Додаток № 2

# Terms of Reference for

# for Special Purpose Grant Financial Statement (SPGFS) Audit

|  |  |
| --- | --- |
| Principal Recipients (PRs): | State Institution “Public Health Center of the Ministry of Health of Ukraine”International Charitable Foundation “Alliance for Public Health”CHARITABLE ORGANIZATION ALL-UKRAINIAN NETWORK OF PEOPLE LIVING WITH HIV/AIDS |
| Period covered by the audit: Reporting periods:  | **January 01, 2021 – December 31, 2023****January 01, 2021 – December 31, 2021****January 01, 2022 – December 31, 2022****January 01, 2023 – December 31, 2023** |
| Donor-defined auditor:  |  |

**\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

1. **Program background, audit structure and description of entities**
	1. **Background**:

On December 4, 2020, each of the three PRs, namely: State Institution "Public Health Center of the Ministry of Health of Ukraine" (hereinafter - the “PHC”), Charitable organization “All-Ukrainian Network of people living with HIV/AIDS” (hereinafter – the “Network”), International Charitable Foundation “Alliance for Public Health” (hereinafter – the “Alliance”) signed separate agreements with the Global Fund to Fight AIDS, Tuberculosis and Malaria (hereinafter - the “Global Fund”) to implement the program “Gain momentum in reducing TB/ HIV burden in Ukraine” (hereinafter “the Program”).

Grant names and grant numbers are:

* PHC: UKR-C-PHC; GA Number: 1936.
* Network: UKR-C-AUN; GA Number: 1934.
* Alliance: UKR-C-AUA; GA Number: 1933.

The Program goals are as follows:

* PHC: further reducing TB and HIV burden through forging universal access for timely and quality TB and Dr-TB diagnosis and treatment, scaling up evidence-based HIV prevention, diagnosis and treatment, and building up resilient and sustainable systems for health in Ukraine.
* Network: to gain momentum in reducing the burden of TB and HIV burden in Ukraine by creating universal access to timely and quality diagnosis, treatment of TB and MR-TB, expanding the scope of evidence-based prevention, diagnosis and treatment of HIV, as well as the creation of flexible and sustainable health care systems in Ukraine.
* Alliance:
1. to sustain effective TB responses in Ukraine through implementation of evidence-based people-centered approaches, with special emphases on management of drug-resistant TB and key population groups at risk;
2. to sustain effective HIV response in Ukraine through implementation of evidence-based people-centered approaches, with special emphases on key population groups at risk;
3. to ensure overall coordination and complementarity of activities and programs and a proper mechanism for stakeholder involvement in discussion and decision-making, sustainable funding of the related programs and activities, improve service organization and delivery, improve data quality for activity planning, continuously build human resource capacity and maintain high standards in the field of education and science, using human rights and gender-sensitive approaches and removing barriers.

The detailed description of program objectives and activities is available in Schedule 1 to the Grant Confirmation.

The Program has started January 1, 2021 with the ending date December 31, 2023.

The total budget of the Program for the year starting 01 January 2021 to 31 December 2023 is $135,778,266.00 (One Hundred Thirty-Five Million Seven Hundred Seventy-Eight Thousand Two Hundred Sixty-Six United States Dollars).

The budget for the Program by Principal Recipient per year is presented in the table below:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Principal Recipient** | **Year 2021** | **Year 2022** | **Year 2023** | **Total** |
| PHC | $ 17,816,220 | $ 10,547,973 | $ 8,253,663 | $ 36,617,856 |
| Network | $ 19,214,471 | $16,794,593 | $ 14,493,520 | $ 50,502,584 |
| Alliance | $ 20,297,458 | $ 14,938,046 | $ 13,422,322 | $ 48,657,826 |
| **Total** | **$ 57 328 149,00** | **$ 42 280 612,00** | **$ 36 169 505,00** | **$ 135 778 266,00** |

* 1. **Program Entities and audit approach**:

The goal of the audit is to obtain an independent assurance on the Principal Recipient and their Sub-recipients’ utilization of funds donated by The Global Fund.

The entities covered by the audit and the total actual expenditures for the all three-year program are the following:

|  |  |  |  |
| --- | --- | --- | --- |
| Entity name | PR/ SR | Legal status | Total amount of expenditure to be audited |
| **Year 2021** | **Year 2022** | **Year 2023** | **Total** |
| PHC  | PR | State Institution | $ 17,816,220 | $ 10,547,973 | $ 8,253,663 | $ 36,617,856 |
| Network | PR | Charitable Organization | $ 19,214,471 | $16,794,593 | $ 14,493,520 | $ 50,502,584 |
| Alliance | PR | Charitable Organization | $ 20,297,458 | $ 14,938,046 | $ 13,422,322 | $ 48,657,826 |

In 2021-2023 PRs will conduct a number of program-related activities, funded by the Global Fund, in cooperation with regional partner organizations from regions of Ukraine. The regional partner organizations are going to be SRs regarding to this Program. Another SR is the World Health Organization (WHO) that will be also involved in the implementation of several program activities.

The Global Fund employs services of an in-country Local Fund Agent (hereinafter – the “LFA”) to perform certain functions on behalf of The Global Fund, including assessment of the capacity of the PRs to implement the Program and manage Grant funds, as well as verification of the PRs’ progress towards the objectives of the Program, use of grant funds and compliance with the terms and conditions of the grant agreement. The current Global Fund’s LFA in Ukraine is PricewaterhouseCoopers.

1. **Contacts:**

The PHC’s Key contacts:

Roman Rodyna, Director General, r.roduna@phc.org.ua

Olga Gvozdetska, Head of Project Management and International Cooperation Department, o.gvozdetska@phc.org.ua

Vira Gersymenko, Finance Manager, v.gerasimenko@phc.org.ua

Natalia Romanenko, Sub-granting Finance Manager, n.romanenko@phc.org.ua

The Alliance’s Key contacts:

Andriy Klepikov, Executive Director, klepikov@aph.org.ua

Pavlo Smyrnov, Program Director, smyrnov@aph.org.ua

Kristina Bubnova, Finance Director, bubnova@aph.org.ua

Iryna Kozhemyachenko, Finance Manager, kozhemyachenko@aph.org.ua

Olga Zozulynska, Head of Program Support Finance (Sub-granting), zozulynska@aph.org.ua

The Network’s Key contacts:

Anastasia Dieieva, Executive Director, a.dieieva@network.org.ua

Vitalii Karanda, Project Director, v.karanda@network.org.ua

Anastasia Marchuk, Finance Director, a.marchuk@network.org.ua

Olena Hazizova, Head of GF Project Team, e.hazizova@network.org.ua

Oleksii Zavadynskyi, Head of Finance Team, o.zavadinskiy@network.org.ua

Olena Dzvonkovska, Head of Finance Grant Management Team, o.shalimova@network.org.ua

The Global Fund’s Key contacts:

Olga Grieder, Senior Program Officer, Eastern Europe and Central Asia Team, olga.grieder@theglobalfund.org

Galina Alagardova, Finance Specialist, Ukraine Country Team, Galina.Alagardova@theglobalfund.org

1. **Objectives of the Audit and Agreed-Upon Procedures**

3.1 The **objective of the financial audit** is to enable the auditor to express an independent professional opinion on:

3.1.1 Whether the Special Purpose Grant Financial Statements (SPGFS) present fairly in all material respects the financial position, funds received and expenditures by the PR (and SRs[[1]](#footnote-1)) for the reporting period and in accordance with the IPSAS cash basis.

3.1.2 Whether, in all material respects, the grant funds have been used in conformity with the provisions of the Grant Agreement, including the approved budget and workplan and any amendments thereto as contained in implementation letters.

3.2 The **objective of the audit is also** to evaluate, obtain sufficient understanding and comment on whether the program internal control framework is satisfactory and to report on the weaknesses identified. The auditor **must** review the internal control framework of the PR (and sub-recipients[[2]](#footnote-2)) for the reporting period and in accordance with the applicable accounting framework.

* 1. The objective of the Agreed-Upon Procedures (AUP) is to perform agreed upon procedures in accordance with the International Standard on Related Services (ISRS) 4400, Engagements to Perform Agreed-Upon Procedures Regarding Financial Information with respect to the reconciliation of records in the SPGFS and the Annual Financial Report (“AFR”) of the PRs for the Program “….” (the “Program”). PRs are responsible for the preparation of the Reconciliation report inclusive evaluation of differences. The procedures to be performed are aimed solely to assist management in evaluating the validity of the reconciliation of records between the SPGFS and the AFR. The sufficiency of these procedures is solely responsibility of management.
1. **Responsibility for the preparation of Special Purpose Grant Program Financial Statements (SPGPFS)**

Management of PHC, Alliance, Network as PR is responsible for the preparation of the GPFS. The PHC, Alliance, Network delegate this responsibility to the sub-recipient (if applicable) for their respective sub-grants.

1. **Special Purpose Grant Financial Statements (SPGFS).**
	1. The SPGFS should include the following components:

5.1.1 In the currency of the grant agreement, an Income and Expenditure Statement (IES) showing the Global Fund’s funds received, any other income received and all grant expenditures. Grant expenditures should be reported against the budget;

5.1.2 Any other notes applicable including as a minimum schedule of commitments;

5.1.3 Supplemental statements on advances and fixed assets, including:

* 1. a statement showing sub-recipient advances and reconciliation of the total amount of grant funds advanced by the PR to SRs and total grant cash balance with SR recorded expenditure and PR/SR cash balances at the end of the reporting period;
	2. summary statement of assets showing the fixed assets purchased with grant funds. This summary statement should show the assets brought forward from previous periods (opening balances) as well as the additions, disposals, write-offs for the period being audited and the closing balance; and
	3. the notes to the supplemental statements. These notes should include information to enhance a user’s understanding of the supplemental statements (significant assumptions, accounting estimates and related disclosures etc.) as well as the necessary tax recoverable disclosures.
1. **Available documents and facilities**

6.1 Each PR will provide the auditor with unrestricted access to all books and records pertaining to the grant PR’s and SR locations, including a list of PR and SR locations, noting the key documents held at each location. An indicative list of the documents which may be requested by the auditor includes:

6.1.1 The grant program financial statements;

6.1.2 Grant and sub-grant agreements, including the detailed budgets;

6.1.3. Interim monthly or quarterly grant activity reports, PU reports as applicable (programmatic as well as financial);

6.1.4 Main supporting schedules to the financial statements including: income and expenditure, assets and liabilities, cash records;

6.1.5 General ledger, cash book, other important books and records held at either PR or SR level;

6.1.6 Original and/or scan-copy supporting documentation to all reported expenditures (invoices, full support for all procurement of health products or other procurements requiring tender procedures, payrolls, bank vouchers, journal vouchers etc.) held at either PR or SR level;

6.1.7 Bank statements;

6.1.8 Important correspondence between Global Fund and PR, PR and SRs pertaining to grant implementation matters;

6.1.9 Financial procedures manuals, systems descriptions or any other documentation explaining the processes contributing to the production of reliable financial reports and maintaining internal control, either at Principal Recipient or sub-recipient levels;

6.1.10 Minutes of management meetings;

6.1.11 Internal audit reports relevant to Global Fund expenditures or any systems, governance or other issue which impinges on Global Fund grants.

1. **Audit Scope of Work**
	1. The audit will be carried out in accordance with International Standards on Auditing (ISA) and will include such tests and controls as the auditor considers necessary under the circumstances. The services provided by the Auditor include the audit of the SPGFS performed in accordance with the International Standard on Auditing ISA 800 "Special Considerations - Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks" (ISA 800) and the agreed-upon procedures performed in accordance with the International Standard on Related Services ISRS 4400 "Agreed-Upon Procedures Engagements" (ISRS 4400).
	2. As part of the comprehensive audit report, the auditor must report on the following aspects:

7.2.1 **Compliance with applicable legislation**: Verify that the transactions comply in all material respects with any applicable legislation;

7.2.2 **Reconciliation of General ledger with SPGFS**: Review of the general and program ledgers to determine whether costs incurred were properly recorded ensuring that the costs charged to the grant reconcile to the program and general ledgers. Reconciliation of the SPGFS to the underlying records, principally the cash book.

7.2.3 **Grant expenditures**: Funds received by the Program[[3]](#footnote-3) from disbursements, or generated by the Program’s funds[[4]](#footnote-4), were spent in conformity with the approved budget and work plan existing at the time of the expenditure and in line with provisions of the Grant Agreement, including any applicable grant conditions (as amended by any Implementation Letters), and only for the purposes for which the funds were provided. The auditor should also pay attention to the shared costs especially on the allocation mechanism and review these costs for accuracy, completeness and reasonableness;

7.2.4 **Eligible costs:** Review of the costs charged to the grant identifying and quantifying any ineligible costs as well as agreeing expenditure to supporting documents on a sample basis. Compare actual expenditure with the budget, and obtain explanations for variances obtained (unapproved material budget variations should be included in the ineligible expenditure schedule)

7.2.5 **System of internal controls:** Assess the PR and risky sub-recipients’ internal controls based on the COSO framework. The auditor will be requested to identify the key controls of the program (entity, process and transaction levels) for each of the main operational processes and test them for effectiveness (design and operation). Based on risk, the auditor **must** review the internal control framework (financial and non-financial controls)[[5]](#footnote-5) of the PR. If an important process is outsourced or entrusted to a **third-party**[[6]](#footnote-6), the auditor must also include such third-party in the scope of the review. Specific attention should also be paid to controls with respect to the risk of fraud at the PR and SRs.

7.2.6 **Follow up on the status of findings of previous audit reports**: The auditor should follow up on management’s intended actions to address the findings of previous audits, including external audit, relevant internal audits and audits issued by the Office of the Inspector General (OIG) of the Global Fund;

7.2.7 **Designated bank accounts**: Where designated accounts (including those being used under an approved pooled funding program implementation mechanism) have been used by the PR and SRs, they have been maintained and operated in accordance with the provisions of the Grant Agreement and in accordance with the Global Fund’s rules and procedures;

7.2.8 **Funds flow mechanisms**: Review of the procedures used to control the funds, including their channeling to contracted financial institutions and other implementing entities. Review the bank accounts and the controls on those bank accounts. Perform positive confirmation of balances, as necessary.

7.2.9 **Safeguarding of assets**: Verify that the PR has put in place mechanisms for the tracking and safeguarding of assets purchased with grant funds and that they are being used for the intended purposes. Verify that Program’s fixed assets register exists, is maintained in accordance with the Grant Agreement; that property rights or related beneficiaries’ rights are established in accordance with the Grant standard terms and conditions;

7.2.10 **Disbursements to Sub Recipients**: Verify that disbursements made by the PR to SRs are in line with the sub-recipient sub-grant agreements and the approved work plan and budget. Verify that the PR follows adequate process for validating expenditure reports submitted by the sub-recipients;

7.2.11 **Data retention and supporting documentation**: Necessary supporting documents, records, and accounts have been retained in compliance with provisions of the Grant Agreement. Procedures exist for security and management of electronic data (backup systems and procedures, etc.);

In addition, the auditor may be requested by GF to review the following areas of concern, in which case the additional scope should be agreed between the Global Fund and the auditors in advance:

7.2.12 **Goods and services** - have been procured transparently, competitively and in accordance with the Grant Agreement and relevant procurement Guidelines approved by the Global Fund;

7.2.13 **Procurement systems for pharmaceutical and health products**[[7]](#footnote-7) – Review of the procurement procedures to determine whether sound commercial practices including competition were used, reasonable prices were obtained, and adequate controls were in place over the quality and quantities of products received;

7.2.14 **Human Resource costs** - Review of direct salary charges to determine that salary rates are reasonable for that position, in accordance with those approved by the Global Fund when approval is required and supported by appropriate payroll records.

7.2.15 **Travel and related costs** - Review of travel and transportation charges to determine whether they are adequately supported and approved.

1. **Audit Procedures**
	1. Planning
		1. Kick off Meeting with the Principal Recipient

8.1.1.1 For each grant, the auditor will arrange for an opening meeting with the Principal Recipient and the Fiscal/Fiduciary Agent if applicable, to discuss and explain the planning, fieldwork and reporting. The auditor will explain the nature, objectives and scope of the audit.

8.1.1.2 During the preparatory and kick-off meetings, the auditor may request additional information and documents that he/she considers necessary or useful for the planning and fieldwork of the audit. The auditor may contact the Principal Recipient directly to obtain such information. For all Focused countries, the attendance of the Local Fund Agent is mandatory. In High Impact and Core countries, the participation of the LFA would be based on Country Team needs.

* + 1. Planning Activities, Audit Plan and Audit Work Programs

8.1.2.1 For each grant, the auditor should plan the audit so that it is performed in an effective and efficient manner. Adequate planning involves ensuring that appropriate attention is devoted to important areas of the audit, that potential problems are identified and resolved on a timely basis and that the audit is properly organized and managed within the due dates.

8.1.2.2 The assessment of the risks of material misstatement at the financial statement level, and thereby the auditor’s overall responses, is affected by the auditor’s understanding of the control environment.

8.1.2.3 The auditor should have an audit plan documenting the audit approach and key principles of audit planning, fieldwork and reporting. The auditor should have audit work programs that detail and document the audit tests and procedures.

8.1.2.4 Before the start of the fieldwork and before the kick-off meeting, the auditor should provide to the Global Fund Finance Specialist[[8]](#footnote-8) and the Principal Recipient, the audit plan for each grant including the scope of the review. Enhanced focus will be placed on the audit approach at the Principal Recipient but also at the selected sub-recipients.

* 1. Materiality
		1. The auditor should apply materiality and a risk-based approach to detect material errors and misstatements in the expenditure and revenue stated in the Grant Financial Statements, whether caused by error or fraud.
		2. The auditor uses professional judgment to assess whether a finding of non-compliance is material. A reasonable basis should be determined as used by the auditor to set the materiality level. For instance, the threshold may be applied to the total amount of gross expenditure[[9]](#footnote-9) for the Grant for the period being audited. Gross expenditure is the total actual expenditure incurred for the Grant before deduction of Grant related revenue (e.g. interest).
	2. Fieldwork
		1. Obtaining evidence regarding the design of controls and performing tests of controls

8.3.1.1 The auditor will perform procedures to obtain evidence regarding the design of controls and perform tests of controls if he/she considers this appropriate or necessary for the purpose of this financial audit.

8.3.1.2 The auditor will focus the tests of controls on key financial controls, which relate to the subjects described in the terms of reference and which are relevant to the management of the risks. Findings of significant weaknesses and deficiencies in the design or operating effectiveness of the Principal Recipient controls should be reported in the Management Letter.

8.3.1.3 For Core countries, High Impact countries and a selected number of high risk Focused countries, the auditor **must** review the internal control framework (financial and programmatic) of the Principal Recipient and key sub-recipients identified by the Global Fund Country team in consultation with the Principal Recipient and report thereon. At the discretion of the Country Team, such testing could be performed during an **interim audit** at the Principal Recipient.

* + 1. Substantive Procedures

8.3.2.1 The auditor should perform substantive procedures to be responsive to his/her assessment of the risks of material errors or misstatements in the expenditure and revenue stated in the Grant Program Financial Statements, whether caused by error or fraud. The results of tests of controls, if any, should be taken into account. The auditor should perform substantive procedures which cover the subjects described in the terms of reference and which are relevant to the management of the risks[[10]](#footnote-10).

8.3.2.2 Regarding the risk of fraud, the auditor must comply with the International Standard on Auditing 240 “the Auditor’s responsibilities relating to fraud in an audit of financial statements”.

* + 1. Sampling and other means of selecting items for testing

8.3.3.1 When designing and performing tests of controls and substantive tests, the auditor should apply audit sampling or other means of selecting items for testing. Audit sampling involves the application of audit procedures to less than 100% of items within a population of audit relevance (e.g. a class of transactions or account balance) such that all sampling units have a chance of selection in order to provide the auditor with a reasonable basis on which to draw conclusions about the entire population.

8.3.3.2 Audit sampling can use either a statistical or a non-statistical approach. The auditor may use a judgmental selection of specific items from a population (e.g. high value or key items, all items over a certain amount, items to obtain information or items to test control activities).

8.3.3.3 While selective examination of specific items will often be an efficient means of obtaining evidence, it does not constitute sampling. The projection to the entire population, of results of procedures applied to items selected in this way is not possible; accordingly, selective examination of specific items does not provide evidence concerning the remainder of the population. Sampling, on the other hand, is designed to enable conclusions to be drawn about an entire population based on testing a sample drawn from it.

8.3.3.4 The auditor **must** clearly provide details of the expenditure coverage by budget line and recipient and the sample selection methodology. Annex 3 to these terms of reference should be used to document this information.

* + 1. Analytical procedures

8.3.4.1 Analytical procedures must be performed by the auditor, such procedures consists in verifying the financial data by assessing the plausible connections between both financial and non-financial information. **The analytical review of actual expenditure incurred with the Grant budget (budget – actual comparisons) is a critical compliance check**.

* + 1. Using the work of internal auditors

8.3.5.1 If relevant for the audit, ISA 610 “Using the Work of Internal Auditors” should be used by the auditor. If the auditor assesses that the internal audit function can be relied on for the assignment, the auditor should:

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

8.3.5.2 Where the Principal Recipient has an internal audit function and the auditor does not rely on it, the auditor will be required to provide recommendations for improvement of the internal audit function in a dedicated section in the management letter.

* + 1. Using the work of an expert

8.3.6.1 The auditor may use the work of an individual or organization presenting an expertise in a field other than accounting or auditing, that is necessary to obtain sufficient evidence to reach his/ her conclusion. The auditor should comply with ISA 620 (Using the Work of an Auditor's Expert) insofar as this ISA is relevant to the audit.

* + 1. Written representations

8.3.7.1 Per the standard requirement stipulated in ISA 580 - Written Representations, the Principal Recipient Management should provide the auditor with a written representation letter. The auditor must request a letter of representation signed by the member(s) of the management of the Principal Recipient who has the primary responsibility for the grant and its financial aspects.

* + 1. Complementary letter

8.3.8.1 The auditor may, at any time during the audit process, draw up a complementary letter if he/she considers that the Global Fund must be made aware of facts and issues that are urgent, very unusual or of particular interest and importance to the Global Fund.

8.3.8.2 For instance, this could be the case of any fraud or irregularity that has occurred or that is likely to occur. The Global Fund will decide on follow-up measures including, where appropriate, the launching of an investigation by its Office of Inspector General.

* + 1. Debriefing Memorandum ('Aide Mémoire')

8.3.9.1 The auditor will draft a Debriefing Memo for the closing meeting which will provide the main findings for discussion. The Principal Recipient should send a copy of the memo or draft report to the Global Fund.

* + 1. Audit Exit Meeting in country

8.3.10.1 The auditor should organize a closing meeting with the Principal Recipient. The purpose of this meeting is to discuss the Debriefing Memo and to obtain the confirmation and initial comments of the Principal Recipient on the auditor's findings and recommendations. The auditor and the Principal Recipient can agree outstanding information to be provided by the Principal Recipient and where applicable, a deadline for submission.

8.3.10.2 At the request of the Global Fund Country Team, the auditor will also debrief the Country Coordinating Mechanism on the conclusion of the audit. The Local Fund Agent should, at the request of the Global Fund, also be invited to participate in this meeting. For the Focused countries, attendance of the LFA is mandatory.

1. **Auditor’s report and Language**

9.1 The audit report must comply with the financial audit report template provided in the “Guidelines for Annual Audit of Global Fund Grants. Annex 3: Comprehensive Auditor’s Report template – Special Purpose Grant Financial Statement Audit (SPGFS)” (October 2019) available on the website:  [https://www.theglobalfund.org/en/funding-model/throughout-the-cycle/financial-management-strengthening/#assurance](https://nam11.safelinks.protection.outlook.com/?url=https%3A%2F%2Fwww.theglobalfund.org%2Fen%2Ffunding-model%2Fthroughout-the-cycle%2Ffinancial-management-strengthening%2F%23assurance&data=04%7C01%7Cgalina.alagardova%40theglobalfund.org%7C0e12482ad6de448da50508d8be58e42a%7C7792090987824efbaaf144ac114d7c03%7C0%7C0%7C637468636664458392%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C1000&sdata=nuFxni2qCTsD3irt4awkvYIR%2Br2Iujb%2BLVfqy3NpkuA%3D&reserved=0).

9.2 The auditor’s reports will include:

* an opinion on the SPGFS in accordance with ISA;
* an opinion on the implementer’s compliance with the grant agreement in accordance with ISAE 3000;
* Agreed-Upon Procedures (AUP) report prepared in accordance with the ISRS 4400 with respect to the reconciliation of records in the SPGFS and the Annual Financial Report (AFR) of the PR for the Program;
* Management Letter.

9.3 The audit report should be presented in one of the official Global Fund languages as indicated in the terms of reference.

1. **Management Letter**

In addition to the audit report, the auditor prepares the Management letter. The Management Letter must not only provide a response to the review of the internal control but also to the financial risk profile of the grant (PR and key selected sub-recipients).

* 1. Internal Control Framework

10.1.1 The Management Letter should highlight the weaknesses in the internal control framework of the grant noted with respect to the processes mentioned in paragraph 7.2 of this terms of reference. For each weakness, the auditor provides a recommendation.

10.1.2 The auditor must also present a summary of the control procedures of the Principal Recipient in the Management Letter. The auditor must comment on instances of non-compliance in the accounting records, procedures, systems and controls that were identified during the course of the audit with particular reference to ineligible expenditures and systematic weaknesses.

10.1.3 The auditor communicates matters that have come to their attention during the audit which might have a significant impact on the implementation and sustainability of the grant program in the Management Letter which shall include the following five sections at a minimum:

* + **Internal control:** this section captures all other key internal control issues noted by the auditor in performing the review described in the scope of work particularly in the following sub-categories (a) Financial Management, (b) Sub-recipient management (c) Program management (d) Stock management;
	+ **Compliance with grant agreement and applicable law**: this section highlights any instances of non-compliance with the relevant grant agreement that were noted by the auditor in the course of their work in forming an opinion on the SPGFS or confirm that none has been identified in the sample tested. This implies that the auditor ensures that the expenditure corresponds to the activity approved in the detailed budget for the relevant period under review as well as corresponds to any subsequent budgetary adjustments including the required necessary approvals for such budget reallocations;
	+ **Value for Money:** this section captures the auditor’s view on the PR and SR’s considerations regarding economy and efficiency as part of the auditor’s review of grant expenditures. All issues noted around value for money (control deficiency, estimated loss incurred as a result of inefficient process and others) should be stated in this section of the Management Letter;
	+ **Ineligible and unsupported expenditures**: this section provides a schedule of non-compliant expenditures identified by the auditors in the course of their work;
	+ **Follow-up on previous audit report**: in this section, the auditor reports on the implementation status of recommendations contained in previous audit reports.

10.2 Risk Management

10.2.1 Specific to the Financial management section in the Management Letter, the auditor should categorize each finding, where applicable, into one of the six sub-categories of the Global Fund defined financial risks and provides a summary table showing the findings per sub-risk category and grading. The six categories are:

* Inadequate Flow of Funds Arrangements;
* Inadequate Internal Controls;
* Financial Fraud, Corruption and theft;
* Inadequate Accounting and Financial Reporting;
* Limited Value for Money; and
* Inadequate Auditing Arrangements.

10.2.2 The definitions of each of these categories are provided in [the Global Fund Financial Risk Management guidelines](https://www.theglobalfund.org/media/7540/financial_financialriskmanagement_guidelines_en.pdf?u=636784020850000000) (section 2.1 of the guidelines).

10.2.3 The auditor categorizes each finding, where applicable, into one of these six sub-categories and provides a summary table showing the findings per sub-risk category and grading.

10.3 Other important disclosures

10.3.1 Based on the findings of the internal control framework review (eventually including a third-party agent) and the grade of these weaknesses, the Management Letter must include a high-level executive summary with the following statistics and information:

* The financial risk rating per risk category
* The quality of the financial statements provided by the Principal Recipient prior to the auditor’s proposed adjustments
* Statistics on the number of findings per grade and their evolution over time
* Summary of key control procedures of the recipients, such as policies on procurement, travel, expenditure allocation etc.
* The auditor’s judgement of what are the key audit risks and the methodology used to address these key risks.
* The number of recommendations from previous audit solved and those not solved
* Any other important information management should focus their attention on.

10.3.2 The Management Letter must include responses made by PR in discussing audit recommendations, along with a timeline for implementing agreed recommendations. In cases where either the PR does not accept an audit finding or the auditor disagrees with the adequacy of the management response, the Management Letter will acknowledge that disagreement. All observations and recommendations should be discussed with PR management before the letter is finalized.

* It must be clearly noted on the face of the Management Letter that it is a confidential document and must be treated as such.
* The Management Letter should state that the auditor acknowledges and agrees that the Management Letter shall be shared with Global Fund and the Local Fund Agent (on a confidential basis).
* The Management Letter should use a system of grading points depending on the level of severity in line with that proposed in the [Guidelines for Annual Audit of Global Fund Grant Program Financial Statements.](http://www.theglobalfund.org/en/guidelines/)
	1. Reports’ review process
		1. Draft report

10.4.1.1The Principal Recipient would provide comments on the auditor’s draft report within 10 calendar days from receipt of the draft report. The relevant Global Fund’s Country Team may also request to review the draft report. Following the review of the draft report, should the Global Fund request the auditor to carry out additional work, a new reporting deadline could be agreed.

10.4.1.2 The auditor should submit an updated draft report which takes into account the comments to the Principal Recipient (and eventually the Global Fund) within five calendar days from receipt of the comments. The Principal Recipient would provide feedback to the auditor on the updated draft report within five calendar days.

10.4.1.3 If the Principal Recipient 's comments are not received within this deadline, the auditor reminds the Principal Recipient until a written reply from the Principal Recipient is received. In case of excessive delays from the Principal Recipient (more than ten calendar days), the auditor should contact the Global Fund to find out an appropriate solution.

* + 1. Final report

10.4.2.1 Once the Auditor receives the final comments from the Principal Recipients, the final report is expected to be issued within the next five calendar days. The audit report and accompanying Management Letter, including the Principal Recipient’s responses, **must** be received by the Global Fund within six (6) months after the end of the reporting period under audit. Successful reception of the audit report and Management Letter 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.

10.4.2.2 The auditor should submit three original hard copies of the Audit reports and the Management Letter directly to the Principal Recipient and one electronic copy of the final version of the Audit report and the Management Letter to the Principal Recipient and to the Global Fund in PDF format[[11]](#footnote-11).. PR should submit the final version of the Audit report and the Management Letter in electronic format in PDF format to the Global Fund.

10.4.2.3 In any case, the Principal Recipient should ensure the auditor sends directly to the Global Fund an electronic copy of the final version of the Audit report and the Management Letter[[12]](#footnote-12).

* + 1. Terms of performance

10.4.3.1 The selected audit firm will be granted timely, full and unrestricted access to PR’s (and SRs’) financial management system, accounting record, asset, property and personnel that may assist in clarifying any matter related to the audit.

10.4.3.2 Deadlines of the audit arrangements:

* Contract negotiation and singing:               by , 2022
* Field work start date by , 2022
* Draft Audit report by , 2022
* Draft Management Letter by , 2022
* Final Audit report and Management letter:      by , 2022

10.4.4. The PRs should share the Draft Audit reports and the Draft Management letters with the GF prior to final authorization of reports by the PR’s management. The GF is to review the Draft Audit Report and the Draft Management Letter within 5 (five) working days following the day of receipt of reports. The PRs should submit the final version of the Audit report and the Management Letter in electronic format in PDF to the Global Fund.

1. **Auditor performance assessment, rotation and termination**

11.1 The audit must refer to the relevant sections of the Global Fund Guidelines on Grant audit regarding how their performance will be assessed and the implications thereof on the contract.

11.2 The auditor should be aware of the GF’s Code of Conduct for Suppliers and comply with its provisions, namely Auditor shall cooperate with the Global Fund, its Office of the Inspector General, and other authorized agents or authorized representatives of the Global Fund, as the case may be, to allow access to relevant Auditor’s staff engaged in performance of the services, Deliverables provided to the Client and documents received from the Client during performance of the services

11.3 The auditor should understand that working papers under each grant can be subject to the review by the authorized GF staff.

11.4 This term of engagement will remain effective for future fiscal years unless it is terminated, amended or superseded.

# Annex 1: General Guidelines for Management Letter (M/L)

The following is a general guide on the essential elements of the M/L and should not be viewed as an exhaustive list of requirements. Guidance should be sought from the IAASB’s:

1. standard on communicating management letter issues to those charged with governance of an entity: <http://web.ifac.org/download/ISA_260_standalone_2009_Handbook.pdf>
2. also that on reporting internal control deficiencies:

<http://web.ifac.org/download/ISA_265_standalone_2009_Handbook.pdf>.

In the case of public-sector or government auditors (i.e. the Supreme Audit Institution) guidance can be obtained from INTOSAI Standards (see Chapter 4’s **Reporting Standards in Government Auditing** of INTOSAI’s Code of Ethics & Auditing Standards which can be found on <https://www.intosai.org/>)

A typical M/L format follows:

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**STRICTLY PRIVATE AND CONFIDENTIAL**

[*It must clearly be noted on the face of the Management Letter that it is a confidential document* *and must be treated as such, in accordance with Global Fund Policy]*

[The Management Letter should state that the auditor acknowledges and agrees that the Management Letter shall be shared with the Global Fund on a confidential basis. The audience of the letter, however, is the PR/SR]

**(*Name of PR)* - MANAGEMENT LETTER FOR THE AUDIT OF FINANCIAL STATEMENTS FOR THE YEAR ENDED …….. (*Insert year end date)***

[Background information is provided on the applicable auditing framework that was employed in auditing the Financial Statements, for which there is this management letter]

[The purpose of the financial statement audit should be stated here which is the expression of an opinion on the Financial Statements. Also, a brief description of the methodology used in carrying out the audit as regards the use of testing as the basis for examining evidence supporting the amounts and disclosures contained in the Financial Statements, inter-alia.]

[An explanation of the purpose of the management letter should be provided in terms of the value-added in its provision to management for the improvement of systems and processes for the organization, thereby aiding the achievement of broader organizational goals.]

[A description of system of grading of the management letter issues or findings should be provided in order that the Principal Recipient is able to better prioritize implementation of recommendations emanating from findings. The following system of grading is recommended:

**Grade I findings are** those which are particularly critical and the involvement of management may be required for their resolution. These are high-level issues which impact seriously on the achievement of overall grant goals

**Grade II** findings are those that may have significant impact on the control environment. Here control environment looks at risk factors derived from **management’s attitude to risk** regarding operational activities within the Principal Recipient/Sub-recipient organization.

**Grade III** findings are those which are less significant than Grade 1 and II but nevertheless merit attention.

For each finding:

**1.0** [Brief heading for finding and Grade 1, 2 or 3 as is applicable]

[Where there is a criteria (or criterion as the case may be) which is the object of non-compliance by the PR/Sub-recipient, then this must be stated or quoted where applicable. A criterion is defined as any law, policy, regulation or framework that an audited entity has to comply with in carrying out its activities. A deviation or complete non-compliance of it would trigger a finding. In some instances, criteria would not be present hence it would not be necessary to state it here.]

* 1. **FINDING**

[The condition or issue presently obtaining which could have been as a result of non- compliance of a criteria is stated here fully. This must be consistent with the grading level indicated above. Where possible, the reason(s)/rationale for the non-compliance to the criteria or factors responsible for the finding issue should be stated in a separate paragraph or section under FINDING.]

* 1. **IMPLICATION**

[The effect of the finding both from a financial and non-financial perspective should be clearly stated here as this will provide better insights to the Principal Recipient /Sub-recipient entity in formulating a robust management response and action plan for implementation of recommendations.]

* 1. **RECOMMENDATION**

[Practical recommendations relevant to the findings stated in 1.1 above should be put in this category. Recommendations should be capable of eliminating or reducing the effects identified in 1.2 above (to an acceptable level) such that there will be no negative material impact on grant implementation upon its initiation by Principal Recipient /Sub-recipient management.]

* 1. **BENEFITS**

[The advantages of implementing the recommendations stated in 1.3 above should be highlighted here from a financial and non-financial perspective. The use of financial data in terms of for example, cost savings, should be stated here.]

* 1. **MANAGEMENT’S RESPONSE**

[PRs/SRs are required to state the extent to which they agree or disagree with the finding indicated above. This should extend further to whether they agree or disagree with all the other elements to the management letter (i.e. 1.2 to 1.4). These should include reasons for the agreement or disagreement.

As part of the management response the PR should develop an action plan to address any pertinent recommendations emanating from the PR and SR Audits.

Finally, all M/Ls must contain a “**Matters arising from previous audits”** section in tabular form that will serve as a tracking tool in determining the status of implementation of recommendations.]. See below:

**MATTERS ARISING FROM PREVIOUS AUDITS**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Audit period****covered** | **Issue (i.e. the finding****identified)** | **Recommendations** | **Status of****Implementation** | **Comments** |
| The period covering the audit is stated here: it should follow chronologically from one year to the next | The findings of previous audits are entered here. The findings should be quoted verbatim or reproduced from the relevant management letter | The recommendations related to the findings from the previous column are entered here quoting verbatim from the relevant management letter | The state of implementation is entered here via the following key: Y (Yes) – showing full implementation of recommendations, N (No) - showing that the recommendation remains to be implemented and as such no steps have been taken to commence implementation,P (Partial) – showing that implementation has commenced but is yet to be completed | For N and P categories, an indication of the audit period from when the finding & recommendation was first identified should be stated, inter- alia |

**Schedule of non-compliant expenditures**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description** | **Unsupported expenditures** | **Expenditures incurred outside of the scope or period of the grant** | **Expenditures compromised by prohibited practices** | **Expenditures relating to other types of non-compliance or mismanagement of grant funds (or goods or services purchased with grant funds)** |
| Human Resources |   |   |   |   |
| Travel Related Costs |   |   |   |   |
| Procurement Related |   |   |   |   |
| Other |   |   |   |   |

ll

**Internal Control Findings**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **#** | **Functional areas** | **Inadequate Flow of Funds Arrangements** | **Inadequate Internal Controls** | **Financial Fraud, Corruption and theft** | **Inadequate Accounting and Financial Reporting** | **Limited Value for Money** | **Inadequate Auditing Arrangements** |
|  | **Grading** | **I** | **II** | **III** | **I**  | **II** | **III** | **I**  | **II** | **III** | **I**  | **II** | **III** | **I**  | **II** | **III** | **I**  | **II** | **III** |
| **1** | Financial management  |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| **2** | Sub-recipient management |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| **3** | Program management |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| **4** | Stock management |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| **5** | Procurement management |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| **6** | Compliance with grant agreement and applicable law |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
| **7** | Follow-up on previous audit report |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |   |
|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |

# Annex 2: Financial Statements cash basis and commitments reconciliation template

**Guiding note**

The Financial statements included in Figure 1 here below, represent an illustrative financial statement which the Principal Recipients are expected to provide to their auditors for the Special Purpose Grant Financial Statements audit.

**Mandatory statements**

All statements as required by the Auditing Guidelines and the Terms of reference **must** be provided to the auditors by the Principal Recipients for them to carry out their work appropriately, namely:

1. The format of the "Income and Expenditures statement" in Figure 1 is mandatory and **must** be used by all Principal Recipients;
2. Similarly, notes providing specific information on the accounting principles used in the preparation of the Financial Statements are **mandatory**;
3. Supplemental schedule of commitments (**Note 9**) **must** be provided and audited;
4. The different tables on SRs advances (**Notes 11**) and Fixed assets (**Note 12**) must be provided.
5. Tax recoverable disclosures.

**Other notes**

The notes to the financial statements are integral parts of the financial statements. The Principal Recipient must ensure that notes are provided wherever they would provide additional information to the stakeholder's understanding of the financial statements. The following could be cases where a note to the financial statements would be expected: material amount, significant change from previous year, significant variance with the budget, etc.

**Figure 1: Income and Expenditures Statement**

|  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Gant Number** | **FIC-C-MOH** |  |  |  |  |  |  |  |  |  |  |  |
| **Accounting Methodology** | **Cash** |   |  |  |  |  |  |  |  |  |  |  |
| **Grant's Currency** |  |  |  |  |  |  |  |  |  |  |  |  |
| **Implementation Period Start Date** |  |  |  |  |  |  |  |  |  |  |  |  |
| **Implementation Period End Date** |  |  |  |  |  |  |  |  |  |  |  |  |
|  |  |  |  |  |  |  |  |  |  |  |  |  |
| **Period of Financial Reporting** | **Beginning Date:** | 01-Jan-19 | **End Date:** | 31-Dec-19 |  |  |  |  |  |  |  |  |
| **Cumulative Period of Financial Reporting** | **Beginning Date:** | 01-Jan-18 | **End Date:** | 31-Dec-19 |  |  |  |  |  |  |  |  |
| **Financial Statements (all figures are in US$ unless otherwise stated)** |  |  |  |  |  |  |  |  |  |  |
|   | **Current Period** | **Cumulative Period** |  | **Previous year** |   |
|  |  **Budget**  |  **Actual** | **Variance** | **Commitments**  | **Budget** | **Actual** | **Variance** | **Notes** |  | **Budget** | **Actual** | **variance** |
| **Sources of Grant funds** |  |  |  |  |  |  |  |  |  |  |  |  |
| Opening cash balance |   |  1,382,089  |   |   |   |   |   |   |  |   |   |   |
| Receipts from Global fund | 38,496,894 | 14,700,000 | 23,796,894 | - | 54,396,894 | 26,960,000 | 27,436,894 | xxx |  |  15,900,000  |  12,260,000  |  3,640,000  |
| Insurance Proceeds from damaged goods |   |  300,000  |  (300,000) |   |   |  300,000  |  (300,000) |   |  |   |   |  -  |
|   | \_\_\_\_\_\_\_ | \_\_\_\_\_\_ | \_\_\_\_ | \_\_\_\_\_\_ | \_\_\_\_\_\_ | \_\_\_\_\_\_ | \_\_\_\_\_\_ |   |  | \_\_\_\_\_\_ | \_\_\_\_\_\_ | \_\_\_\_\_\_ |
| **Total sources of Grant Funds** | **38,496,894** | **16,382,089** | **23,496,894** | **-** | **54,396,894** | **27,260,000** | **27,136,894** |   |  |  **15,900,000**  |  **12,260,000**  |  **3,640,000**  |
|   | **======** | **======** | **=====** | **======** | **=====** | **=====** | **=====** |   |  | **======** | **======** | **======** |
| **Uses of Grant Funds** |  |  |  |  |   |   |   |   |  |   |   |  -  |
| 1.0 Human Resources (HR) | 3,736,254 | 1,513,300 | 2,222,954 |   |  7,472,508  |  3,026,600  |  4,445,908  | xxx |  |  3,736,254  |  1,513,300  |  2,222,954  |
| 2.0 Travel related costs (TRC) | 4,432,379 | 661,650 | 3,770,729 |   |  5,632,724  |  1,982,649  |  3,650,075  | xxx |  |  1,200,345  |  1,320,999  |  (120,654) |
| 3.0 External Professional services  | 521,527 | 175,724 | 345,803 |   |  752,527  |  185,724  |  566,803  |   |  |  231,000  |  10,000  |  221,000  |
| 4.0 Health Products (HPPP) | 3,736,254 | 1,513,300 | 2,222,954 | 1,205,187 |  6,704,988  |  3,813,859  |  2,891,129  |   |  |  2,968,734  |  2,300,559  |  668,175  |
| 5.0 Health Products (HPNP) | 4,432,379 | 661,650 | 3,770,729 |   |  6,233,367  |  2,451,871  |  3,781,496  |   |  |  1,800,988  |  1,790,221  |  10,767  |
| 6.0 Health Products (HPE) | 521,527 | 175,724 | 345,803 |   |  649,426  |  175,724  |  473,702  |   |  |  127,899  |  -  |  127,899  |
| 7.0 Procurement and Supply-Chain  | 3,736,254 | 1,513,300 | 2,222,954 | 875,000 |  4,508,652  |  2,165,312  |  2,343,340  |   |  |  772,398  |  652,012  |  120,386  |
| 8.0 Infrastructure (INF) | 4,432,379 | 661,650 | 3,770,729 | 235,847 |  5,521,612  |  1,862,414  |  3,659,198  |   |  |  1,089,233  |  1,200,764  |  (111,531) |
| 9.0 Non-health equipment (NHP) | 521,527 | 175,724 | 345,803 |   |  645,304  |  310,724  |  334,580  |   |  |  123,777  |  135,000  |  (11,223) |
| 10.0 Communication Material  | 3,736,254 | 1,513,300 | 2,222,954 |   |  4,535,009  |  2,081,299  |  2,453,710  |   |  |  798,755  |  567,999  |  230,756  |
| 11.0 Program Administration  | 4,432,379 | 661,650 | 3,770,729 | 125,789 |  6,521,610  |  1,950,556  |  4,571,054  |   |  |  2,089,231  |  1,288,906  |  800,325  |
| 12.0 Living support (LSCTP) | 521,527 | 175,724 | 345,803 |   |  752,815  |  273,875  |  478,940  |   |  |  231,288  |  98,151  |  133,137  |
| 13.0 Payment for Results | 3,736,254 | 1,513,300 | 2,222,954 |   |  4,466,352  |  1,513,300  |  2,953,052  |   |  |  730,098  |  -  |  730,098  |
|   |   |   |   |   |   |   |   |   |  |   |   |  -  |
| **Total uses of Grant Funds** | **38,496,894** | **10,915,996** | **27,580,898** |   |  **54,396,894**  |  **21,793,907**  |  **32,602,987**  |   |  |  **15,900,000**  |  **10,877,911**  |  **5,022,089**  |
| Total commitments at 31.12.2019 |  |  |  | **2,441,823** |   |   |   |   |  |   |   |   |
| **Net sources (uses) of Grant Funds** | **-** | **5,466,093** |  |  |   | **5,466,093** |   | xxx |  |   |  **1,382,089**  |   |

**Notes to the financial statements**

All amounts are in US$ unless otherwise stated

**Note 1: Basis of accounting**

The Annual Financial Report is prepared on a cash receipts and disbursements basis. A column on commitments or outstanding payables has been added as required by the AFR guidelines.

**Note 2: Disbursements/Receipts**

Receipts comprises amounts advanced and reimbursed by the Global Fund under the grant agreement during the period [*January 1, 2019 to December 31,* 2019] to the Principal Recipient and to third parties. Receipts from Global Fund were in United States Dollars.

**Note 3:**

Expenditure represents amounts disbursed and costs incurred denominated in Ficticia Francs (FHF).

**Note 4:**

Transactions in Ficticia Francs are translated to US dollars at the exchange rate applicable at the time funds received from Global Fund were converted to local currency. For the purpose of this report, balances denominated in Ficticia Francs have been translated to US dollars based on the average exchange rate applied by the Ministry of Health during the period which stood at FHF xx to the US dollar.

**Note 5: Receipts from Global Fund**

|  |  |  |  |
| --- | --- | --- | --- |
| **Description** | **Current period US$** | **Prior period US$** | **Cumulative US$** |
|  |
| Disbursement 1 | 2,030,908 |  | 2,030,908 |
| Disbursement 2 | 4,415,108 |  | 4,415,108 |
| Disbursement 3 | 8,253,984 |  | 8,253,984 |
| Disbursements |  | 12,260,000 | 12,260,000 |
|  | \_\_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_ | \_\_\_\_\_\_\_\_\_ |
|  | **14,700,000** | **12,260,000** | **26,960,000** |
|  | ========= | ========= | ========= |

**Note 6: Human Resources**

This represents salaries and other staff related costs for the principal recipients and various SRs.

**Note 7: Travel Related Costs**

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|

|  |  |
| --- | --- |
|  | **Amount** |
| Vehicle rental exp. |  360,000  |
| Daily subsistence allowance |  80,000  |
| Other |  221,650  |
|  |  **661,650**  |
|  | ======== |

 |  |
|  |  |

|  |  |
| --- | --- |
| **Note 8: Cash balances** | **Amount US$** |
|
| Bank balance held at Ecobank Ficticia | 2,566,852 |
| Bank balance held at Citibank New York | 2,899,000 |
| Cash | 241 |
| Net sources of Grant Funds | **5,466,093** |
|  | ========= |
|  |  |

**Note 9: Supplemental schedule of commitments at 31.12.2019**

|  |  |
| --- | --- |
| Commitments at 01.01.2019 |  1,235,670  |
| Paid in current year (2019) |  (989,050) |
| Outstanding from previous year |  246,620  |
| Commitments 2019 |  2,195,203  |
| Total commitments at 31.12.2019 |  **2,441,823**  |

Outstanding commitments from previous year relate to a dispute between the Principal Recipient and a contractor for the renovation of a health center. The work done is not of expected quality and the PR has withheld this amount until the default is corrected.

**Note 10: Principal Recipient advances**

The PER made an advance of US$1,200,000 to FXY Ltd for the transportation of bed nets yet to be received in Ficticia. Other advances are to staff and amount to US$115,000.

**Note 11: Sub-recipient advances**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **SR 1** |  | **SR 2** |  | **SRx** |  | **Amount** |
| Unliquidated advances (prior year) | 100,000 |  | 76,934 |  | 62,047 |  | 238,981 |
| Add advances from PR (current year) | 350,000 |  | 488,750 |  | 400,000 |  | 1,238,750 |
| Less SR justified advances | (400,043) |  | (520,789) |  | (431,299) |  | (1,352,131) |
|  |  |  |  |  |  |  |  |
|  | **49,957** |  | **44,895** |  | **30,748** |  | **125,600** |
|  | ========= |  | ========= |  | ========= |  | ========= |

**Note 12: Schedule of fixed assets**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Categories** | **Opening balances (cost)** | Additions (cost) | Disposals through sale (cost)  | **Closing balance (cost)** |
| Intangible assets |  |  |  |  |
| Constructions |  |  |  |  |
| Rehabilitation/ Renovation |  |  |  |  |
| Health Equipment |  |  |  |  |
| Other non-Health Equipment |  |  |  |  |
| Vehicles/ Motorcycles |  |  |  |  |
| IT Equipment (Hardware) |  |  |  |  |
| Total |  |  |  |  |

**As the above financial statements are illustrative, the Principal Recipient should provide any other relevant information or notes to the statements.**

**Annex 3: Reconciliation to the Enhanced Financial Reports**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **Actual Expenditure** | **Actual Expenditure** |  |  |
| **SPGFS, USD** | **Actual EFRs, USD** | **Variances, USD** | **Note** |
| RECEIPTS |  |  |  |  |
|  |  |  |  |  |
| Receipts from the Global Fund | 98 310 320 | 98 310 320 | - |  |
| Other Income | 993 034 | 992 050 | 984 | Sub-Recipient Interest |
| **TOTAL** | 99 303 353 | 99 302 370 |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| EXPENDITURES INCURRED |  |  |  |  |
| 1.1 Salaries - program management | 1 903 518 | 1 903 518 | - |  |
| 1.2 Salaries - outreach workers, medical staff and other service providers | 3 483 834 | 3 483 834 | - |  |
| 1.4 Other HR Costs | 1 639 454 | 1 639 454 | - |  |
| 2.1 Training related per diems/transport/other costs | 2 648 025 | 2 648 025 | - |  |
| 2.2 Technical assistance-related per diems/transport/other costs | 3 055 312 | 3 055 312 | - |  |
| 2.3 Supervision/surveys/data collection related per diems/transport/other costs | 5 926 089 | 5 926 089 | - |  |
| 2.4 Meeting/Advocacy related per diems/transport/other costs | 1 776 996 | 1 776 996 | - |  |
| 2.5 Other Transportation costs | 1 762 779 | 1 762 779 | - |  |
| 3.1 Technical Assistance Fees/Consultants | 8 114 453 | 8 114 453 | - |  |
| 3.3 External audit fees | 1 687 321 | 1 687 321 | - |  |
| 3.4 Other external professional services | 1 817 046 | 1 817 046 | - |  |
| 4.1 Antiretroviral medicines | 3 510 121 | 3 510 121 | - |  |
| 4.5 Opportunistic infections and STI medicines | 1 730 731 | 1 730 731 | - |  |
| 4.7 Other medicines | 1 677 211 | 1 677 211 | - |  |
| 5.4 Rapid Diagnostic Test | 3 805 302 | 3 805 302 | - |  |
| 5.6 Laboratory reagents | 4 115 782 | 4 115 782 | - |  |
| 5.8 Other consumables | 2 229 488 | 2 229 488 | - |  |
| 6.3 Microscopes | 1 573 193 | 1 573 193 | - |  |
| 6.4 TB Molecular Test equipment | 3 809 821 | 3 809 821 | - |  |
| 6.5 Maintenance and service costs for health equipment | 1 940 409 | 1 940 409 | - |  |
| 6.6 Other health equipment | 2 761 832 | 2 761 832 | - |  |
| 7.1 Procurement agent and handling fees | 1 611 117 | 1 611 117 | - |  |
| 7.2 Freight and insurance costs (Health products) | 2 172 536 | 2 172 536 | - |  |
| 7.3 Warehouse and Storage Costs | 1 673 911 | 1 673 911 | - |  |
| 7.4 In-country distribution costs | 1 952 883 | 1 952 883 | - |  |
| 7.5 Quality assurance and quality control costs (QA/QC) | 1 595 045 | 1 595 045 | - |  |
| 7.6 PSM Customs Clearance | 1 584 328 | 1 584 328 | - |  |
| 7.7 Other PSM costs | 1 724 380 | 1 724 380 | - |  |
| 8.1 Furniture | 1 569 903 | 1 569 903 | - |  |
| 9.1 IT - computers, computer equipment, software and applications | 2 168 473 | 2 168 473 | - |  |
| 10.1 Printed materials (forms, books, guidelines, brochure, leaflets...) | 1 860 801 | 1 860 801 | - |  |
| 10.2 Television/Radio spots and programmes | 1 939 802 | 1 939 802 | - |  |
| 10.3 Promotional Material (t-shirts, mugs, pins...) and other CMP costs | 1 717 971 | 1 717 971 | - |  |
| 11.1 Office related costs | 2 154 616 | 2 154 616 | - |  |
| 12.4 Micro-loans and micro-grants | 2 267 614 | 2 267 614 | - |  |
| 13.1 Results Based Financing (RBF) | 1 590 037 | 1 590 037 | - |  |
| 13.3 Incentives for Principal Recipient and Sub-Recipient staff members | 8 132 821 | 8 132 821 | - |  |
| 13.4 Incentives for Community Health Workers (CHW), outreach workers, medical staff a | 2 618 396 | 2 618 396 | - |  |
| **TOTAL** | 99 303 353 | 99 303 353 | - |  |
|  |  |  |  |  |

Note - the above reconciliation is performed to ensure that the amounts as per the Special Purpose Grant Financial Statement (SPGFS) agree to the amounts reported in the Extended Financial Reports (EFR) or Progress Update report (PU).

1. Depending on the scope of the audit report as described in paragraph 7. [↑](#footnote-ref-1)
2. Depending on the scope of the audit report as described in section 1.2. [↑](#footnote-ref-2)
3. Including goods and services from direct disbursements to third parties. [↑](#footnote-ref-3)
4. From Interest generated, Revenues, exchange gains, VAT recoveries, recovery of funds from ineligible expenditures or another concept, etc. [↑](#footnote-ref-4)
5. Program management and monitoring (including sub-recipients’ management), stock management, financial management (including management of the risk of fraud) [↑](#footnote-ref-5)
6. Excludes the Global Fund managed processes such as the Pool Procurement Mechanisms/Wambo [↑](#footnote-ref-6)
7. Excludes all procurement directly performed by the Global Fund on behalf of the PR such as the Pool Procurement Mechanisms/Wambo [↑](#footnote-ref-7)
8. The Global Fund Finance Specialist may engage directly with the auditor in instances where independence and the unpredictable nature of audits may be compromised by sharing the detailed audit plan with the Principal Recipient. [↑](#footnote-ref-8)
9. PPM related cost should be deducted from this gross total given the low level of risk associated with this mechanism. [↑](#footnote-ref-9)
10. When Designing and Performing Tests of Controls The ..." <https://www.coursehero.com/file/p13iulp/When-designing-and-performing-tests-of-c>. [↑](#footnote-ref-10)
11. When the Audit firm is directly selected by the PR and therefore has a direct contractual relationship with the PR, it is expected that this contract includes a clause requiring to the Auditor to send directly an electronic copy of the final audit report to the Global Fund. [↑](#footnote-ref-11)
12. This is the responsibility of the auditor and should be mentioned in the contract between the PR and the Auditor. [↑](#footnote-ref-12)