Terms of Reference for External Audit of Global Fund (TGF) Supported Programs

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| Principal Recipient (PR): | *International charitable organization « East Europe and Central Asia Union of people living with HIV»* |
| Grant Number: | QMZ-H-ECUO |
| Title of Program: | *Enhancing effectiveness, accessibility, sustainability and scale up of HIV treatment programs in the EECA region with special emphasis on key populations* |
| Period covered by the audit: | 01.11.2015 -31.10.2018 |

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

Regional concept note proposes a project with a goal to enhance the effectiveness, accessibility, sustainability and scale up of HIV treatment programs in the Eastern Europe and Central Asia (EECA) region with special emphasis on key populations. This project has two objectives:

Objective 1. Create enabling conditions at national and regional levels for facilitating access to HIV care and improving linkages between the main elements of the continuum of HIV care for key populations in at least six participating countries in the region by 2018.

Objective 2. Advocate for transition to the strategic and sustainable state funding of the continuum of HIV care, based on evidence and on the needs of key populations, in at least six participating countries in the region by 2018.

The sections below present the epidemiological profile and relevant background information in the context of the proposed project.

This regional project is a comprehensive advocacy initiative, which consolidates efforts of PLHIV and key population communities to engage in productive dialogue with decision-makers in EECA countries, and to ensure improvements in the continuum of HIV care that make it more accessible, strategic and sustainable.

The project consists of a single module: Community Systems Strengthening. All activities are categorized under the main interventions of GF CSS Framework, namely:

1. Community-based monitoring for accountability;
2. Social mobilization, building community linkages, collaboration and coordination;
3. Advocacy for social accountability;
4. Institutional capacity building, planning and leadership development in the community sector.
   1. Program Entities and Audit Approach

This project will be implemented by the Eastern Europe and Central Asia Union of People Living with HIV, which is a regional network of PLHIV organizations and groups in EECA region. ECUO is the only Principal Recipient (PR) nominated for implementation of this grant. The organization’s strategic goal is to ensure access of all adults and children living with HIV in EECA countries to timely, comprehensive, modern and high-quality treatment, care and support, advocated and ensured by effective partnership and committed actions of the PLHIV community.

The Eurasian Harm Reduction Network (EHRN) was determined as the pre-selected sub-recipient in the framework of this grant. As EHRN has been implementing another GF-supported regional program on increasing access and sustainability of harm reduction services and has demonstrated successful performance and correspondence to GF requirements in terms of grant management, M&E, financial procedures, governance, etc., this project will entrust EHRN to distribute and manage sub-sub-grants to community organizations in intensive engagement countries, the sub-grant will be provided by ECUO directly.

1. Contacts [to be provided confidentially to the auditor]

The PR shall provide a list of important contacts for the conduct of the audit including their full contact details. This should include at a minimum: PR Chief Executive and Chief Finance Executive, program manager, grant finance manager, SR Chief Executives, program managers and key finance contacts.

1. Available documents and facilities

The PR shall provide the auditor with access to all books and records pertaining to the grant as requested by the auditor, including a list of all key 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:

1. The grant program financial statements;
2. Grant and sub-grant agreements;
3. Main supporting schedules to the financial statements including: income and expenditure, assets and liabilities, cash records;
4. Interim monthly or quarterly grant activity reports (programmatic as well as financial);
5. General ledger, cash book, other important books and records;
6. Original 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);
7. Bank statements;
8. Important correspondence between GF and PR, PR and SRs pertaining to grant implementation matters;
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;
10. Minutes of management meetings;
11. Internal audit reports relevant to GF expenditures or any systems, governance or other issue which impinges on GF grants.
12. Objectives of the Audit
    1. The objective of the audit of the Grant Program Financial Statements (GPFS) is to enable the auditor to express an independent professional opinion on:
13. Whether the financial position of the grant program at the end of the reporting period and of the funds received and expenditures for the reporting period, are presented fairly in all material respects by the PR (and SRs9) in the GPFS and in accordance with the applicable accounting framework;
14. 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;
15. Whether the GPFS agree with the program accounts (books of account) which provide the basis for preparation of the GPFS and reflect the financial transactions of the program, as maintained by the program implementing entities;
16. Whether the GPFS agree or reconcile with other information reported to GF i.e. Progress Updates and Enhanced Financial Reports.
17. Responsibility for the preparation of Grant Program Financial Statements

(GPFS).

* 1. The responsibility for the preparation of consolidated GPFS or of separate GPFSs for each entity covered by the audit, if applicable, lies with the PR which delegates the responsibility to the SRs for their respective sub-grants.

1. Grant Program Financial Statements (GPFS).

The financial statements should include the following components:

1. In the currency of the grant agreement10, an Income and Expenditure Statement (IES) showing GF funds received, any other income received and all grant expenditures. Grant expenditures should be reported against the budget as defined in the grant agreement for the period with the actual expenditure allocated to the same budget categories disclosed for the implementing entity;
2. A statement of financial position
3. A statement of changes in net assets
4. Any other footnotes applicable.
5. Supplemental statements on advances and fixed assets, including: (a) a statement or annex showing SR advances and reconciliation of total amount advanced by PR to SRs with SR recorded expenditure and SR cash balances at the end of the reporting period, (b) a listing of all fixed assets purchased with grant funds.
6. Audit Scope of Work
   1. The minimum requirement is that the audit will be carried out in accordance with International Standards on Auditing (ISA) or International Standards of Supreme Audit Institutions (ISSAIs) and will include such tests and controls as the auditor considers necessary under the circumstances.
   2. As part of the audit testing procedures, particular attention should be paid to the following areas:
7. Compliance with applicable legislation - Verify that the transactions comply in all material respects with any applicable legislation;
8. Grant expenditures - Funds received by the Program11 from disbursements, or generated by the Program’s funds12, were spent in conformity with the approved budget and workplan 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;
9. System of internal controls - Assessment of the adequacy and effectiveness of the accounting and overall internal control system to monitor expenditures at all levels of the Program and other financial transactions including special attention to the adequacy and effectiveness of controls around cash transactions;
10. 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 TGF;
11. Designated bank accounts - Where Designated Accounts (including those being used under an approved pooled funding program implementation mechanism) have been used by 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;
12. 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’s conditions;
13. Disbursements to SRs - Verify that disbursements made by the PR to SRs are in line with the SR sub-grant agreements and the approved work plan and budget. Verify that the PR follows adequate process for validating expenditure reports submitted by the SRs;
14. 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.);
15. In addition the Global Fund may request the auditors to review the following areas of concern, in which case the additional scope would be agreed between the Global Fund and the auditors in advance:
16. Goods and services - have been procured transparently, competitively and in accordance with the Grant Agreement and relevant procurement Guidelines approved by TGF;
17. Procurement systems for pharmaceutical and health products - Verify the evidence that procurement transactions were undertaken in accordance with the grant agreement and the organization’s policies and procedures;
18. Value for Money - review grants expenditures with due attention to economy and efficiency.
19. Auditor’s report
    1. In preparing the audit report, the selected audit firm will issue an audit opinion on the financial statements in accordance with ISA or ISSAI.
20. Management Letter.
    1. In addition to the audit report, the auditors will prepare a management letter in which they shall:
21. Set out any instances of non-compliance with the Grant agreement that were noted by the auditors in the course of their work to form an opinion on the GPFS;
22. Provide a schedule of ineligible and unsupported expenditures identified by the auditors in the course of their work;
23. Comment on instances of non-compliance in the accounting records, procedures, systems and controls that were examined during the course of the audit with particular reference to ineligible expenditures and systematic weaknesses;
24. Provide recommendations to address the observed deficiencies and areas of weakness in systems and controls which may be effected promptly;
25. Communicate 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;
26. Report on the implementation status of recommendations contained in previous audit reports;
27. Include responses made by the 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 report will acknowledge that disagreement. All observations and recommendations will be discussed with PR management before the letter is finalized.
    1. It must be clearly noted on the face of the Management Letter that it is a confidential document and must be treated as such.
    2. The Management Letter should state that the auditor acknowledges and agrees that the Management Letter shall be shared with GF and the Local Fund Agent (LFA) on a confidential basis.
    3. 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 the annual audits of PRs’ and SRs’ financial statements.
28. General Information
    1. The audit report and accompanying management letter, including the PR’s responses, should be received by the Global Fund within three (3) months after the end of the reporting period under audit.
    2. The selected audit firm will also 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.
    3. To assist the selected audit firm in planning the audit, the PR will make available as a minimum the documents and information stated below. It is highly recommended as part of auditing requirements on understanding the nature of the entity’s operations, that the auditors familiarize themselves with the following:
29. GF’s Guidelines for the annual audits of Global Fund Grant Program Financial Statements: [Guidelines and Tools - The Global Fund to Fight AIDS, Tuberculosis and](http://www.theglobalfund.org/en/lfa/documents/) [Malaria;](http://www.theglobalfund.org/en/lfa/documents/)
30. Grant agreements between the PR and GF and sub-grant agreements concluded with SRs. Any correspondence from GF approving a reprogrammed budget affecting the audited year;
31. Progress Updates (PU/DRs) and Management Letters. Confirmation of amounts disbursed and outstanding at the Global Fund should also be obtained;
32. Enhanced Financial Reports (EFR);
33. Guidelines for Budgeting on GF programs: [Operational Policies, Guidelines and Tools -](http://www.theglobalfund.org/en/library/guidelinestools/) [The Global Fund to Fight AIDS, Tuberculosis and Malaria:](http://www.theglobalfund.org/en/library/guidelinestools/)
34. PR’s approved Finance, Procurement, SRs’ Management and other relevant Manuals;
35. It is also recommended to obtain an understanding of the Proposal/Concept Note under which the grant is being implemented. Proposals are available at the following link [Grant Portfolio - The Global Fund to Fight AIDS, Tuberculosis and Malaria](http://portfolio.theglobalfund.org/en/Home/Index) and then navigate to the respective country page.
    1. The auditors are strongly encouraged to contact the LFA prior to preparing the audit plan enabling the LFA to highlight any key weaknesses and areas of concern upfront. During the course of the audit, the Auditors are encouraged to contact the LFA as and when needed to obtain any additional information/clarifications.