Terms of Reference

Expenditure verification

July 2025

**Background information**

These Terms of Reference (ToR) provide a general framework for **expenditure verification assignments** but should be tailored to each case’s specific needs and context for maximum relevance and effectiveness. Selecting an appropriate sample size is crucial for meaningful insights—it should reflect expenditure-related risks while considering data availability and internal controls.

**Objective**

The objective of this assignment is for the Assurance Provider to:

1. **Conduct detailed expenditure** testing to ensure its validity, assessing accuracy, completeness, occurrence, cut-off, and valuation. Expenses must comply with the terms of the grant agreement (including budget provisions and [TGF budgeting guidelines](https://resources.theglobalfund.org/media/13810/cr_budgeting-global-fund-grants_guidelines_en.pdf)), and the implementer’s financial and procurement regulations, policies, and procedures, aligning with best practices.
2. Verify that the implementer has designed and effectively operates a system to monitor expenditure reporting and documentation in compliance with the Grant Regulations and the relevant Grant Agreement ([Grant Regulations](https://resources.theglobalfund.org/media/13925/cr_grant_regulations_en.pdf)).
3. **Test effectiveness** of procedures and controls in place and that they are applied and aligned with the objectives throughout the assignment period.
4. **Provide actionable recommendations** on 1) statement on eligibility of expenditures; provide details on identified ineligible expenses 2) the controls design and effectiveness over management of expenditures. Findings should be classified by severity, with suggested timelines for implementation where possible.

The Assurance provider should identify and report any amounts deemed non-compliant as a result of the procedures performed. The non-compliant expenditures should be classified as either:

1. **Unsupported**- includes expenditure for which all or part of the documentation or approvals required under applicable rules (e.g., the implementers’ procedures, generally accepted accounting principles, national procurement regulations, etc.) were not provided during the review by the assurance provider.
2. **Expenditure incurred outside the scope**- includes expenditure incurred outside the Implementation Period (IP) or closure period, not approved in the budget during grant making/revision or by TGF in writing during grant implementation period/during IP Closure or reconciliation, expenditure exceeding the approved budget and expenditure in breach of grant agreements and flexibilities allowed as per the Global Fund Guidelines for Budgeting.
3. **Expenditures compromised by prohibited practices** – includes an undisclosed or unmitigated conflict of interest, falsified or fabricated documents, expenditures compromised by prohibited behavior such as corruption, fraudulent activities, coercive practices e.g. sexual exploitation, abuse and harassment, collusive, abusive, obstructive; also, retaliation, money laundering, asset substitution/payment without delivery and financing of terrorism as defined in [the Global Fund Policy to Combat Fraud and Corruption](https://www.theglobalfund.org/media/6960/core_combatfraudcorruption_policy_en.pdf), non-competitive tenders/collusion/inappropriate facilitation payments, partial or total diversion of assets to non-Program uses, waste and spoilage.
4. **Other types of non-compliance and mismanagement of Grant** **Funds** – includes non-compliant taxes, expiration or spoilage, cancellation costs for which prior written approval from TGF has not been obtained, procurement irregularities, inadequate contracting practice, non-compliance with quality assurance for health products and non-health products, and related issues, failure to replace lost, non-compliant SR agreements. Audit reports: audit report missing, falsified or not submitted in time or where the selection of the audit firm was compromised. Amounts impermissibly retained under the terms of the grant agreement and non-complaint HR cost.

**Scope of work**

Scope of work could either be one or a combination of both:

1. Assess the design and operating effectiveness of PR /SR system to monitor expenditure reporting and documentation to ensure compliance in accordance with the requirements of the relevant Grant Agreement.
2. Test of details of the expenditure to confirm compliance with applicable terms and provide assurance over the validity of the expenditure.

**Not covered by this ToR**

IT General Controls (ITGC) or General Computer Controls (GCC) are controls which relate to the environment that supports IT Applications. Obtaining assurance over the appropriateness and effectiveness of ITGC’s is out of scope for this ToR but rather subject to another specialized IT audit.

**Applicable Corporate Risk**

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| --- | --- |
| Grant-related Fraud & Fiduciary | **Flow of Funds Arrangement** |
| **Internal Controls** |
| **Financial Fraud, Corruption & Theft** |
| Value for Money - Financial Management |
| Accounting & Financial Reporting by Countries | **Accounting & Financial Reporting** |
| Auditing Arrangements |

1. **Detailed Scope of work**

The scope of the review will cover the following areas:

1. Verify that the funds have been used in accordance with the applicable grant agreement, comply with the implementer’s applicable financial and procurement regulations, policies and procedures, consistent with best practices with due attention to value for money, and that they have only been used for the purposes for which they were intended and in accordance with the conditions under which the funding was provided.
2. Confirm that goods and services financed have been procured in accordance with sound procurement procedures as per the implementer’s Procurement Manual and that the goods/services charged to the grant are related to approved costs in the budget and are directly attributable to the activities in the approved work plan.
3. Confirm that all necessary supporting documents, records and accounts have been kept with respect to all tested activities.
4. Verify that all tested expenses have been accurately classified with respect to the correct cost input and cost categories.
5. Assess the approval systems and limits for transactions to minimize occurrence of errors and incidence of fraud by reviewing authorisation limits for transactions that were processed through the bank in order to ascertain whether expenses are appropriately authorized and approved.
6. Review cash payment vouchers and map to receipts, invoices and other supporting documents to ensure reasonable assurance of the integrity of payments.
7. Review payment transactions in the program bank statement map and reconcile with the cash ledger, other bank account statements, human resource and payroll data, cash payment vouchers and other available supporting documents.
8. **Recommended procedures - Detailed approach and methodology**

| 1. Assess the controls over and validity of Grant Expenses | | |
| --- | --- | --- |
|  | **Objective** | **Recommended procedures** |
| **Human Resource Costs** | | |
| 1 | Verify that the Human Resource costs are compliant with the Global Fund guidelines and that the expenses have been validly incurred - (Par. 1.1 and related Appendices of [Operational Guidance for Grant Budgeting](https://resources.theglobalfund.org/media/13989/cr_grant-budgeting-operational_guidance_en.pdf)). | The assurance provider will verify that allowances paid from Global Fund resources align with the budgeted categories and the expenditure is consistent with the approved budget assumptions. The procedures to be followed may include:   1. Obtain and review the implementers HR policies and procedures based on best practice, applicable laws and regulations for consistency with TGF guidelines/requirements on Human Resource. 2. Obtain the payroll/Human Resource costs and verify that they were budgeted. Check that: 3. Employer’s social security contributions - is in line with local labor laws. 4. Health insurance - as required by labor laws or a common local market practice. 5. Housing allowance is part of an employee’s standard remuneration package if this is a common local market practice. 6. Pension, gratuity or provident fund - minimum contributions as required by law or in accordance with the organization’s policies. 7. End of contract payment - only if required under local labor law (and not just based on local market practice). 8. Severance is paid only when an employee’s contract is terminated where the termination is unanticipated and results from an actual or potential breach of an employment contract. Written approval from Global Fund is required for any termination payment using Grant Funds 9. If the implementer has been authorized to accrue severance under a Global Fund grant ceases to implement a Global Fund grant, the implementer may be authorized by the Global Fund in writing, to make necessary payments to ensure that all relevant legal obligations are met. Any employees who will continue under the new grant will **not** be entitled to severance at the end of the current grant. |
| 2 | Verify that unauthorized input to the payroll sub-ledgers is prevented and detected. | The assurance provider confirms that access controls such as user ID’s and passwords are utilized and specific to each application. Confirm that:   1. Multiple failures to logon will invalidate the user ID and is reported via an exception report for investigation by management. 2. Formal authorization by application owner is required for access to the payroll module of the system. 3. Management reviews access rights periodically so that only authorized individuals have access and for segregation of duties. 4. Discrepancies and exceptions are promptly investigated |
| 3 | Confirm that for payroll calculation- Gross Pay and applicable deductions are complete. | Verify:   1. Computer validation routines are in place to verify the completeness and accuracy of deductions applied. 2. Recorded amounts are compared to budgeted amounts and prior-period amounts. Unusual items are researched and corrected as necessary. |
| 4 | Verify that Payroll payments are made to the proper employee or other recipient. | Check that:   1. Employee names and other applicable information (i.e., address, bank account) for Electronic Funds Transfer (EFT) or actual cheque processing are pulled by the system from Employee Master File. 2. For changes in certain types of standing data and /or changes outside certain parameters the system produces a report of these changes and is forwarded to management for their review. Acceptance of these changes by the system is dependent upon management review of supporting documentation and approval. |
| **Travel related Costs (TRC)** | | |
| 5 | Confirm that there are controls around travel related costs and the expenses reported in this category are compliant  (Par. 1.2 and related Appendices of [Operational Guidance for Grant Budgeting](https://resources.theglobalfund.org/media/13989/cr_grant-budgeting-operational_guidance_en.pdf)) | Verify that:   1. The training activities are conducted as outlined in the approved training plan and ensuring value for money on associated TRC. 2. The implementer’s existing policies, particularly those related to travel costs, are aligned across all Global Fund grants managed by the same implementer and, where possible, harmonized with policies from other donors. 3. TRC reflects the real cost incurred by the employee and should not contain any element of additional remuneration. 4. Air travel is kept to a minimum but, if required, must be restricted to economy class only. The use of discounts and web-based airfare is encouraged. 5. Where private vehicles are used, fuel costs are reimbursed based on agreed mileage rates set by the government or based on rates established by the implementer that are consistent (as determined by the Global Fund), with the price of fuel and average fuel consumed based on the distance of the journey 6. Daily Subsistence Allowances (DSA) policy is consistent with TGF Budgeting guidelines and payment of per diem is in line with grades of staff and venue of execution. 7. Training costs reflect the real cost to be incurred by the implementer in the implementation of the training activities and should not contain any additional remuneration or salary supplements or exceed per diem rates (where applicable) for participants or facilitators. 8. If any survey is outsourced, suppliers are selected through a competitive process, ensuring no overlap with other planned surveys, and considering value-for-money in travel-related costs for participants. 9. Review attendance and payment lists, conducting unpredictable checks such as contacting participants to confirm the activity occurred and verifying that the correct amounts, including travel allowances, were paid out, ensuring value-for-money in TRC. |
| **External professional services (EPS)** | | |
| 6 | Validate that EPS is compliant (Par. 1.3 and related Appendices of [Operational Guidance for Grant Budgeting](https://resources.theglobalfund.org/media/13989/cr_grant-budgeting-operational_guidance_en.pdf)) | Verify that:   1. Specific deliverable has been produced in a timely manner by the service provider. 2. TA consultants are not used to perform tasks and functions that are recurring in nature and that are expected to be filled by staff members through specific HR contracts. Long-term consultants – including consultants who are more akin to employees (those engaged on a continuous basis, for prolonged periods, without specific time-bound deliverables, and who receive monthly pay) – should be classified under the HR cost grouping. Per diems must not be paid to such long-term consultants. 3. Consultancy fees are consistent with local, regional, and international market practice, depending on the type of TA sourced. For international consultants and local and/or regional consultants, fees should not exceed the UN standard international rates and UN standard local rates, respectively. 4. Procurement of EPS is in line with the implementers procurement policy. 5. The basis of costing EPS is reasonable and yield value for money. |
| **Infrastructure** | | |
| 7 | Verify that controls exist around management of infrastructure projects | 1. Review the implementer’s policies on maintenance, disposal and/or replacement of assets (in accordance with the terms of the relevant grant agreement), and confirm that costs of such activities are budgeted within the grant where applicable. 2. Verify that prior written approval has been obtained where rehabilitation and/or renovation and enhancement activities have been undertaken. 3. Review a feasibility study that shows the viability of the project and completion schedule within the grant Implementation Period, including detailed explanations of what is planned to be rehabilitated, renovated and/or enhanced against the results and the expenses incurred. 4. Review the mechanisms the implementer has applied to oversee and monitor the progress of the work including details on the entity(ies) hired for the supervision, quality control and certification. 5. Through meetings with the PR, obtain an understanding of the internal controls and oversight management systems the implementer is using to prevent any potential mismanagement of funds related to infrastructure. |
| **Non-health Equipment** | | |
| 8 | Review that procurement of Non-Health Equipment is in line with the entities’ procurement policy and in line with the Global Fund’s guidelines. | Review the implementer’s annual procurement plan and review the status of its implementation - confirm that the comprehensive annual plan helps to determine the most appropriate, economical, and cost-efficient method in the procurement of goods and services as well as define the suitable planning for timely delivery.  Obtain the implementer’s organizational procurement and fixed assets management policies and applicable laws and regulations and confirm their consistency with the ***Global Fund Guidelines on Fixed Assets* *Managemen*t** and ***Financial Management Handbook for Grant Implementers.***  Review the implementers rationale for needs/replacement, programmatic basis and costs of non-health equipment and up-to-date Fixed Asset Register (FAR).  Review the process of procurement of non-health equipment and establish that for expenditure items incurred during the period:   1. Expenditures are adequately supported by 3rd party documents. 2. Expenses are eligible and programme related (i.e. that expenditure is in line with the approved work plan and budget). 3. Expenses are recorded in a timely manner and are posted to the correct budget line. 4. Reasonable value for money was obtained. 5. Risk of duplication of resources for similar activities is mitigated, i.e. the same activities are not funded by GF and other donors.   Expenses are appropriately authorized and approved. |
| **Communication material and publications (CMP)** | | |
| 9. | Verify that communication and publication costs are valid (Par. 1.8 and related Appendices of Operational Guidance for Grant Budgeting) | Review the communications strategy for the Program and the expected impact of the individual communication activities on target groups.  Review the expenses to demonstrate value-for-money (VfM) of the selected communications interventions, through the following:   1. **economy** – how the best available prices have been budgeted for externally sourced services for the required specifications; and 2. **efficiency** – all reasonable options have been assessed to calculate the best possible cost to reach the maximum numbers of beneficiaries, e.g., using inhouse capacity at lower cost or using materials already available instead of developing new ones.   Review the Principal Recipient’s documented policies and procedures around managing printed materials, including storage and distribution procedures, regular inventory counts, waste and loss prevention. |

1. **Required Deliverable/Output**

To document the outcomes of the review, the Assurance provider will prepare and submit a detailed report including:

* Overall objectives of the review as per approved TOR
* Entities covered by the assignment, period and sample under review as applicable
* Main findings against each of the specific areas of the review highlighting any identified gaps in policy, process, and controls – specific to each implementer covered by the review.
* List of recommendations and proposed practical improvements based on the findings from the assignment.

Complete the following table:

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| **Findings** | **Non-Compliant Expenditure** | **Other proposed adjustments** | **Recommended Management Actions** |
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