



# Audit and Investigation

## [UNDP Global Fund Implementation Guidance Manual](#)

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## 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, book and statement 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 statement 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.

Art. 2(a) of the UNDP-Global Fund Grant Regulations attached to the [Framework Agreement](#) concluded between UNDP and the Global Fund on 13 October 2016 (Grant Regulations) 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 [UNDP Financial Regulations and Rules](#), 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 audit 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.

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)<sup>[1]</sup>, 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).

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.

Each year, guided by a risk-based audit approach, OAI determines the list of UNDP Country Offices (COs) that are serving as Global Fund 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 CARDS system.

<sup>[1]</sup> 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.

## 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) or Regional Service Centre (RSC).

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 and RSCs 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 2016, they should make a provision for a budget in 2018 and 2020. COs to be audited in 2017, should budget audit costs in 2019 only for a grant implementation period 2018 – 2020.
  - **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/Health Implementation Support Team to the concerned COs and RSCs.**
  - **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 based on the total signed grant amounts. The budget account to be used is 74100 "Professional Services".
  - 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 3 of 2020**, UNDP will review the utilisation of the audit costs and agree with the Global Fund on reprogramming of the savings.
  - For the **active grants that do not have a budget line for OAI audits**, COs and 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 UNDP Global Fund/Health Implementation Support Team will share with the Global Fund and the COs and RSCs the OAI 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 or RSC should include audit costs in the cash forecast for the annual Disbursement Request.

3. Upon the **publication of the audit report** by OAI, the \$85,000 for audit costs will be charged to the respective grants through a GLJE (expense account 74110 “Audit fees”), with a prorating of the cost (based on the signed amounts of active grants) for countries with more than one grant. The audit fees collected should be credited to the UNDP Global Fund/Health Implementation Support Team Project # 00085083 (PC Bus Unit: UNDP1), Income Account 54025 (Reimbursement for Management Services), Oper Unit H70, Dept 08301, Fund 11315, Donor 00327, IA 001981, ACTIVITY5.

## 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.
2. At the start of the audit work, an entry meeting is scheduled between OAI, the CO. 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 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 time frame detailed in the interoffice memorandum.
4. An exit meeting is scheduled between OAI and the CO 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. The CO 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 recommendations.



Practice  
Pointer

It is important for the CO to complete a thorough review of the draft audit report. When reviewing OAI’s audit 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/Health Implementation Support Team before being finalized.

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

# 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 ensure that the actions taken are reflected 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 are to be included in the Project Management Unit (PMU)'s work plan. Examples of common actions that are taken include review of Sub-recipient (SR) monitoring plan; review of the modality of payment and engagement with SRs; and enhanced engagement on capacity building activities.

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. 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 audit report is issued by OAI.

A recommendation that is still “in progress” or “not implemented” after 18 months or more of the audit issuance is considered a long outstanding recommendation and is reported to the 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/Health Implementation Support Team uses the UNDP OAI's audit observations and recommendations to tailor its support, tools and guidance to COs. 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 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.

## Audit of Country Coordinating Mechanism Funding

When UNDP is 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 PR, but is the CCM funding recipient, the expenditures will be included in the audit of the Country Office (CO).

## Sub-recipient Audit Approach

The audit of UNDP Sub-recipients (SRs) of Global Fund-financed projects are managed and commissioned by each UNDP Country Office (CO) following a risk-based audit plan that, after consultation with the UNDP Global Fund/Health Implementation Support Team, is reviewed and accepted by the UNDP Office of Audit and Investigations (OAI). Once the audit of SRs is completed, the COs submit the final audit reports to OAI for review and assessment.

Pursuant to Art. 7d(i) of the [Grant Regulations](#), UNDP shall plan for the audit of SRs and will consult with the Global Fund to this effect. The audit of the SRs shall take place in accordance with this plan. Upon request, UNDP must furnish the Global Fund with a copy of SR audit reports.

Importantly, when the SR is a UN agency, it is not audited by UNDP, but instead is subject to its own oversight and control framework. However, UNDP has an obligation to provide the Global Fund with a copy of financial expenditure reports issued by UN SRs. See Art. 7d(ii) of the [Grant Regulations](#).

As per [UNDP Financial Regulations and Rules](#), audits of NGO-implemented and nationally implemented (NIM) (formerly known as NGO/NIM, now called Harmonized Approach to Cash Transfers (HACT)) are carried out to provide assurance to UNDP senior management as to the proper use of resources by SRs. Audit is an integral part of sound financial and administrative management, and part of the UNDP accountability system. Though currently exempt from the HACT framework, SRs – government and civil society organizations (CSOs) – who are entrusted with Global Fund resources must still be audited.

Please note that the guidance provided in this section of the Manual pertains to the audit of UNDP SRs of Global Fund-financed projects only. For guidance on the HACT audit of UNDP partners for non-Global Fund projects, please refer to [the OAI Call Letter for HACT Audit Plans](#).

In early 2013, the UNDP Global Fund/Health Implementation Support Team worked with OAI to define a new approach and process for audit of UNDP SRs of Global Fund projects. This was done

to further enhance the management of SRs, as this area was identified as a high-risk area in the implementation of Global Fund projects.

The approach features several components, including long-term agreements (LTAs) with selected audit firms and expansion of the audit terms of reference (TORs) to include the following: 1) financial audit (Deliverable 1); 2) audit of SR internal controls and systems (Deliverable 2); and consolidated report of all key SR audit findings (Deliverable 3). Two audit firms are designated for each country, based on region. Depending on the region and country, however, it may be that only one firm is available to submit a bid and participate in the audit.

In some exceptional circumstances, including country context and audit firm registration limitations, a CO may choose to work with a local audit firm instead of one of the firms under LTA. **Local firms are still required to adhere to the expanded SR audit terms of reference.** The CO should, at the start of the SR audit process, discuss with the UNDP Global Fund/Health Implementation Support Team this, or any other foreseen deviation from the approach for audit of UNDP SRs for projects financed by the Global Fund.

#### **Exceptions to audit deliverable requirements:**

1. Financial audit (Deliverable 1) is not required for SRs with which UNDP is engaged using the Direct Implementation Modality (DIM). Expenditure under this modality falls within the scope of the DIM audit regime.
2. Audit of SR internal control and systems (Deliverable 2) is not required for grants that are closing in the year the audit is scheduled. A financial audit, however, remains a requirement if the criteria detailed in the annual [OAI Call Letter for HACT Audit Plans](#) are met.
3. The consolidated report (Deliverable 3), which is designed to provide a consolidated summary of audit findings and trends across multiple SRs and grants is not necessary if only one SR is being audited or when only a financial audit (Deliverable 1) is required (see exception no. 2).

## **Budgeting for Sub-recipient Audit**

Country Offices (COs) are advised to use the historical rates for their Harmonized Approach to Cash Transfers (HACT) financial audits to estimate the Sub-recipient (SR) audit costs and should budget for them annually in the last quarter of each fiscal year. If there is no record of the HACT financial audit costs, COs may calculate the estimated SR audit cost at 3% of the SR budget.

## **Sub-recipient Audit Criteria**

The UNDP Office of Audit and Investigations (OAI) applies a risk-based methodology for audits of Sub-recipients (SRs), using the basic premise of the risk-based approach to Harmonized Approach to Cash Transfers (HACT) financial audits. The lower the risk category for HACT financial audits that is assigned by OAI to a Country Office (CO), the higher the audit threshold above which the project is required to be audited. For example, if for a given year the threshold for a country in

the high risk category is US\$300,000, then any SR with eligible expenditure totalling US\$300,000 or more in that year has to be audited.

On an annual basis, OAI can amend the audit criteria and timelines for the HACT financial audits, therefore COs should carefully review the [OAI Call Letter for HACT Audit Plans](#) and not rely on the previous year’s Call.

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| <br><b>Practice Pointer</b> | The once in a lifetime (OIL) audit criterion detailed in the annual <a href="#">OAI Call Letter for HACT Audit Plans</a> applies to cumulative SR expenditure per project, not per country. SRs must be audited at least once in their respective project’s life cycle, in the year subsequent to the year in which the SR’s cumulative expenses (since project start date) reaches the amount detailed in the OAI Call Letter. |
|--|---|

The information below helps illustrate the concept:

Country Risk Rating: **Medium** (threshold: US\$450,000)

Project Number: 0000xxxx

Project start date: 1 January 2021

Project end date: 31 December 2023

| Sub Recipient | FY2021 Expenses | Included in FY2021 audit plan | FY2022 Expenses | Included in FY2022 audit plan          | FY2023 Expenses | Included in FY2023 audit plan                         |
|---------------|-----------------|-------------------------------|-----------------|--|-----------------|---|
| 1*            | US\$50,000      | No                            | US\$50,500      | No                                     | US\$40,000      | No  |
| 2**           | US\$40,000      | No                            | US\$270,000     | Yes (OIL, \$310,000 should be audited) | US\$310,000     | No  |
| 3***          | US\$130,000     | No                            | US\$140,000     | No (OIL, \$310,000 should be audited)  | US\$460,000     | Yes (annual threshold, US\$460,000 should be audited) |

\* Cumulative expenses did not reach US\$300,000 during 2021-2023. Therefore, SR should not be audited under OIL principle. Annual expenditures for 2021, 2022 or 2023 did not reach US\$450,000. Therefore, the SR should not be audited under annual threshold principle because threshold of US\$450,000 is not met.

\*\* Cumulative expenses from FY2021 to FY2022 reached US\$310,000 which is over \$300,000. Therefore, the SR should be included in the audit plan for 2022 based on OIL principle. For this audit, cumulative expenditures for 2021-2022 in the amount US\$310,000 should be audited. In 2023, the annual threshold of US\$450,000 is not met. Therefore, the SR should not be audited in 2023.

\*\*\* Expenditures for 2023 (US\$460,000) exceed annual threshold of US\$450,000. Therefore, the SR should be selected for audit in 2020. Even though the cumulative expenditures for 2021-2023 exceed US\$300,000 (threshold for OIL principle), only expenditures for 2023 in the amount of US\$460,000 should be audited since the basis for audit in this case – annual threshold.

UN entities acting as UNDP SRs are audited under their own audit arrangement, in accordance with the 'single audit' principle, and are not covered by UNDP's audit regime.

## Sub-recipient Audit Process

The UNDP Global Fund/Health Implementation Support Team has developed a [Sub-recipient \(SR\) Audit Information Note](#), detailing SR audit terms of reference and the step-by-step process for audit planning, field work and audit follow-up. The Information Note is updated annually, as audit timelines, terms of reference and criteria are subject to annual change per the annual Office of Audit and Investigations ([OAI](#)) [Call for HACT Audit Plans](#). The Team also compiles and updates on an annual basis a set of [frequently asked questions](#) pertaining to the audit approach/process.

The success of the SR audit exercise depends on the close collaboration of the Project Management Unit (PMU) and Country Office (CO), as well as strict adherence to audit timelines, which are non-negotiable.

The key steps of the SR audit process are as follows:

1. An [annotated SR audit plan template](#) has been developed by the UNDP Global Fund/Health Implementation Team. As a first step in the audit-planning process, COs populate the template by listing all SRs engaged with UNDP for all Global Fund-financed projects during the audit year, regardless of whether they will be audited or not. For record-keeping purposes, even UN agency SRs should be included in the template.


 Practice  
Pointer

When populating the [SR audit plan template](#), COs should be mindful of the following:

- As instructed in the template annotations, SR expenditure should be reflected in the appropriate column, based on the disbursement modality used by UNDP for payment to each of the SRs (i.e. advances or direct cash transfers; direct payment by UNDP behalf of SRs; reimbursement; or direct implementation by UNDP).

Each SR should have an Implementing Agent (IA) code which should be used to establish the budget in Atlas and incur expenses for activities they are responsible for implementing. The Office of Financial Resources Management (OFRM) introduced a "Category" in Voucher Distribution Line, which in addition to the IA code, COs should use to distinguish the disbursement modalities used. For Global Fund projects, the following categories should be used for SR related payments:

- a. DIM Cash advances to Responsible Party (RP) - for Advances disbursed to SRs and recording of SR financial reports from Government and civil society organizations (CSOs) using the APJV. (SR IA code is used and expenses are subject to SR audit)
- b. DIM Direct payments to RP – Direct payments made on behalf of SRs. SRs undertakes the procurement process and requests UNDP to make payments on their behalf. (SR IA code is used expenses are subject to SR audit)
- c. DIM Reimbursement to RP – Reimbursements to SRs. (SR IA code is used and expenses are subject to SR audit)
- d. Other - Countries under the Global Fund “zero cash policy” (direct implementation by UNDP) should use the Category “Other” to record expenses incurred by UNDP but were budgeted under SRs in the grant. Under the “zero cash policy”, UNDP undertakes all the procurement and payment processes but for purposes of reporting to the Global Fund, the SR IA code is used instead of the UNDP IA code. (SR IA code is used and expenses are not subject to SR audit).

Further guidance on the disbursement modalities to SRs is available in the [financial management section](#) of the Manual.

- As the audit planning process begins several months before year-end closure is completed (please refer to the [OAI Call for HACT Audit Plans](#) for the expected date of year-end closure, COs should provide the best possible estimates of what SR expenditures are expected to be at year-end. This will ensure that the most accurate cost estimate possible is received from the firm selected to complete the audit.
- When detailing SR location, COs should include the location of all financial records and SR assets, fully reflecting sites that the auditors will need to visit. This will facilitate audit planning and ensure that the most accurate cost estimate possible is received from the firm selected to complete the audit.

2. As per corporate agreement, Global Fund/Health Implementation Support Team also submits the audit plans to the Global Fund in one lot for all UNDP PR countries for input prior to finalization; there is no need for COs to submit their individual audit plans to the Global Fund. This approach has substantially enhanced the efficiency of the Global Fund review process. The Global Fund can only request inclusion or removal of an SR from the plan where there is deviation from the SR audit criteria detailed in OAI's annual Call Letter for HACT Audit Plans. The Global Fund can, however, be a good resource for identifying areas of risk for certain SRs. This is the case when UNDP has recently transitioned to the PR role or where UNDP is not the sole PR in country. COs should therefore be open to receiving Global Fund input on the plans, which may, in certain cases, result in the audit of additional SRs, due to risk.
3. The Global Fund/Health Implementation Support Team submits each audit plan to two of the four audit firms under long-term agreement (LTA) with UNDP, based on the geographic location and language of the CO. The two firms provide cost estimates, which the Team shares with the CO for review and firm selection.



#### Practice Pointer

The Global Fund/Health Implementation Team conducts an annual performance review of the audit firms, which takes into consideration assessment of the scope of the SR audit by OAI, CO feedback collected through the annual post-SR audit questionnaires, and the overall quality of coordination demonstrated by the audit firm HQ. The Global Fund/Health Implementation Support Team should be consulted if there any questions regarding the past performance of an audit firm.

4. Audit field work planning should begin as soon as agreement is reached between the CO and selected audit firm. It is important to note that the CO is responsible for the costs and arrangement of in-country travel for the auditors.

Though audit field work planning should begin as soon as agreement is reached between the CO and selected audit firm, the actual field work can only commence after year-end closure is completed. Please refer to the [OAI Call for HACT Audit Plans](#) for the expected date of year-end closure, which usually takes place 30 or so days after the 31 December year end.

5. Once the CO has finalised the audit arrangements with the selected audit firm, the next step is to issue the purchase order (PO). It is best practice for the CO to issue the PO before the start of the field work in order to correctly reflect obligations in Atlas.
6. COs should ensure that the invoices are submitted and paid according to the payment terms of the selected audit firm, as detailed in the existing LTA. Further guidance will be disseminated by the Global Fund/Health Implementation Support Team as part of every audit-planning process.
7. To avoid duplication of work, the vendor IDs for the audit firms were created centrally under Business Unit **UNDP1**, and COs are advised to create the requisition, PO and PO vouchers under the **UNDP1** Business Unit, with their project chart of account (COA), and to retain the documentation for the record.



### Practice Pointer

Since contract management is the responsibility of the CO, final payment should be released to audit firm only after the CO review of the deliverables produced by the firm shows **full compliance** with the audit terms of reference. Should any clarification be required, please refer the matter to the Global Fund/Health Implementation Support Team.

6. Once the final reports have been submitted by the firms, COs are to upload them to CARDS on or before the deadline detailed in the [OAI Call for HACT Audit Plans](#).
7. Pursuant to Article 7(d) of the Grant Regulations, UNDP shares the SR audit reports with the Global Fund upon request. As a best practice, COs may wish to submit copies of the reports to the Global Fund, even if not requested to do so.

## Sub-recipient Audit Follow-up

Once the auditors finalise and submit the audit report, the Country Office (CO) should hold a discussion with each auditee (the Sub-recipient (SR)) regarding what actions will be taken by the CO to address the recommendations made by the auditors. It is also recommended that a meeting be held with all of the SRs as a briefing on the outcome of the SR audit findings. This is a key capacity development activity.

These are the planned actions are then entered in CARDS in the form of an action plan.



### Practice Pointer

When entering the “Action Planned” as part of the action plan submission in CARDS, **COs should detail the actions they plan to take to support the SRs to address the audit recommendations** (e.g. training, monitoring, etc.).

As a best practice, COs should closely review the SR audit findings and recommendations, to assess the need to revise the implementation arrangements with the SRs (e.g. changing the payment modalities), the SR monitoring plan, targeted support to SRs to address performance areas that need strengthening. There may also be a need to review the SR agreement to include special conditions to meet the recommendations in the SR audit report. The SR audit findings and steps taken to implement the audit recommendations should be included as part of the CO reporting to the donor and Country Coordinating Mechanism (CCM).



### Practice Pointer

Inadequate implementation of the prior year’s audit action plan is a recurring audit finding. The audit focal point should closely monitor the implementation of the action plan to ensure that proper action is taken to improve the performance of SRs and consequently prevent an unfavourable audit opinion for that area in the subsequent year.

The UNDP Office of Audit and Investigations (OAI) issues, on an annual basis, a consolidated report of the audits of SRs of projects financed by the Global Fund. As part of their risk management and SR management strengthening efforts, COs should consult the consolidated report to identify common audit issues, trends in weaknesses in SR internal controls and status of implementation of prior year audit recommendations. 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 issued internally to UNDP management.

## 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. Please refer to the [Guidance Note on Global Fund/LFA Access to Information during Grant Life Cycle](#).

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, Global Fund/Health Implementation Support Team and the Office of Audit and Investigations (OAI) should be consulted on how to proceed.

## 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 for allegations.

Anyone with information regarding fraud against UNDP programmes or involving UNDP staff is strongly encouraged to report this information through the [investigations hotline](#). Additional information and instructions on reporting to the hotline is available in [English](#), [French](#), [Spanish](#), [Arabic](#) and [Russian](#).

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

## 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/Health Implementation Support Team 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 [tracey.burton@undp.org](mailto:tracey.burton@undp.org) of the Global Fund/Health Implementation Support Team and OAI for urgent consultation on how to proceed.