



UNDP Global Fund and Health Implementation Guidance Manual

- Audit and Investigation –

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1. Principal Recipient Audit

1.1 Principal Recipient Audit Approach

Audits of UNDP are guided by the so-called 'single audit' principle, whereby any review of UNDP activities by an external authority, including any governmental authority, is precluded, instead a) the United Nations Board of Auditors (UN BoA) retains the exclusive right to carry out external audit of the accounts, books and statements of UNDP; and b) the Office of Audit and Investigations (OAI) retains the exclusive right to carry out internal audit of the accounts, books and statements of UNDP.

The purpose of the 'single audit' principle is to avoid that UNDP operations, transactions and books are audited more than once by more than one party. To this effect, the UN BoA and OAI coordinate their audit activities to avoid any possible duplication of efforts and no other entity, external or internal, has the authority to audit UNDP activities.

1. The Framework Agreement (FA) between UNDP and the Global Fund was amended in September 2023. Art. 2(a) of the UNDP-Global Fund Grant Regulations attached to the amended [Framework Agreement](#) recognizes that UNDP *"will implement or oversee the implementation of the Program in accordance with UNDP regulations, rules, policies and procedures and decisions of the UNDP Governing Bodies, as well as the terms and conditions of the relevant Grant Agreement"*. In line with the 'single audit' principle and the Global Fund grants entrusted to UNDP as Implementing Agent (IA) shall only be audited by either the UN BoA or the UNDP OAI. Under no circumstances should the Global Fund's policies govern, or in any way apply to internal audits of grant implementation. Please refer to the [legal framework section](#) of the Manual. As stated in Article 4.3 of the Framework Agreement, the consultation and coordination on audits and investigations between the Global Fund and UNDP are separately agreed through working arrangements between the independent oversight offices of the two organizations. [UNDP Financial Regulations and Rules apply to these grants.](#)
2. The Framework Agreement further provides guidance on the working arrangements between UNDP and the Global Fund in this area, including Article 4.2 of the Framework Agreement which details that *"Without prejudice to Articles 14 and 15 of the UNDP-Global Fund Grant Regulations, the Global Fund may directly conduct any reviews of suppliers and of Sub-recipients which are not part of the United Nations System. The scope of such reviews is linked to the Global Fund verifying compliance with the terms of the relevant Grant Agreement."* These reviews typically result in OIG reports.
3. Art. 4.3 of the Framework Agreement details the arrangements between the oversight offices of each entities: *"-....consultation and coordination on audits and investigations are separately agreed through working arrangements between the independent oversight offices of UNDP and the Global Fund and Section 30.7 of the UNDP-Global Fund Grant Regulations and reflect the Global Fund's right to conduct audits and investigations of suppliers and of Sub-recipients which are not part of the United Nations System. UNDP's Office of Audit and Investigations (OAI) will work closely with the Global Fund's Office of the Inspector General (OIG) to ensure that there is a proportionate and robust response to allegations of wrongdoing across Global Fund grants administered by the UNDP...."*
4. Furthermore, in practice, Global Fund grants are subject to particularly intense oversight and audit, given the challenging environments in which UNDP manages these grants and

the fact that they are more risk-prone than many other UNDP projects. To that end, OAI has resources dedicated solely to the audit and investigations of Global Fund programmes.

5. The 'single audit' principle is also expressly confirmed in Art. 7(b) of the Grant Regulations, which states as follows: *"The Program Books and Records of the Principal Recipient shall be subject exclusively to internal and external audit in accordance with its financial regulations, rules and policies and procedures."* While under this provision OAI audits Global Fund grants in accordance with its standard procedures, to provide assurance to the UNDP Administrator that UNDP has, among other things, accepted the following commitments:
 - Provide to the Global Fund a copy of its externally audited financial statements covering each year in which Grant funds are expended, together with the opinion of its external auditors on such statements, no later than thirty (30) days after such audited financial statements and opinion are published (Article 7b(iv) of the Grant Regulations);
 - No later than 30 June of each year, submit to the Global Fund a financial statement certified by the UNDP Chief Financial Officer for the preceding year (Article 7c of the Grant Regulations); and
 - Keep programme books and records in accordance with its rules (which as of 2016 provide for retention for seven years after the document date), or for such longer period, if any, as may be requested by the Global fund in writing to the Headquarters of the Principal Recipient (PR) in order to resolve any claims.

In addition, in countries falling under the Global Fund's Additional Safeguards Policy (ASP) **[1]**, the Global Fund may request a **special purpose audit** on the use of Global Fund resources. In such cases, UNDP must (1) secure the appointment of a mutually agreed independent auditor; and (2) prepare mutually agreed audit terms of reference which reflect, as necessary, circumstances giving rise to the Global Fund's request for said audit. The cost of such special purpose audit are charged to the grant budget. The Global Fund's request for a special purpose audit is handled in conformity with the working arrangements agreed between the independent oversight offices of the PR and the Global Fund (See Article 7b(ii) of the Grant Regulations).

Each year, guided by a risk-based audit approach, OAI determines the list of UNDP Country Offices (COs) that are serving as Global Fund interim PR, which will be audited in the following year. The list is submitted to the UNDP Administrator for approval and shared with the Global Fund Secretariat and the Office of the Inspector General (OIG) of the Global Fund.

In accordance with UNDP Executive Board Decision 2012/18, as of 1 December 2012, UNDP publishes on its [audit public disclosure website](#) all UNDP audit reports within 30 calendar days after they are internally issued to UNDP management.



Practice Pointer

The Project Management Unit (PMU) should appoint an audit focal point to cover both the CO and Sub-recipient (SR) audits. It is important that the focal point is granted access to Comprehensive Audit and Recommendation Database System (CARDS) system.

[1] The Additional Safeguard Policy (ASP) is a risk management tool applied on the basis of risks identified in countries where a grant or group of grants is/are being implemented. The ASP comes into effect when the systems to ensure accountability over the use of Global Fund resources are notably weak and assets would be exposed to an unacceptable level of risk if additional measures were not applied.

Resources

- [UNDP-Global Fund Framework Agreement - Courtesy consolidation 2023](#)
- [UNDP POPP UNDP Financial Regulations and Rules](#)
- [UNDP Published Internal Audit Reports](#)

1.2 Budgeting for Principal Recipient Audit

The audits that are carried out by the Office of Audit and Investigations (OAI) cover only the Principal Recipient (PR) activities as managed by a given UNDP Country Office (CO)



Practice Pointer

Should a Country Office have a Financing Agreement (FA) to provide technical support to national partners then the activities will be included in the audit of the Country Office and not part of the UNDP PR OAI audit. Therefore, there should be no audit costs included in the programme budget for a FA.

Effective 19 September 2017, UNDP and the Global Fund agreed to a tailored audit cost recovery process, in alignment with OAI's risk-based approach to audit, as formalized in the **Framework Agreement**.

The process agreed with the Global Fund is as follows:

1. **Budgeting** – COs managing Global Fund grants are advised to budget for the OAI audit costs as follows:
 - **High risk countries** should budget for the audit costs of US\$85,000 once in two (2) years. For high risk countries the timing of the budget should take into account the date the last OAI audit report for Global Fund programmes was issued. For example, if a high risk country was last audited in 2023, they should make a provision for a budget in 2025.
 - **Medium risk countries** should budget audit costs of US\$85,000 once in three to four (3-4) years.
 - **Low risk countries** should budget audit costs of US\$85,000 once in four to five (4-5) years.
 - In **all cases**, should a country not be audited in a particular year, then they should re-phase the audit budget to the following year until an OAI audit takes place and payment is made.
 - The risk ratings per country are updated by OAI every year in Quarter 4.
 - The risk ratings will be communicated by the UNDP Global Fund Partnership and Health Systems Team (GFPHST) to the concerned COs and RSC.
 - **New Countries** should use the previous year's country risk rating to guide them in terms of the frequency of the OAI audits and should budget accordingly.
 - For countries with **more than one grant agreement** the costs should be apportioned across the respective grant budgets (including C19RM), based on the total signed grant amounts.
 - The audit costs are planned and budgeted under the account for "Professional Services" (74100).
 - In the event there is an 'unsatisfactory' OAI audit rating, there will be a follow-up audit in the subsequent year as per UNDP guidelines. The CO or RSC should, therefore, request a budget reallocation to cover the costs of the follow-up audit.
 - In Quarter 1 of the last year of the Implementation Period, UNDP will review the utilization of the audit costs and agree with the Global Fund on reprogramming of the savings, if any.
 - For the **active grants that do not have a budget line for OAI audits**, COs or RSCs shall submit a request to the Global Fund for the budget reallocation of savings to include the audit costs in the respective grant budgets and the cash forecast for the annual Disbursement Request.

2. **OAI’s annual Global Fund audit plan** – In December of each year, the GFPHST will share with the Global Fund and the COs, the OAI annual audit plan for the subsequent year and a proposal for the distribution of audit costs for the respective countries. For all grants selected for audit the CO should include audit costs in the cash forecast for the annual Disbursement Request.
3. Upon the issuance of a draft audit report by OAI, the US\$85,000 for audit costs will be charged to the respective grants through a Zero Dollar Invoice (ZDI) (expense account 74110 “Audit fees” with the full COA in the GL and PPM segments), with a prorating of the cost (based on the signed amounts of active grants (including C19RM) for countries with more than one grant. The audit fees collected should be credited to the UNDP Global Fund Partnership and Health Systems Team (GFPHST) Income Account 54025 (Reimbursement for Management Services) with COA in the GL segment only as follows:

Agency	Oper Unit	Fund	Cost Centre	Account	Project	Donor	Interagency	Future
UNDP	H70	11315	08301	54025	00043184	000012	0	0

Resources

- [UNDP-Global Fund Framework Agreement - Courtesy consolidation 2023](#)

1.3 Principal Recipient Audit Process

Below is a brief overview of the key steps of the audit of UNDP-managed Global Fund projects by the Office of Audit and Investigations (OAI):

1. OAI sends an interoffice memorandum to Country Office (CO) senior management, notifying of the upcoming audit and detailing the dates of audit field work, the OAI audit team and the period of the audit.



Practice Pointer

The UNDP Global Fund Partnership and Health Systems Team (GFPHST) has developed an [audit checklist](#) to guide the CO/Project Management Units (PMU) in the preparation process for an OAI audit of a Global Fund funded programme. The PMU should complete the audit checklist as a team, in coordination with the rest of the CO, with the PMU Manager/Coordinator assigning focal points for each of the following audit areas: * Governance and strategic management * Programme management / monitoring and evaluation * Sub-recipient management * Procurement, supply management and quality assurance * Financial management.

2. At the start of the audit work, an entry meeting is scheduled between OAI and the CO/PMU. The purpose of the meeting is to explain in greater detail the engagement, the tentative work plan for the mission, and to listen to any additional concerns or areas of emphasis that management may wish to bring to the attention of the OAI audit team. OAI also reaches out to the Global Fund and in-country stakeholder (i.e. CCM leadership, Sub-recipients).
3. Absent very specific circumstances, audit field work is completed within the timeframe detailed in the interoffice memorandum.
4. An exit meeting is scheduled between OAI and the CO/PMU to discuss key audit findings.



Practice Pointer

There is no need to wait for the final audit report to be issued to take action to address the audit findings and recommendations. The CO/PMU should act as soon as the audit observations are discussed and agreed with the auditors during the exit meeting.

5. OAI shares the draft audit report for CO management to provide its comments and action plan for addressing the OAI audit recommendation



Practice Pointer

It is important for the CO/PMU to complete a thorough review of the draft audit report. When reviewing OAI's audit findings and recommendations, it is critical to assess whether the recommended actions are reasonable and achievable. The response to the draft OAI report should be shared with the UNDP Global Fund Partnership and Health Systems Team (GFPHST) before being finalized.

How well do you know the audit process? Test your knowledge with this [OAI PR audit scenario exercise](#) for PMUs.

Resources

- [OAI PR Audits: Scenario Exercise for UNDP PMUs 200](#)
- [OAI Preparation Tool](#)

1.4 Principal Recipient Audit Follow-up

Country Office Follow-up on Audit Recommendations

The Programme Management Unit (PMU), in coordination with the Country Office (CO), should be proactive in addressing the Office of Audit and Investigations (OAI) audit findings and recommendations and ensure that the actions taken are reflected in a timely manner in the Comprehensive Audit and Recommendation Database System (CARDS). The designated audit focal point should follow-up on the fulfilment of the audit recommendations, which should be included in the Project Management Unit (PMU)'s work plan. The designated audit focal point should also follow-up with the OAI audit focal point to ensure a timely review of the CO's entries in CARDS.

Audit recommendations are expected to be implemented as soon as possible and within a period not exceeding 18 months. The duration of 18 months is calculated from the date the audit report is issued by OAI. In effect, this means that the CO has more than 18 months for implementation since, in most cases, it is aware of the audit recommendations well before the final audit report is issued by OAI.

A recommendation that is still "in progress" or "not implemented" after 18 months or more of the audit report issuance is considered a long outstanding recommendation and is reported to the UNDP's Executive Board, i.e. included in the OAI annual report to the Executive Board. The outstanding recommendation will also receive a "penalty/reduction" when the implementation rate is calculated in CARDS. A recommendation that is implemented within six months after the audit report is issued, on the other hand, will receive a "bonus" (increment) when the implementation rate is calculated in CARDS. If a recommendation is implemented between six and 18 months, there is no increment nor penalty.

It is important to note that the implementation status of an audit recommendation is based on the OAI assessment of its status and not by the update provided by the CO. The CO should accordingly ensure a timely review of its entries submitted in CARDS by OAI.

Global Oversight and Resources

The UNDP Global Fund Partnership and Health Systems Team (GFPHST) uses the UNDP OAI's audit findings and recommendations to tailor its support, tools and guidance to COs acting as interim PR for Global Fund funded programmes. The Team monitors the fulfilment of audit recommendations on a bi-monthly basis and, where required, it is available to provide additional support.

OAI issues, on an annual basis, a consolidated Principal Recipient audit report of OAI audits of UNDP-managed projects financed by the Global Fund. As part of a robust risk management approach, COs should review the consolidated report to identify recurring issues and OAI's recommendations to address them. As with all UNDP audit reports, the consolidated report is made available on UNDP's [audit public disclosure website](#) within 30 calendar days after it is internally issued to UNDP management.

Resources

- [UNDP Published Internal Audit Reports](#)

2. Audit of Country Coordinating Mechanism Funding

When UNDP is interim Principal Recipient (PR) of Global Fund projects and also the Country Coordinating Mechanism (CCM) funding recipient, the UNDP Office of Audit and Investigations (OAI) includes the CCM funding in the scope of the Global Fund audits. For countries where UNDP is not the interim PR, but is the CCM funding recipient, the expenditures will be included in the audit of the Country Office.

Resources

- [UNDP Published Internal Audit Reports](#)

3. Sub-recipient Audit

Sub-Recipients (SRs) are audited based on the criteria detailed in the Office of Audit and Investigations (OAI) Call Letter for Harmonized Approach to Cash Transfers (HACT) Audit Plans, which is issued annually. The SR audit approach for Global Fund projects includes financial audit as well as audit of SR internal control and systems. While SR audits are coordinated centrally by the UNDP Global Fund Partnership and Health Systems Team (GFPHST), COs are advised to designate a focal point to ensure a timely and successful process.

For more information, please see the following section(s) of the Manual: [Sub-recipient Management](#)

4. Ad hoc Site Visits

Pursuant to Article 7(e) of the [Grant Regulations](#), UNDP allows authorized representatives of the Global Fund and its agents *ad hoc* access to sites related to operations financed by Global Fund grants. Usually, site visits are conducted by the Local Fund Agent (LFA). The same procedures apply, regardless of whether the Global Fund, the LFA or another agent visits the site.

The *ad hoc* site visits are not audits. Country Offices (COs) are not permitted to provide Global Fund representatives or its agents, including the LFA, with any financial or programmatic documents or records during the visit. UNDP and UN agencies that act as Sub-recipients (SRs) can, and should, make available relevant financial and programmatic information drawn from their accounts and records (e.g. progress reports and expenditure reports). However, they should not provide access to the underlying documents or records.

However, non-UN-agency SRs (civil society organizations (CSOs) and government entities) can provide programmatic records and certain supporting documents to the LFA.

The Global Fund must provide reasonable notice of when visits will occur. If the Global Fund wants to look at numerous programmatic records, the SR must be given time to respond to the request. If sufficient time has not been given, this should be noted in writing to the Global Fund.

If a Global Fund request for an *ad hoc* site visit is received, UNDP Global Fund Partnership and Health Systems Team (GFPHST) and the Office of Audit and Investigations (OAI) should be consulted on how to proceed.

Resources

- [UNDP-Global Fund Framework Agreement - Courtesy consolidation 2023](#)

5. Office of Audit and Investigations (OAI) Investigations

The Office of Audit and Investigation (OAI) provides UNDP with independent and internal oversight that is designed to improve the effectiveness and efficiency of UNDP's operations in achieving its development goals and objectives through the provision of internal audit and related advisory services, and investigation services. OAI's Investigations Section has the mandate to investigate reports of alleged wrongdoing involving UNDP staff members and allegations of fraud and corruption against UNDP, whether committed by UNDP staff members or other persons, parties or entities, where the wrongdoing is to the detriment of UNDP. This includes SRs of Global Fund-financed projects under UNDP implementation. OAI is the sole office in UNDP mandated to conduct such investigations.

UNDP takes all reports of alleged wrongdoing seriously. In accordance with UNDP's corporate policies, OAI is the principal channel to receive allegations.

More information on OAI investigations is available [here](#).

Resources

- [UNDP Audit and Investigations](#)

6. Global Fund Office of the Inspector General (OIG) Investigations and Audits

OIG investigations

Global Fund grants are subject to external assurance and investigation work by the Global Fund [Office of the Inspector General \(OIG\)](#). However, OIG does not have the mandate to investigate UNDP and its resources, and the OIG and the UNDP Office of Audit and Investigations (OAI) have separately agreed on a set of arrangements for cooperation and coordination in terms of investigations. Consequently, if notification of an OIG investigation is received from the Global Fund, the Country Office (CO) should urgently consult with the UNDP Global Fund Partnership and Health Systems Team (GFPHST) and OAI on how to proceed.

OIG audits

OIG does not have audit authority over UNDP. As in the case of investigations, arrangements have separately been agreed between OIG and OAI for cooperation and coordination in terms of audit activities.

Should a UNDP CO where UNDP is PR receive notification of an OIG audit, please contact the UNDP Global Fund Partnership and Health Systems Team (GFPHST) and OAI for urgent consultation on how to proceed. The focal point in the GFPHST is Joseph Serutoke, Deputy Manager ([joseph\[dot\]serutoke\[at\]undp\[dot\]org](mailto:joseph[dot]serutoke[at]undp[dot]org)).

Resources

- [The Global Fund: Office of the Inspector General](#)