been incurred regardless of the Global Fund grant, will not be financed by the Global Fund. Actual incremental audit fees associated with fulfilling the Global Fund audit requirements may be financed through the grant.
78. The Principal Recipient must demonstrate that the audit fee has been agreed in a fair and transparent manner and its payment based on an agreed schedule. The Global Fund reserves the right to be directly involved in the negotiations or to request the LFA to represent the Global Fund. The Global Fund may also require that the audit fees be paid by direct disbursement to the auditor rather than through funds disbursed to the Principal Recipient, in accordance with the Operational Policy Note on Annual Funding Decisions and Disbursements.
79. In exceptional circumstances as described in 4.2.2, the Global Fund may decide to procure the external audit on behalf of the implementer. In such cases, the Global Fund would determine that the work has been performed to the required standard and approve the payment to the auditor.

# 5 Accounting Framework and financial statements of financial audit

## 5.1 Accounting Framework and Special Purpose Grant Financial Statements

### 5.1.1 Accounting Principles, Policies and Basis

80. The Global Fund encourages implementers to follow applicable accounting standards and applicable laws and regulations for selecting the basis of accounting (such as cash, accrual, modified cash or modified accrual basis). The selected accounting basis should be clearly defined and described in the accounting and financial manual and applied consistently. This includes the recognition and measurement of income, expenses, assets and liabilities.
81. Accounting principles are a set of rules, standards and guidelines used by an organization for the recording and reporting of financial information. The implementer must identify and follow the applicable accounting standards, which may include:
- International Financial Reporting Standards (IFRS);
  - International Public Sector Accounting Standards (IPSAS);
  - National accounting standards; and
  - Any other Generally Acceptable Accounting Principles (GAAP)<sup>17</sup>.
82. Accounting policies are the specific principles, bases, conventions, rules and practices applied by an organization when preparing and presenting financial statements. The implementer must select and apply the appropriate accounting policies consistently for similar transactions as well as for other events and in other conditions.

### 5.1.2 Preparation of the Principal Recipient's Financial Statements

83. There are two types of financial statements that can be accepted for the financial audit: the implementer's own financial statements or grant-specific ones. In both cases, the responsibility for the preparation of consolidated grant financial statements lies with the Principal Recipient.
84. When the Global Fund accepts to rely on the implementer's own financial statements (e.g. tailored audit package), the implementer must follow its own accounting framework. The implementer will indicate whether their financial statements have been prepared following the National Accounting Framework or any internationally recognized accounting framework.
85. The financial statements should be directly derived from the accounting or reporting systems of the relevant Principal Recipient or sub-recipient. If a local reporting framework is used, it should be in line with the internationally accepted standard. Any material deviations should be brought to the Global Fund's attention before the audit and in the notes to the financial statements. The auditor will be requested to draw the reader's attention to any deviation from the accounting standard used by the Principal Recipient.
86. Changes (if any) in the accounting basis should be dealt with according to the applicable accounting standard. Impact of changes in accounting policy, management judgements and estimates should be clearly identified and reported in the financial statements of the reporting entity.

### 5.1.3 Special Purpose Grant Financial Statements for Financial Audit

87. The Special Purpose Grant Financial Statements shall be presented in the following order:

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<sup>17</sup> This may include US GAAP and UK GAAP etc.

- i. In the currency of the grant agreement<sup>18</sup>, an Income and Expenditure Report showing Global Fund funds received, any other grant related income received, and all grant expenditures for both current and cumulative periods. Grant expenditures and variances should be reported against the budget as defined in the grant agreement for the respective period;
- ii. Any other notes or footnotes applicable;
- iii. Supplemental statements of 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) Summary statement of assets showing program 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<sup>19</sup>; and
  - (3) The notes to the supplemental statements. These notes include information that would enhance a user's understanding of the supplemental statements (significant assumptions, accounting estimates and related disclosures) as well as the necessary tax information<sup>20</sup>.

88. See annex 1 and 2 for the formats of the various components of the financial statements.

#### **5.1.4 Specific case of direct payment to a third party**

89. At its own discretion, the Global Fund may decide to contract third party entities directly. This relates to fiscal agents, fiduciary agents, or auditors. Similarly, the Principal Recipient may opt to use the Pooled Procurement Mechanism in which the Sourcing Team at the Global Fund would procure commodities for the Principal Recipients.

90. In these cases, the Global Fund will make direct payments to these organizations. In the case of the Special Purpose Grant Financial Statements, the Global Fund requires Principal Recipients to include the disbursement made and the related expenditure in the financial statements. Actual expenses should be booked based on the final invoices.

91. The auditor should contact the relevant Global Fund Country Team to confirm amounts and status of delivery of goods of services.

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<sup>18</sup> The statements may be presented in local currency, but the grant reporting currency equivalents must be shown

<sup>19</sup> The Principal Recipient must maintain a fixed asset register which could be required when needs by the Global Fund Country Team and the different assurance providers.

<sup>20</sup> Refer to the Principal Recipient tax information described in [the Core PUDR guidelines](#) for relevant details.

## 6 Auditing and Assurance Engagement Standards

92. Audits described in these guidelines should be conducted in accordance with the International Standard on Auditing (ISA) or, for governmental auditors, the International Standards of Supreme Audit Institutions (ISSAI).

93. More specifically,

- The Financial Audit should be conducted in accordance with International Standards on Auditing (ISAs), specifically, in accordance with ISA 800 *Audits of financial statements prepared in accordance with special purpose frameworks and the relevant standard for government auditees* or International Standards of Supreme Audit Institutions (ISSAI). It is also recommended that auditors should follow local standards that were issued to compliment ISA 800. Reporting on donor funding engagements, should also be observed.
- Systems Audit and Performance Audit will be conducted in accordance with the International Standard on Assurance Engagement (ISAE 3000 for *Assurance Engagements other than Audits or Reviews of Historical Financial Information*), or the International Standards of Supreme Audit Institutions (ISSAI), or any other relevant international standards.



# 7 Audit Report and Opinions

## 7.1 Grant specific Financial audit

94. The format and content of grant specific audit reports will closely follow the International Standard on Auditing 700 (Revised) as shown in the illustrative comprehensive auditor's report in Annex 3 of these guidelines. The auditor should provide:

- (1) A table of contents and a summary;
- (2) The auditor's report on the Special Purpose Grant Financial Statements;
- (3) The auditor's report on compliance with the grant agreement<sup>21</sup>; and
- (4) The Management Letter.

95. The Management Letter shall make specific reference to any findings on internal controls weaknesses on the following key functional areas:

- (1) Financial management<sup>22</sup>;
- (2) Sub-recipient management;
- (3) Program management;
- (4) Stock management;
- (5) Procurement management;
- (6) Compliance with grant agreement<sup>23</sup> and applicable law; and
- (7) Follow-up on previous audit report.

96. The auditor will categorize each finding into one of the six sub-categories of Global Fund defined financial risks and provide a summary table showing the findings per sub-risk category and grading. The six categories are:

- (1) Inadequate Flow of Funds Arrangements;
- (2) Inadequate Internal Controls;
- (3) Financial Fraud, Corruption and theft;
- (4) Inadequate Accounting and Financial Reporting;
- (5) Limited Value for Money; and
- (6) Inadequate Auditing Arrangements.

The definitions of each of these categories is provided in [the Global Fund Guidelines on Financial Risk Management](#).

97. The auditor is also required to populate the schedule of non-compliant expenditures per the template included in the terms of reference for external financial audit of Global Fund supported programs.

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<sup>21</sup> The definition of compliance for the Global Fund is framed, among others, by the provisions of the relevant grant agreement specifying that the Grantee shall implement the Program in accordance with the detailed Program budget agreed with the Global Fund and shall take all appropriate and necessary actions to comply with (1) the Global Fund Guidelines for Grant Budgeting (2017, as amended from time to time), (2) the Health Products Guide (2017, as amended from time to time), and (3) any other policies, procedures, regulations and guidelines, which the Global Fund may communicate in writing to the Grantee, from time to time.

<sup>22</sup> Includes all other key processes not listed in this paragraph.

<sup>23</sup> Non-material instances of non-compliance should be communicated through the Management Letter.

## **7.2 Systems Audit**

98. The format and content of the audit reports should closely follow the illustrative report shown in Annex 4 and 5 of these guidelines. The auditor should confirm the existence of internal controls and provide an opinion on the design of the controls as a first step. Should this opinion be qualified or adverse, the necessity to test the control for operating effectiveness must be discussed and agreed with the relevant Global Fund Country Team.

## **7.3 Performance Audit**

99. Unlike the previous type of reports, the format and content of the Performance Audit report is specific to each assignment. The content of the terms of reference must be agreed by the relevant Global Fund Country Team and may influence the reports structures.

## 8 Submission and review of the audit report

### 8.1 Audit reporting cycles

100. The annual period to be audited should be aligned to the grant annual reporting cycle shown in the summary budget and Performance Framework included in the grant agreement. Any deviations should be agreed in advance in written form with the Global Fund. When the first period to be audited is less than six months from the grant start date, that period may be extended to cover the period from the grant start date until the end of the second year of the implementation period 24 provided that the maximum length of audit period is not more than eighteen months.
101. When the grant's implementation period is extended, the last financial statements period and audit report cycle should be aligned to the cycle in the updated summary budget reflecting that extension. In this case, the audit period will most likely overlap two Allocation Utilization Periods (AUP). The Financial Statements prepared by the Principal Recipient must distinguish Revenues and Expenditures for each AUP.
102. An audit period should not overlap two implementation periods. This could only be the case when relying on statutory audit as presented for the tailored audit package (section 3.3.2.).
103. When the tailored audit package is selected, the grant specific financial audit at the end of the grant, should cover the entire Allocation Utilization Period. In those cases, the Global Fund can request the auditors to produce an interim audit report focusing on the controls prior to the end of the grant.

### 8.2 Due date

104. The audit report and the Management Letter (where applicable), should be submitted to the Global Fund within six months after the end of the audited period. The reports would be considered as received only when both documents, duly signed by the auditors, are provided to the Principal Recipient and to the Global Fund. Successful reception of the audit report and Management Letter also implies that all reiterations between the Principal Recipient and the auditors including review by the Global Fund or any of its agents must be completed and finalized before the six-month submission deadline. The Principal Recipient should ensure the auditor sends an electronic copy of the reports<sup>25</sup> directly to the Global Fund.

### 8.3 Format of submission

105. All submitted audited financial statements submitted must be in a format that cannot be altered or changed (such as .PDF), with all pages in sequence. The Global Fund will not accept audited financial statements that are incomplete, unsigned or have been altered.

### 8.4 Review and approval of audited financial statements

106. The Finance Specialist in the Global Fund Country Team reviews the submitted report(s) and Management Letter(s) and may request the LFA to equally review them. The Finance Specialist and/or the LFA shall follow up on specific aspects such as compliance with the terms of reference and progress towards implementation of past recommendations.

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<sup>24</sup> For example, assuming a Principal Recipient has a fiscal year end date of 31 December with an implementation period start date of 1 August 2019, the first audit period coverage will be from 1 August 2019 to 31 December 2020 instead of the 5-month period ending 31 December 2019.

<sup>25</sup> This is the responsibility of the auditor and should be mentioned in the contract between the Principal Recipient and the auditor.

107. The review will flag critical issues per key area of risks that must be addressed as part of the management action plan. This will be communicated to the Principal Recipient. The implementation status of previous audit findings will also be reviewed. The Global Fund reserves the right to request the Local Fund Agent to attend the audit clearance meeting involving the auditee and auditor.

## **8.5 Refunds**

108. Under the terms of the relevant grant agreement the Global Fund may require a refund from the Principal Recipient in instances when the audit has identified ineligible or unsupported expenditures financed by the Global Fund resources. The recovery process will be done in accordance with the Operational Policy Note on Recoveries.

## **9 Roles and Responsibilities**

### **9.1.1 CCM**

109. When the CCM has set up an Audit and/or Ethics, or equivalent Committee, the Committee should have the right of objection to the proposed auditor on grounds of independence or other substantive reasons. While most CCMs are not equipped to deal with the technical aspects of auditor selection, a CCM could perform this duty if it has a finance sub-committee or members with experience in auditor selection and management. The CCM may oversee the auditor selection process if performed by the Principal Recipient.
110. The CCM or the relevant Finance sub-committee should receive a debriefing from the auditors on the main outcome of the audit.

### **9.2 Principal Recipients**

111. Principal Recipients, in accordance with the terms of the relevant grant agreement, must ensure that all books and records and details of the consolidation work done with the sub-recipients reporting, is available to the independent auditors, all accounting entries and adjustments are made, and all other necessary steps are taken to enable the auditors to complete their work.
112. The Principal Recipient shall maintain proper accounting books, records, documents and other evidence, adequate to show, without limitation, all balances, cash flows, costs incurred, and revenues earned by the Principal Recipient and sub-recipients for the program included in the grant agreement and the overall progress toward completion of the program. The grant's financial records must be kept in the possession of the Principal Recipient and sub-recipients for the period stipulated in the relevant grant agreement, generally seven years from the date of last disbursement of the grant or for any additional period as may be required under the country's legislation.
113. The recipient must engage an auditor based on the minimum requirements set out in these guidelines, facilitate the conduct of the audit, and submit the audit report to the Global Fund and respond to queries from the Global Fund or the LFA. The Principal Recipient must ensure compliance of the audit reports with the term of reference as part of the review of the draft report. The Principal Recipient must respond to and implement audit recommendations, as necessary.

### **9.3 The Local Fund Agent**

114. The LFA, as another control function used by the Global Fund for assurance purposes, may be requested by the relevant Global Fund Country Team to attend the audit planning and debrief meetings. In these meetings, the role of the LFA is to understand and provide feedback to the auditor where gaps are identified. The LFA should inform the Global Fund whenever they note an important gap or technical issues.
115. As part of the auditor risk assessment and understanding of the Principal Recipient risk profile, the auditor should contact the LFA. This should be done in coordination with the relevant Global Fund Country Team. The Global Fund expects full cooperation of the LFA whenever they receive such request from the Global Fund Country Team or the auditor.

### **9.4 The Global Fund Secretariat**

116. The auditor must be acceptable to the Global Fund, who is responsible for approving the audit arrangements using the advice of the LFA or other partner(s) as applicable.

117. The Global Fund will approve the short list of possible auditors and the audit tender documents prior to publication, and the final selection of the auditor of the Principal Recipient. In exceptional cases, the Global Fund will manage the entire selection and contracting process. When separate standalone sub-recipient audits are being conducted, the same rules shall may apply to these sub-recipients.
118. The Global Fund, through the relevant Country Team, monitors the receipt of audit reports, reviews and accepts the reports and seeks an understanding of the actions to be taken. The Global Fund Country Team closely monitors the implementation of audit recommendations and assesses performance of the Principal Recipient in acting on and clearing recommendations. The Global Fund may decide to take certain actions regarding delayed or problematic audit reports, for example: revision of disbursed amounts, setting deadlines for completion of certain tasks, change of implementation arrangements, terminate the auditor contract.
119. The Global Fund requires a high standard in the quality of an audit. In situations when the Global Fund does not accept the report, the auditor and the Principal Recipient should complete the necessary actions in order to submit an acceptable version. The final payment of the audit will be made upon acceptance of the audit report by the Global Fund. During this period, the audit fees should be reported by the Principal Recipient as accrued expense or committed funds as appropriate under their respective accounting policy.