

# Financial Guidelines for Unitaid Grantees

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## Purpose and Scope

This document provides an overview of the general funding principles applicable to Unitaid grants and guidance on the preparation and management of grant budgets, the submission and review of periodic grant financial reports, the modalities and issuance of cash disbursements and financial audit requirements.

## General Funding Principles

1. **Eligible expenses.** Unitaid funds expenses that support achievement of the grant objectives as defined in the grant’s Project Plan<sup>1</sup> and Logframe<sup>2</sup>. Eligibility of expenses is determined based on the following four qualifying criteria:

Criteria	Description
<b>Necessary</b>	Grant expenses must be <i>necessary</i> for the successful implementation of project outputs and activities which will contribute to—and where otherwise excluded would jeopardize—the grantee’s ability to achieve the grant.
<b>Incremental</b>	Grant expenses must be <i>incremental</i> and project-driven. They typically would not be incurred by grantees if the project was not implemented.
<b>Complementary</b>	Grant expenses funded by Unitaid should be <i>complementary</i> to other funding sources and should not overlap with them, in part or in full. Grantees are requested to proactively inform Unitaid of any co-funding arrangements and confirm that there is no duplication of funding with other donor partners.
<b>Reasonable</b>	Grant expenses must be <i>reasonable</i> and well documented. They must be supported by relevant organizational policies and evidence to substantiate all cost assumptions (e.g. quotations from third-party suppliers). Unitaid expects each grantee to select the most cost-effective budgeting assumptions.

The above criteria should be considered and used at the time of preparing and revising grant budgets and apply to all expense groups<sup>3</sup> outlined in the Annex 1.

2. **Ineligible expenses.** Expenses that do not meet the qualifying criteria are considered ineligible and cannot therefore be funded by Unitaid. This includes the following as examples:
  - Expenses incurred outside the grant’s scope;
  - Expenses incurred beyond the given budgetary limits;
  - Expenses already funded through other funding streams (e.g. activities paid for by another donor);
  - Financial loss due to wrongdoing;
  - Avoidable tax and import duties;
  - Penalties and fines proceeding from non-compliance with applicable laws; and
  - Unsupported expenses (e.g. lacking sufficient documentation, missing or having inappropriate signatures/authorizations).

<sup>1</sup> The Project Plan guides grant execution and control. It defines project assumptions and decisions; the scope of the project; and the schedule of activity implementation. It is part of the legal grant agreement with Unitaid.

<sup>2</sup> The Logframe represents a performance framework for the project and is part of the legal grant agreement with Unitaid.

<sup>3</sup> Expense group refers to a category of expenses (e.g. operating costs, staff costs, commodity costs).

3. **Type of expenses.** Unitaid provides funding for expenses which can be directly attributed to the project's outputs and activities<sup>4</sup> as well expenses which support the project and which cannot be directly attributed to the project activities but contribute to the overall delivery of the project. This includes a fair share of general administrative expenses associated to the running of head office administrations of grantees and their sub-grantees<sup>5</sup>.

Unitaid uses a standard expense classification (Annex 1) which categorizes groups of expenses according to their type and nature.

4. **Project funding ceiling.** The project funding ceiling is the amount of funds committed by the Unitaid Executive Board at the end of the grant development stage based on the original grant budget. In case the grant budget is updated during project implementation, the revised budget cannot exceed the overall project funding ceiling. In case the revised budget is below the ceiling, the remaining difference is considered as a financial reserve until the grant ends. Such reserve remains earmarked to the grant and can be requested for project activities in the context of a budget revision.

5. **Funding of general administration expenses.** General administrative expenses are expenses associated with the general running of the head office administration of the different consortium<sup>6</sup> members. Such expenses primarily include expenses associated to head office corporate functions which support the entire operations (e.g. general management, human resources, finance, accounting, legal, internal audit, risk management) as well as expenses linked to the general running of headquarter infrastructures (e.g. facility, information systems).

Unitaid agrees to fund a fair share of such general administrative expenses and has established the following maximum levels:

- **2%** on commodity expenses;
- **13%** on other project expenses<sup>7</sup>.

It should be noted that any expenses linked to fundraising and lobbying activities are excluded from such general administrative expenses and are not funded by Unitaid.

When projects are implemented through a consortium of organizations, Unitaid only accepts general administrative expenses of either the lead grantee or the sub-grantee and does not support overlapping layers of administrative expenses.

When preparing the grant budget, grantees are requested to include their general administrative expenses as per their organizational policy, not to increase them up to the

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<sup>4</sup> The output and activities of a project are detailed in the grant's project plan and logframe.

<sup>5</sup> Any implementing party, other than lead grantee, contractually engaged with the lead grantee and sub-recipient of Unitaid funding.

<sup>6</sup> An arrangement between multiple organizations to apply jointly for a Unitaid grant and work together to achieve an approved grant's objectives. A consortium is led by one organization (the lead grantee) that coordinates the work of other members. The lead grantee signs a grant agreement with Unitaid on behalf of the consortium and takes final responsibility for the grant's implementation. The lead grantee bears primary financial and project management responsibility for use of grant funds by consortium members.

<sup>7</sup> Expenses incurred by implementation of Unitaid activities, excluding commodity and general administrative expenses.

ceiling, and to provide any relevant supporting documentation. Unitaid expects the grantees to continuously assess the reasonableness and cost efficiency of their general administrative expenses and to transparently disclose how expenses charged on a grant are financially treated both in their own financial systems and with other donors.

6. **Co-funding** is funding secured from other funding sources in addition to the project funding to accomplish the project outputs. Where co-funding is agreed, these expenses will be defined as “shared costs” on the basis that they can be allocated to two or more funding sources. Such costs should be:
  - Included in the approved grant budget;
  - In line with the funding eligibility criteria;
  - Supported by a clear apportionment method as per the budget’s assumptions; and
  - Verified and auditable.
  
7. **Project income.** Grant funding should include not only expenses for funding programmatic activities but should also consider any relevant income generated through activities and/or through project assets (these include but are not limited to interest earned, revenues deriving from the sales of health products). Any project income should be reported to Unitaid using the financial reports.

## Budgeting

8. **Introduction.** The grant budget is an integral part of the Unitaid grant agreement and represents a costed activity plan for project implementation. It is primarily used to allocate financial resources to programmatic activities over the grant period. It also provides a basis for assessing and analyzing the financial performance of the grant and comparing it with the programmatic performance throughout project implementation and until the grant closure.
9. **Structure of the budget.** Grant budgets are detailed financial plans categorized against both (i) the key *programmatic attributes* of the project (e.g. the outputs, activities, implementation years, countries, and partners described in the grant's project plan and logframe) and (ii) *expense groups and expense types*<sup>8</sup>. Budget lines are supported by detailed cost assumptions and supporting documentation, which together with the numerical budget offer an articulated basis for preparation, review, implementation and reporting of the grant budget.
10. **Budget template.** Grant budgets are normally prepared using an Excel-based budget template provided by Unitaid. Budgets can be submitted in other formats on an exceptional basis if agreed in advance with Unitaid.
11. **Standard expense classification.** Unitaid has established a standard list of expense groups in order to harmonize budgeting practices across its portfolio of grant investments. Grantees should use this classification when preparing budgets. Unitaid recognizes that it might be necessary to adapt the standard expense classification for some grants. New expense groups and/or expense types can be added in order to better capture and reflect the economic substance of the budget expenses. Before amending the standard list of expenses or adding new expense groups/expense types, however, the grantee must first consult with Unitaid. More guidance on expense groups can be found in Annexes 1 and 2.
12. **Output budget.** In general, all expenses should be allocated to programmatic outputs. The goal of the output allocations is to establish a realistic estimate of outputs' expenses. When allocating expenses to the programmatic outputs, the grantee should take a consistent allocation approach based on the activity (irrespective of the geographical location where the funds might be used and/or paid out) and/or based on conventional allocations that economically make sense. The *grant management* output is used as a general pool of expenses and is used to allocate expenses which cannot be attributed to programmatic outputs, such as general administrative expenses.
13. **Budgeting process.** Unitaid accepts the grantee's financial process and control systems as a basis for reliable grant financial information. Such systems are subject to an initial capacity

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<sup>8</sup> An expense type is a standard Unitaid classification for expenses. See Annex 1.

assessment during the Grant Agreement Development process and are reviewed subsequently during grant implementation as necessary.

The budgeting process for , is often an iterative process whereby grantees submit and adjust their budget based on Unitaid's successive feedback and reviews, until a final budget is agreed upon. Unitaid will provide comprehensive, timely feedback in writing and through virtual and in-person meetings. Unitaid may also use an external service provider to support validation of proposed budget.

To expedite this work, the grantee should dedicate a financial focal point to provide support in the development and management of the grant budget. This individual will be the focal person for Unitaid's finance-related feedback and questions.

14. **Budget granularity.** Unitaid grants are innovative and their implementation can be influenced by a variety of evolving factors, making it difficult to accurately predict activities and related expenses for a time horizon of longer than one year. To facilitate budgetary planning by the grantees, Unitaid accepts that only the budget for the forthcoming 12-month period is comprehensive and contains detailed costs assumptions. For budget periods beyond the forthcoming 12 months, higher level budgets are accepted as long as the key cost drivers and major cost items are explained and justified.
15. **Budget assumptions.** Budget assumptions may vary depending on the type of activity and the scale and scope of interventions. Budget assumptions may also cut across years. Unitaid requests that the grantee provides all information relevant to budgets; including detailed cost assumptions and supporting documentation. Grantees can factor in inflation assumptions when developing multi-year budgets. Budget inflation rates and information sources need to be clearly identifiable and justified.
16. **Budget currency.** Unitaid budgeting and reporting currency is US dollars. If a grantee chooses to prepare the grant budget using a different currency, the budget should be converted using a 6-monthly average rate from a trusted source (e.g. Central Bank or Oanda). Grantees are expected to disclose the exchange rate used under the budget justification. No reserve for exchange rate variation should be included in the budget.
17. **Post-closure expenses.** Limited grant funds may be allocated to grant closure activities after the grant end date. Grantees will submit a list of proposed expenses linked to such closure activities as a part of a final-year budget. The Unitaid project team will review the budgetary assumptions and approve such expenses on a case-by-case basis as part of the grant closure process.

## Budget Management

18. **Financial oversight.** The grantee must have rigorous systematic financial control and oversight mechanisms in place to ensure that (i) project financial information shared with Unitaid is reliable; (ii) reported expenses are eligible for funding; and (iii) the grant budget is implemented and managed in compliance with the grant agreement. Financial oversight includes periodic reviews of internal controls, expense verifications and monitoring visits to country offices and sites. When a project is implemented through a consortium of organizations, all consortium members must adhere to Unitaid's financial management principles and fiduciary requirements. It is the role of the lead organization to provide financial oversight on the grant across the consortium.

19. **Budget flexibilities.** Projects funded by Unitaid are innovative by nature and require certain flexibilities to respond and address changes as they arise, including in terms of deciding in real-time on budget reallocations. For this purpose, grantees have a 10% flexibility to reallocate budget expenses from one expense group to others (calculated as a % of the annual expense group budgets) without consulting Unitaid<sup>9</sup>. Such flexibilities do not apply to staff and vehicles expenses or to general administrative expenses. Importantly, such financial flexibilities do not apply in case the planned budgetary reallocation entails a significant programmatic change which should be routed to Unitaid for approval (see item 20 below).

At any time during grant implementation, Unitaid may decide to reduce or revoke the agreed flexibilities if the grantee fails to meet requirements as set forth in this document. Such restrictions will be communicated by the Unitaid project team to the grantee through a management letter.

20. **Significant programmatic change and request for reprogramming.** In case a significant programmatic change is envisaged, a reprogramming request (Annex 3 – Request for reprogramming) should be sent to the Unitaid project team for discussion and approval. Significant programmatic changes include, but are not limited to, the following:

- Material change to the project's strategic intent;
- Change in the project goals, outcome, outputs;
- Change in the project countries;
- Change in indicators or targets of the logframe;
- Introduction of a new type of activity, addition/removal of activity;
- Change in key staff positions and significant change in staff headcounts.

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<sup>9</sup> Any of such reallocation resulting in a budget variance will be explained in the budget variance analysis of the financial report.

The Unitaid project team will review, assess and approve or reject the request for reprogramming. Based on the materiality of the requested changes, the Unitaid project team may also subsequently request to either amend the grant agreement or keep record of the approved changes for future amendment. In the latter case, reference to the approved changes should be included in the variance analysis of subsequent financial reports.

21. **Annual review of grant implementation plans and resource needs.** Unitaid grants are subject to periodic reviews of their progress against agreed upon programmatic targets, project plans and milestones, as well as grant budget implementation.

During that review, Unitaid and the grantee may also jointly assess the grant's programmatic plans and resource needs for the forthcoming year (e.g. those described in the grant's project plan, Gantt chart, logframe, budget and disbursement request) and their underlying assumptions.

This annual assessment of the forthcoming year's plans, which typically occurs after receipt of the grantee's annual report, takes into account the validity, feasibility, relevance and necessity of planned and proposed activities vis-à-vis the grant's objectives. The review confirms the planned activities and budget for the coming year and indicates the extent to which there is any anticipated change in resource needs, such as due to a change in programmatic plans.

Note that, depending on the scope and nature of the proposed changes, the grant may need to be reprogrammed. Unitaid will inform the grantee if reprogramming is required and, if so, how to proceed.

## Disbursements

**22. Disbursement approach.** Unitaid disburses funds on a forward-looking basis by taking into account the past financial and programmatic performance, the available cash balance and the forecasted funding needs for the subsequent reporting period.

The grantee receives funds from Unitaid following submission of a formal disbursement request, normally submitted every six months (i.e. with each semi-annual or annual report). Unscheduled requests for disbursements will be considered by Unitaid on a case-by-case basis. In exceptional, agreed-upon circumstances, funds can be made available to grantees on a reimbursement basis based on confirmed eligible project expenses. In all cases, the cumulative amount of funds disbursed to the grantee cannot exceed the project funding ceiling.

**23. Disbursement amount.** Unless otherwise agreed in advance with Unitaid:

- The standard duration of the period covered by disbursement requests is typically six months, plus an additional buffer period to cover activities expenses until the subsequent disbursement is processed. It is the grantee's responsibility to submit to Unitaid all required reporting documentation within the agreed timelines to allow the following disbursement to be processed before the end of the buffer period.
- The requested disbursement amount is determined based on (i) the expense forecast<sup>10</sup> covering programmatic activities of the next budget period, typically the subsequent six-month period; (ii) any cash balance remaining at the end of the most recent reporting period; and (iii) funding for any buffer period necessary to cover activities through the estimated date of the next disbursement release.

**24. Disbursement currency.** Disbursements are made in US dollars. Unitaid may consider transferring funds to grantees in an alternate currency only on an exceptional basis.

**25. Bank accounts.** Funds disbursed by Unitaid are transferred to the bank account that is designated by the grantee. Bank account details should be communicated to Unitaid as a part of the grant development process to allow for timely disbursement of funds.

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<sup>10</sup>Because grant budgets cover a 12-month period and are generally revised once a year, the expense forecast provided with a disbursement request should be the last updated estimate of project costs over the next 6-month period.

## Financial Reporting

26. **Reporting periods.** Unitaid-funded projects are subject to semi-annual (January-June) and annual (January-December) reporting. Depending on the grant start and end dates, the first and/or the last reporting periods may be shorter or longer than six months. Specific reporting due dates are indicated in the grant agreement and therefore any changes to the reporting due dates must be agreed upon with Unitaid in advance. Reports are generally due within 45 to 60 days after the reporting period end date.
27. **Financial report template.** Reports to Unitaid must include structured, relevant and up-to-date information about the grant's financial performance, budget implementation and variances. Financial reports are intended for Unitaid's assessment of the grant's financial performance in light of the programmatic performance. Grantees should prepare and submit financial reports using Unitaid's standard financial report template along with programmatic reports. The financial report template contains:
- A cover sheet presenting key financial highlights;
  - A fund statement summarizing fund movements and opening and closing fund balances;
  - Expense statements (based on the grant budget structure) that itemize actual expenses against approved budgets; and
  - Complementary statements: capturing latest status and development on grant financial audit, fraud and loss, financial risks, etc.

Unitaid recognizes that the grantee may want to adapt and tailor financial reports to account for specific project features and will consider requests to adjust reporting requirements.

28. **Acceptable project accounting and financial reporting standards.** Financial reports should be derived from the accounting and reporting systems of the grantee (and any sub-grantees, if the grant is implemented through a consortium). The grantee is responsible for ensuring proper reconciliation between its financial systems and financial reports submitted to Unitaid.

The grantee's accounting methods must comply with internationally recognized standards. The basis for grant accounting should be described in each financial report. Grantees are normally expected to report expenses using an accrual basis of accounting. Cash basis (or modified cash basis) is acceptable if the grantee's organisational policies mandate it.

29. **Financial reporting currency.** The financial reporting currency for Unitaid grants is US dollars. For expenses not denominated in US dollars, grantees are expected to follow a prudent procedure in line with their organizational policy and ensure appropriate

conversion of foreign currency expenses into US dollars – in line with applicable accounting standards. Grantees are expected to disclose the exchange rate retained (including the source) as part of the financial report. Unitaid may ask auditors to review foreign exchange conversions.

30. **Financial reporting process.** The financial reporting process is summarized as follows:

- **Period-end closing.** In preparation for financial reporting, the grantee is expected to maintain a robust period-end closing process so that reliable financial information is available for timely and accurate report submission to Unitaid. Reported financial expenses must be traceable back to the grantee’s accounting and reporting systems and supported by relevant documentation.
- **Preparation of the financial report.** When preparing the financial report, budget entries should be based on the most recent approved budget that was in place at the time of the reporting period end, and actual expenses entered based on the list of eligible project expenses incurred during the reporting period. Complementary information regarding past audit findings and loss/wrongdoing incidents is updated, if relevant. Quality checks and balances are performed before the financial report is submitted to Unitaid.
- **Submission of the financial report.** The grantee’s financial focal point signs off on the financial report submission and ensures the report is sent to Unitaid on time as per the schedule of key events in the grant agreement. Unitaid formally confirms receipt of the submitted reports.
- **Review of the financial report.** Upon receipt of the financial report, Unitaid checks the quality of the documents and confirms that the reported information meets the expected quality standards. When financial information submitted is substandard, Unitaid requests that the grantee correct and resubmit the financial report. Unitaid performs a detailed review of the financial reports. Such review consists of assessing both the accuracy and reliability of the reported financial information as well as the overall financial performance of the grant with regards to both the grant budget and the programmatic progress as captured in the programmatic reports (narrative reports, logframe).
- **Feedback.** Unitaid provides written feedback to the grantee within a reasonable timeframe and may request grantees to provide additional information and/or clarification when necessary. Upon satisfactory review, Unitaid accepts the financial report.

31. **Budget variance analysis.** When grantees report on expenses incurred against the last approved budget for the reporting period, they identify and explain variances between budgeted and actual expenses across the grant’s programmatic (i.e. output) and financial (i.e. expense group) dimensions. Variances and their analyses should be explained in the financial report. This ensures that the grantee and Unitaid share a common understanding of the grant’s financial and programmatic implementation—as well as the rationale behind any deviations from the approved budget. When documenting the budget variance analysis, the grantee should note that:

- All significant variances (>+/-10% at expense group, >+/- 10% at output level and any overspend<sup>11</sup>) incurred at expense group and output levels should be explained in the financial report. Explanation should include the justification of the variance (e.g. an activity was added, deferred or dropped; supply expenses increased unexpectedly; funding was reallocated or the grant reprogrammed). For implementation delays resulting in budget underspend, grantees should explain whether they expect to catch up delays during subsequent periods, or request dropping or reprogramming the activity;
- Variances should also be analyzed on a cumulative basis for broader understanding and articulation of the project implementation progress and trend; and
- In case of variances incurred following reprogramming requests approved by Unitaid over the past reporting period, reference to Unitaid's prior approval should be made.

Unitaid may also ask the grantee to provide a list of financial transactions to support the financial report as part of the variance analysis and expense verification process.

32. **Financial audits.** Annual financial reports are subject to financial audits. Grant audit guidelines are available to grantees (refer to the financial audit section).

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<sup>11</sup> For mid-year variances, 50% of the annual budget can be used as basis.

## Financial Audits

33. **Annual financial audits.** Unitaid grants are subject to financial audits by independent auditing firms. Financial audits take place on an annual basis and are expected to be launched no later than three months after the annual financial reports have been accepted by Unitaid.
34. **Audit opinion.** Unitaid requires the grant auditor to issue a fair presentation audit opinion and confirm that :
- Grant financial information as reported in the grant financial report have in all material respects been reported in compliance with Unitaid’s financial principles and requirements;
  - Underlying transactions have been accounted for in compliance with both the terms and conditions of the grant agreement and applicable accounting standards and local laws.
35. **Auditing standards.** Grant audits are performed in accordance with the International Standards on Auditing (ISA) as published by the International Auditing and Assurance Standards Board (IAASB), with particular reference to ISA 805 “special considerations audits of single financial statements and specific elements, accounts or items of a financial statement.” The auditor is expected to issue an audit report together with a management letter.
36. **Complementary agreed-upon audit procedures.** In addition to the fair-presentation audit opinion, Unitaid can request that agreed-upon procedures (AUPs) are conducted by the grant auditor. AUPs are defined by Unitaid and performed by the grant auditor in accordance with the IAASB’s International Standard on Related Services 4400. The auditor is expected to issue a report of factual findings together with the audit report.
37. **Selection criteria for the grant auditors.** The selected audit firm must meet the following requirements:
- Be registered with a professional regulatory body and confirm that it can apply standards issued by the IAASB or equivalent;
  - Be eligible to practice as an external auditor and express audit opinions pursuant to the laws, rules and other requirements of the country(ies) where the grant is implemented;
  - Be independent and free from real or potential conflicts of interest with the grantee or any of its agents; and
  - Have demonstrably competent international presence and experience in examining non-profit organizations operating internationally.

38. **Invitation to bid, selection process.** The auditor must be selected on a competitive basis. Invitations should be sent to reputable international and national audit firms with relevant track records with international donors, ideally with offices in the country(ies) where the grant is being implemented. The grantee must select the proposal that is most technically sound and offers the best value for money. The term “best value for money” should be interpreted as a proposal for high-quality service with a price commensurate with that quality. The grantee must retain all tendering documents, as these may be requested by Unitaid at any time. Tendering documents must include the list of audit firms invited to bid, details of technical and financial bids received and a memorandum summarizing the selection process. Unitaid reserves the right to request re-tendering at any time.
39. **Approval of selected audit firm.** The selected grant auditor, including audit firms already appointed by the grantee or its host organization, must be formally approved by Unitaid prior to engaging in any auditing work. Unitaid may approve the use of an existing or incumbent audit firm provided it meets the requirements of the present guidelines.
- Unless otherwise decided by Unitaid, the grantee is the commissioning party. The grantee signs the engagement letter and ensures that the final contracting documents comply with the present guidelines.
40. **Timing of selection and duration of appointment.** The grantee must select and appoint a grant auditor no later than three months after the grant signature date. Once selected, the auditor is retained for the duration of the grant, if the audit firm’s performance is deemed satisfactory.
41. **Audit terms of reference.** To facilitate the selection process and audit arrangements, the grantee drafts terms of reference for the audit using the template appended to this document and used as guidance in the auditor selection process. These terms of reference must be approved by Unitaid before any engagement letter is effectively signed with the selected auditor. A copy of the engagement letter should be shared with Unitaid before the audit commences.
42. **Audit locations.** In order to obtain appropriate evidence the audit may include, or combine, both field visits and desk review work, depending on the scope of project activities.
43. **Subcontracted audit.** Should any part of the audit work be contracted out to another audit firm, the appointed auditor shall act as a lead auditor and shall be expected to guide and consolidate the audit work and the audit outcomes, and shall remain fully accountable for the required deliverables, the overall achievement of the audit objectives, and the consolidated audit opinions and findings. Before the audit commences, the lead auditor shall provide to the grantee and Unitaid a schedule

capturing the selected audit subcontractors, and shall ensure that such subcontractors comply with the requirements of the audit terms of reference. It should be noted that any subcontracted audit firms shall be appointed on the same basis as the lead auditor.

44. **Access to audit information.** The auditor is given unrestricted access to books and records supporting preparation and review of the grant financial report. Audit reports are shared with both the grantee and Unitaid as a donor.
45. **Auditor's performance.** The auditor is expected to perform against the highest quality and ethics standards as mandated by the relevant auditing standards. Should there be any evidence that the auditor has not performed its duty in a fully independent and professional manner, or should the audit quality not meet requirements as set out in the present guidelines, a decision to terminate the contract may be taken by the grantee. The grantee should however notify Unitaid of its intention to terminate the contract with the auditor, and should receive written approval from Unitaid prior to termination.
46. **Audit fees.** Audit fees are charged to the project budget, and should be provisioned in the project budgets at the time of their development.
47. **Audit-related roles and responsibilities.**
- *Grantees are responsible for* planning, facilitating and managing audits in coordination with Unitaid. More specifically, the grantee is responsible for:
    - Sourcing, contracting and signing an engagement letter with the auditor based on the terms of reference agreed with Unitaid;
    - Ensuring smooth execution of the audit and providing unrestricted access to information requested by the auditor; and
    - Following up on audit findings and recommendations until full resolution throughout the grant lifetime.

In the context of grants implemented through a consortium of organizations, all responsibilities listed above will be with the lead grantee of the consortium.

- The *grant auditor is responsible for* issuing the required audit deliverables in accordance with the approved terms of reference. This includes:
  - Proposing, adapting and finalizing with the grantee its audit strategy and plan; and
  - Conducting the audit and issuing the final audit opinion and management letter.

The auditor's strategy must be agreed upon with Unitaid in terms of geographical scope and coverage before the audit commences. Appropriate disclosure notes should be added to the audit reports, if relevant, in order to reflect important matters of the audit strategy and present the retained audit scope and coverage.

It is expected that the auditor will inform the grantee and Unitaid about any exclusions or scope limitations associated to the audit strategy.

The auditor will report on any attempt by the grantee to restrict the scope of the audit or any lack of cooperation. The auditor will consult with Unitaid on any action required, whether or how the audit can be continued, and whether changes in either the audit scope or timelines are necessary.

In case the grant includes sub-awards to sub-grantees, the auditor is expected to include sub-grantee expenses as part of the overall scope.

## Annex 1. Standard Expense Classification

Expense groups	Expense types	
<b>Project expenses</b>		
<b>Health commodities and health equipment</b>	<ul style="list-style-type: none"> <li>Medicines</li> <li>Reagents</li> <li>Consumables</li> <li>Other health products</li> <li>Diagnostics equipment</li> <li>Other health equipment</li> <li>Equipment maintenance and service</li> </ul>	
<b>Procurement and supply chain</b>	<ul style="list-style-type: none"> <li>Procurement agent and handling fees</li> <li>Freight and insurance</li> <li>Quality assurance and controls</li> <li>Customs duties and clearance</li> <li>Warehouse and storage</li> <li>In-country distribution</li> <li>Other procurement and supply chain expenses</li> <li>Product regulation related expenses</li> </ul>	
<b>Travel related</b>	<ul style="list-style-type: none"> <li>Transportation</li> <li>Per diem</li> <li>Meeting venues expenses</li> <li>Other travel related expenses</li> </ul>	<ul style="list-style-type: none"> <li>Trainings related</li> <li>Technical assistance and capacity building related</li> <li>Monitoring and evaluation related</li> <li>Project supervision/consortium oversight related</li> <li>Meetings and advocacy workshops related</li> </ul>
<b>External professional services</b>	<ul style="list-style-type: none"> <li>Consultants</li> <li>Commercial contracts with key service delivery partners</li> <li>Study related professional services</li> <li>Other subcontracted services</li> <li>Subawards to service delivery partners</li> </ul>	
<b>Equipment other than health related</b>	<ul style="list-style-type: none"> <li>IT &amp; telecommunication equipment</li> <li>Vehicle and transports</li> <li>Infrastructure</li> <li>Other equipment</li> <li>Equipment running costs such as:               <ul style="list-style-type: none"> <li>Airtime and other telecommunication related expenses</li> <li>Fuel and other transport related expenses</li> <li>Equipment maintenance and services</li> <li>Other equipment related expenses</li> </ul> </li> </ul>	
<b>Communication materials and publications</b>	<ul style="list-style-type: none"> <li>Printed communication materials</li> <li>Television, radio spots, social medias, web site</li> <li>Other communication events</li> <li>Other communication materials and publications expense</li> </ul>	
<b>Project staff</b>	<ul style="list-style-type: none"> <li>Project staff - HQ</li> <li>Project staff - Country</li> <li>Project support staff - HQ</li> <li>Project support staff - Country</li> </ul>	
<b>Other project expenses</b>	<ul style="list-style-type: none"> <li>In-country general administrative expenses</li> <li>Other project support expenses</li> </ul>	
<b>Grant financial audit</b>	<ul style="list-style-type: none"> <li>Audit fees</li> </ul>	
<b>General administrative expenses</b>		
	<ul style="list-style-type: none"> <li>Head office administration expenses - itemized</li> <li>Head office overheads recovery rate - % based</li> </ul>	

## Annex 2. Detailed Budget Guidance

Expense groups	Expense types	Detailed Guidance	Common pitfalls
<p><b>Health commodities and equipment</b></p>	<ul style="list-style-type: none"> <li>▪ Medicines</li> <li>▪ Reagents</li> <li>▪ Consumables</li> <li>▪ Other health products</li> <li>▪ Diagnostics equipment</li> <li>▪ Other health equipment</li> <li>▪ Equipment maintenance and service</li> </ul>	<p>Expenses captured in this group should be supported by the procurement plan and logframe of the project and the rationale and justification for purchase of health commodities and equipment should be presented in the budget. Key budget assumptions should be supported by:</p> <ul style="list-style-type: none"> <li>(i) Accurate quantification of needs (which should be reconciled with the quantities in the procurement plan and log frame);</li> <li>(ii) Procurement incoterms;</li> <li>(iii) Source of reference price (quotations from the manufacturer if no market reference price is available).</li> </ul> <p>Expenses related to procurement and supply chain management (incl. transport and insurance) for health commodities and equipment should be captured in the procurement and supply chain management expense group. In case any products are donated, co-funded or funded through other funding streams, the grantee should share such details with Unitaid.</p>	<ul style="list-style-type: none"> <li>▪ Unreasonable and/or unsubstantiated product prices</li> <li>▪ Procurement budget not aligned with the procurement plan</li> <li>▪ Abnormal and too high product waste rate factored into the commodity quantification</li> <li>▪ Lack of specification of unit of measurement/details on how the needs have been determined</li> </ul>

<p><b>Procurement and supply chain</b></p>	<ul style="list-style-type: none"> <li>▪ Procurement agent fees</li> <li>▪ Freight and insurance</li> <li>▪ Quality assurance and quality control</li> <li>▪ Customs clearance</li> <li>▪ Warehouse and storage</li> <li>▪ In-country distribution</li> <li>▪ Other procurement and supply chain expenses</li> <li>▪ Product regulatory expenses</li> </ul>	<p>This expense group covers supply chain management activities including procurement, transport, insurance, warehousing, distribution of health commodities and equipment.</p> <p>Cost assumptions as well as sources should be clearly indicated (e.g. freight costs are 1% of the product ex-works price, which is the average of quotations received from three suppliers, or the procurement handling fee is 4% on ex-works price of products, which is a standard applied to all donor funded initiatives).</p> <p>A special consideration should be given to the customs, storage and distribution (CSD) costs. These costs may be funded only if the absence of these would jeopardize the implementation of the project. It is expected that the countries benefiting from Unitaid funding support would cover, or waive with their respective governments, the CSD costs as part of their contribution to the project. If a request for CSD is nevertheless included in the budget, Unitaid will review the request on an exceptional basis.</p>	<ul style="list-style-type: none"> <li>▪ Unreasonable, non-competitive fees for procurement, freight and insurance services</li> </ul>
<p><b>Travel-related</b></p>	<ul style="list-style-type: none"> <li>▪ Transportation</li> <li>▪ Per diem</li> <li>▪ Meeting venues</li> <li>▪ Other travel-related expenses</li> </ul> <p>The above titles for expense types are indicative; other titles, explaining the purpose of the travel, can be also used, e.g.:</p>	<p>This expense group includes transportation, per diem or equivalent, and other relevant travel expenses supporting implementation of the project activities, including travel for:</p> <ul style="list-style-type: none"> <li>▪ Trainings,</li> <li>▪ Technical assistance and capacity building,</li> <li>▪ Monitoring and evaluation missions,</li> <li>▪ Project supervision/consortium oversight activities,</li> <li>▪ Meetings and advocacy workshops (including Unitaid’s annual grant implementer forum).</li> </ul> <p>For every individual trip, the cost assumptions and sources should be clearly explained including reference to the applicable travel policy of the grantee and</p>	<ul style="list-style-type: none"> <li>▪ Too generous travel policy not sufficiently limiting the use of business class</li> <li>▪ Purpose of planned travel not sufficiently justified</li> <li>▪ Unreasonable number of travelers</li> <li>▪ Per diem above UN rates</li> </ul>

<p><b>Travel-related</b></p>	<ul style="list-style-type: none"> <li>▪ Training-related</li> <li>▪ Technical assistance and capacity building travel</li> <li>▪ Monitoring and evaluation</li> <li>▪ Project supervision /consortium oversight</li> <li>▪ Meetings and advocacy workshops</li> <li>▪ Car rental</li> </ul>	<p>the relevant policy requirements. Unitaid expects that the grantees undertake travel in the most economical and practical way, and that the grantee’s travel policy encourage the use of economy class. As a general rule, Unitaid will not fund any travel entitlements above the United Nations’ standards.</p>	
<p><b>External professional services</b></p>	<ul style="list-style-type: none"> <li>▪ Consultants</li> <li>▪ Commercial contracts with key service delivery partners</li> <li>▪ Study related professional services</li> <li>▪ Other subcontracted services</li> <li>▪ Sub-awards</li> </ul>	<p>This expense group covers activities relating to third party service providers. The following should be considered when costing the third party services:</p> <ul style="list-style-type: none"> <li>▪ <b>Consultants:</b> As a general rule, Unitaid will limit its funding contribution based on United Nations’ standard rates for consultants. In some cases, Unitaid may agree to fund consultant costs exceeding the UN rates (e.g. scarce skills).</li> <li>▪ <b>Commercial contracts with service delivery partners:</b> costs should be supported by quotations from the service delivery partners, breaking down the budget of the contract to sufficient level of detail for understanding the budget. The quotations should be benchmarked with the market conditions for similar work envisioned by the commercial contract. The contracting process should be subject to competitive selection process. In instances when the need of competitive selection was waived, the rationale should be explained.</li> <li>▪ <b>Study related professional services:</b> costs should be reasonable and supported by quotations from the entity that will be providing the study. The quotations should detail the cost elements of the study</li> </ul>	<p>Include but not limited to the following:</p> <ul style="list-style-type: none"> <li>▪ Unreasonably high consultancy rates</li> <li>▪ Duration of consultancy unreasonable with regards to the technical deliverable.</li> <li>▪ Consultant daily rate above UN consultant rates.</li> <li>▪ Unclear use of venues,</li> <li>▪ Training or meetings not cost effective or purpose is unsupported</li> <li>▪ Number of training-workshop participants is too high or unsupported</li> </ul>

<p><b>External professional services</b></p>		<p>budget in sufficient level of detail for understanding the budget. Selection of the service providers should be subject to competitive selection process. In instances when the need of competitive selection was waived, the rationale should be explained and justified.</p> <ul style="list-style-type: none"> <li>▪ <b>Other sub-contracted services:</b> cost components, budget assumptions and calculations should be clearly explained in the budget narrative and commensurate with the scope and extent of activities and deliverables.</li> <li>▪ <b>Sub-awards with a budget value of less than 10% of the grant budget or US\$500,000, whichever is less.</b> Normally, the costs related to sub-grantees’ activities should be itemized across all expense groups. However, sub-grantees’ budgets can be regrouped under the “subawards” expense line if the total value of the sub-grantees budget is the lower of 10% of the total grant budget and US\$500,000 - in which case the lead grantee will be fully responsible for due diligence of the sub-grantee budget, closely monitoring the sub-grantee spending during the project implementation and keeping records to that effect to be provided to Unitaid upon need.</li> </ul> <p>As a matter of clarification, a third party recipient of Unitaid’s funds should be treated as sub-grantee, if:</p> <ul style="list-style-type: none"> <li>– it is not a for-profit private contractor,</li> <li>– It is responsible for co-implementing the project funded under the leadership of the lead grantee through delivering a set of targeted activities.</li> </ul>	
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<p><b>Equipment other than health and related</b></p>	<ul style="list-style-type: none"> <li>▪ IT &amp; telecommunication</li> <li>▪ Vehicle and transportation</li> <li>▪ Infrastructure</li> <li>▪ Other equipment</li> <li>▪ Equipment running costs (e.g. airtime, fuel, maintenance services)</li> </ul>	<p>This cost category includes transport equipment (e.g. vehicles), IT and telecommunications equipment (computer, phones, etc.) and their related running costs, as well as the associated maintenance and services costs. Other equipment may be considered depending on project specificities.</p> <p>Purchase or rental of non-health related equipment can be considered by Unitaid only if incremental and supported by programmatic and administrative needs. The grantee should clarify these needs in the budget narrative and justify the incremental nature and confirm the absence of other funding sources.</p> <p>In submitting a budgetary request for high-cost non-health equipment items, such as vehicles for instance, the grantee is requested to present a “lease vs buy” cost-benefit analysis. In case Unitaid approves the “buy” option, the grantee will be required to clarify what the asset disposition plans towards the grant end. It is expected that any assets purchased using Unitaid’s funds should be transferred to country partners to allow for smooth transition and scale up of programmatic activities.</p> <p>Unitaid will not fund any costs relating to land and real estate property.</p>	<ul style="list-style-type: none"> <li>▪ Unreasonable purchase price / leasing fees for vehicles</li> <li>▪ Administrative assets funded through other funding sources</li> </ul>
<p><b>Communication materials and publications</b></p>	<ul style="list-style-type: none"> <li>▪ Printing and publication of communication materials</li> <li>▪ Television, radio spots, social media costs, web publications</li> <li>▪ Other communication events</li> <li>▪ Other communication materials and publications</li> </ul>	<p>This cost category includes the printing costs of the project materials and publications, including for communication, trainings, evidence dissemination and advocacy purposes. Organization of TV and radio spots, social media costs and web publications are also included in this expense group.</p> <p>In preparing budget for the communication materials and publication, the grantee should detail the cost assumptions and the sources thereof, which should normally be supported by (i) the applicable organizational policy of the grantee, and/or (ii) relevant information from third party suppliers, and/or (iii)</p>	<ul style="list-style-type: none"> <li>▪ Unreasonable and unrealistic cost estimates and quotations</li> <li>▪ Too high budget for this expense group vis-a-vis the total grant budget</li> </ul>

<p><b>Communication materials and publications</b></p>		<p>relevant experience and benchmarks of the grantee in conducting activities of similar scope or size.</p> <p>Where possible, the grantee should endeavor to pool procurement of printed materials to gain scale efficiencies.</p>	
<p><b>Project staff</b></p>	<ul style="list-style-type: none"> <li>▪ Project staff – HQ</li> <li>▪ Project staff – country level</li> <li>▪ Project support staff - HQ</li> <li>▪ Project support staff – country level</li> </ul>	<p>This cost category includes staff costs related to the necessary and incremental Fixed Term Equivalents (FTEs) to ensure smooth and effective implementation of the project.</p> <p><b>Project and project support staff:</b> The following guidance should be considered:</p> <ul style="list-style-type: none"> <li>▪ The <i>project staff</i> at both HQ and country levels is the programmatic staff providing direct input for the delivery of the project outputs. This type includes technical positions, as well the positions coordinating and overseeing the delivery of programmatic outcome, such the project director, project manager, project coordinator, or equivalent.</li> <li>▪ The <i>project support staff</i> at both HQ and country levels is the staff not directly contributing to or coordinating, but supporting the delivery of the programmatic outputs. This type typically includes project finance and administration, procurement and supply chain functions whose contributions are budgeted for under general administrative expenses.</li> </ul> <p><b>Cost components:</b> The positions can be both dedicated positions and the positions partially allocated to the project, based on the level of efforts required. Unitaid will agree to fund the following cost components for both:</p> <ul style="list-style-type: none"> <li>▪ Salaries,</li> <li>▪ Social security contributions (health insurance and pension as envisioned by the local labor legislation or the relevant HR policies of the grantee),</li> </ul>	<ul style="list-style-type: none"> <li>▪ Unreasonably high salaries, not supported by the local labor market conditions, and/ or above UN salaries</li> <li>▪ Overoptimistic recruitment timelines (notably on year 1) and inflated budget</li> <li>▪ Unreasonable number of staff positions requested vis-a-vis the volume of the work to be delivered under the project</li> <li>▪ Too conservative budgeting for project support staff (such as for the finance officer for example)</li> <li>▪ Unjustified annual salary increases, including merits based and to adjust for inflation</li> <li>▪ Different salaries for the same position co-funded though different projects of Unitaid</li> <li>▪ Misclassification of project and project support staff or double layers</li> </ul>

<p><b>Project staff</b></p>		<ul style="list-style-type: none"> <li>▪ Fringe benefits which are (i) part of the employee’s contractual compensation package, and (ii) in line with the grantee’s remuneration policy,</li> <li>▪ Severance payments as envisioned by the local labor legislation or the relevant HR policies of the grantee.</li> </ul> <p><b>Funding limits:</b> As a general rule, Unitaid will limit its funding contribution based on salary scales/ranges of the United Nations Common System Salaries. In some cases, Unitaid may agree to fund staff cost exceeding the UN salaries (e.g. scarce skills).</p> <p><b>Reasonableness.</b> When reviewing staff costs, Unitaid will assess their reasonableness by:</p> <ul style="list-style-type: none"> <li>▪ Reviewing the position description vis-a-vis the contribution to the programmatic outputs,</li> <li>▪ Reviewing the FTE ratio to ensure the level of effort of every staff position is justified and substantiated with a clear description of the position holder’s role within the project,</li> <li>▪ Reviewing the FTEs and number of positions by functions to ensure there are no unnecessary or multiple layers (project support staff budgeted for both under staff budget and general administrative expenses).</li> </ul> <p><b>Special restrictions for funding of national and governmental agencies, and civil servant positions.</b> In general, salaries, top-ups and recurring costs linked to governmental agencies and related employees will not be funded. Unitaid expects that country governments contribute these resources to the project as part of partnership approach towards transition and sustainability. Funding of specific costs may however be considered under exceptional circumstances</p>	
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<p><b>Project staff</b></p>		<p>bearing in mind the importance of</p> <ul style="list-style-type: none"> <li>▪ Transparency around the funding arrangements;</li> <li>▪ The requirements to harmonize allowances with practices of both other donor partners and country’s own remuneration programs ;</li> <li>▪ The requirement to ensure continuity of service delivery and transition towards and after the grant end.</li> </ul>	
<p><b>Other project support expenses</b></p>	<ul style="list-style-type: none"> <li>▪ In-country general administrative expenses</li> <li>▪ Other project support expenses</li> </ul>	<p><b>In-country general administrative expenses.</b> Unitaid’s innovative projects often require support from country offices whose infrastructures provide enabling support to programmatic field activities. This expense type should be used to primarily pool together the in-country administrative expenses enabling implementation of such activities. Costs such as a fair share of office space, utilities, stationery, cost sharing arrangements, hospitality costs, etc. should be included under this expense group.</p> <p>It is important that the grantee explain the nature of the expense as well the activity driving the expense and justify both the necessity of such costs as well as other funding arrangements so that there is clear evidence of funding needs in the context of the project.</p> <p>Taxes will be treated as eligible costs only when unavoidable and can be budgeted for under other project support expenses as well. Grantees are expected to seek exemptions from taxes and duties from the respected host countries where the projects will be implemented and document cases where exemptions are not granted.</p> <p>Any other regulatory fees (e.g. WHO Ethics Review Committee fees) can also be budgeted under this expense group.</p>	<ul style="list-style-type: none"> <li>▪ Inflated in-country administrative expenses</li> </ul>

<p><b>Grant financial audit</b></p>	<ul style="list-style-type: none"> <li>▪ Audit fees</li> </ul>	<p>This expense group covers annual audit costs which should be budgeted on the basis of grant audit requirements detailed in the financial audit section of this document.</p>	<ul style="list-style-type: none"> <li>▪ Inflated audit costs.</li> </ul>
<p><b>General Administrative Expenses</b></p>	<ul style="list-style-type: none"> <li>▪ Amount recovered for general administrative expenses</li> </ul>	<p><b>Ceiling.</b> This group captures the grant’s general administrative expenses. Please refer to the paragraph 5 (under the “Unitaid Funding Principles” section of this document) where definition and funding ceiling for general administrative expenses are established.</p> <p>The funding level for general administrative expenses is determined as part of the budgeting process. Unitaid expects that the structure and details of administrative expenses are explained and presented in the budget together with the cost recovery mechanisms and supporting policies. It should be noted that :</p> <ul style="list-style-type: none"> <li>▪ In case the grantee is using cost recovery ratio, Unitaid will agree to fund such expenses provided (1) the overall level of administrative expenses remains below the ceiling (2) the recovery ratio is applied to actual expenses incurred during grant implementation, not to budget expenses.</li> <li>▪ In case the grantee itemizes general administrative expenses, Unitaid will agree to fund such expenses provided (1) the overall level of administrative expenses remains below the ceiling (2) a fixed percentage is derived from these itemized budget expenses and then used and applied to actual expenses incurred during the grant implementation, not to budget expenses.</li> </ul> <p>Grantees are not authorized to increase the level of administrative expenses without prior approval from Unitaid.</p>	<ul style="list-style-type: none"> <li>▪ General administrative expenses exceeding the ceiling</li> </ul>

## **Annex 3. Request for Reprogramming template**

Template available separately.

## Annex 4. Financial Budget template

Template available separately.

## **Annex 5. Financial Report and Disbursement Request template**

Template available separately.

## Annex 6. Audit Terms of Reference template

**Grantee name:** [Complete]

**Grant title:** [Complete]

[Complete] is accepting proposals from audit firms to conduct a project audit pursuant to the Grant Agreement for a Unitaid funded grant. We invite your firm to participate and to submit a proposal that will comply with the below terms of references.

### ORGANIZATIONAL AND PROJECT BACKGROUND

#### About the grantee

[Complete]

#### About Unitaid

Based in Geneva and hosted by the World Health Organization, Unitaid uses innovative financing to increase funding for greater access to treatment and diagnostics for HIV/AIDS, malaria and tuberculosis in low-income countries. Unitaid is the first global health organisation to use buy-side market leverage to make life-saving health products better and more affordable for developing countries. Unitaid was established in 2006 by the governments of Brazil, Chile, France, Norway and the United Kingdom as the “International Drug Purchasing Facility.” Today it is backed by an expanding “North-South” membership, including Cyprus, Korea, Luxembourg, Spain and the Bill & Melinda Gates Foundation alongside Cameroon, Congo, Guinea, Madagascar, Mali, Mauritius and Niger. Civil society groups also govern Unitaid, giving a voice to non-governmental organisations and communities living with HIV, malaria and tuberculosis.

#### About the Project

[Complete]

#### Audit services

Unitaid funded projects are subject to annual audit by an external audit firm. In the case of the Project, the following audit services are required:

- Audit of the Financial Report(s) under the International Standards on Auditing - with special consideration to ISA 805.

- Agreed-Upon Procedures (“AUPs”) under the International Standard on Related Services 4400.

Detailed requirements for execution of services are described in the following sections.

## AUDIT OF THE FINANCIAL REPORT

### Objectives

Unitaid requests that the grant auditor issues a fair-presentation audit opinion attesting that

- i. Grant financial information as reported in the grant financial report, has in all material respect, been reported in compliance with Unitaid’s financial reporting requirements as established in the Grant Financial Reporting Guidelines.
- ii. Underlying transactions have been accounted for in compliance with both the terms and conditions of the grant agreement, and applicable accounting standards and local laws.

### Auditing standards

The grant audit shall be performed in accordance with the International Standards on Auditing (ISA) as published by the International Auditing and Assurance Standards Board (IAASB), with special considerations of ISA 805 “special considerations—audits of single financial statements and specific elements, accounts or items of a financial statement”.

### Financial report(s) subject to audit

The following financial reports shall be subject to the audits:

- [Complete and indicate year]

### Audit deliverables

The auditor is expected to issue the following documents:

- An audit report in which the audit opinion shall be reported,
- A management letter.

The management letter shall explicitly capture:

- A summary of finding and adjustments in which ineligible expenses noted in the course of the audit should be highlighted,
- Responses collected from the grantee and action timelines. Should a grantee reject an audit finding or if the Auditor disagrees with the adequacy of the response received, the management letter should acknowledge that disagreement,

- Any matters that have come to the auditor's attention during the audit and which may have a significant impact on the implementation and-or sustainability of the project.

### **Specific areas of audit focus**

- The auditor must ensure that the audited parts of the financial report agree and reconcile with the grantees' books of account which provide the basis for preparation of the grant financial report.
- The auditor must ensure that accruals balances are reviewed for reasonableness, existence and completeness.
- For any audited expenses incurred on the grant, the auditor is expected to validate that:
  - Such expenses are eligible under the grant agreement. An eligible expense is an expense supporting an approved programmatic activity as defined in the approved project plan and budget of the grant agreement. Expense eligibility is defined in the Unitaid Funding Principles of these guidelines.
  - Such expenses are not charged against another funding source.
  - Such expenses, including accruals, are supported with adequate and approved documentation; this includes, but does not limit to, approved purchase orders (approved quality, time and price terms), delivery documents and invoices.
  - Staff related expenses correspond to actual time spent and level of deployment on the project (through reconciliations with reports from the grantee's timekeeping system or equivalent) and have been approved in compliance with the grantee's internal policy and-or relevant local regulations (including the level of remuneration and related benefits).
  - Adequate tax exemptions for the procurement and delivery of commodities have been secured; alternatively, it should be properly documented when tax exemptions were not granted by relevant tax authorities.
- For any audited project income, the auditor must ensure that income generated has been properly identified, recorded and reported in accordance with the provisions of the grant agreement.
- The auditor should assess the reasonableness of the foreign exchange rates applied to grant expenses and financial positions reported in functional currencies other than the US dollar currency.
- The auditor is expected to ascertain that reported transactions comply in all material respects with applicable legislations. Particular attention should be laid upon payroll and staff related expenses.

## AGREED-UPON PROCEDURES

### Objectives

The auditor is expected to perform Agreed-Upon Procedures (“AUPs”). These AUPs will consist in delivering complementary audit and risk assessment services in order to further assess and strengthen both the Project’s and Grantee’s system of internal controls.

### Auditing standards

The auditor is required to perform the Agreed-Upon Procedures in compliance with the IAASB’s International Standard on Related Services 4400.

### Selected Agreed-Upon Procedures

[Complete – this list is provided by Unitaid]

### AUPs deliverables

The auditor is expected to issue a report of factual findings. This report shall at least capture the following:

- A statement that the procedures performed were those agreed upon with the recipient;
- A statement that the engagement was performed in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements, or with relevant national standards or practices;
- A description of the auditor’s factual findings including sufficient details of errors and exceptions found;
- A statement that had the auditor performed additional procedures, an audit or a review, other matters might have come to light that would have been reported.

## PLACE AND DESIRED TIMEFRAME

The audit will be coordinated from [Add location] by [Add focal person name/function].

- Audit start date: [add due date]
- Draft deliverables: [add due date]
- Final deliverables: [add due date]