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# **Guidelines for Annual Audit of Global Fund Grants**

## **Annex 3: Comprehensive Auditor's Report template - Special Purpose Grant Financial Statement (SPGFS) Audit**

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OCTOBER 2019

GENEVA, SWITZERLAND

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[Date]

[Principal Recipient official e.g. Principle Secretary]

[Address]

Ministry of Health

P. O. Box 30152-00100

Ficticia

Dear Sir,

**AUDIT OF GLOBAL FUND GRANT NUMBER FUR-H-MOH FOR THE PERIOD [State the period e.g. January 1, 2019 to December 31, 2019]**

We have now completed the audit of [Principal Recipient name e.g. the Ministry of Health] of [Country e.g. Ficticia] and are pleased to present our report and findings thereon.

Should you require to discuss any of the issues raised in this report, please do not hesitate to contact us.

Yours faithfully

ABC Auditors

# 1 INTRODUCTION

## 1.1 Background

During the period [state period e.g. January 1, 2018 to December 31, 2018], [PR name e.g. the Ministry of Health] received [US \$ 10,915,996] from the Global Fund for the implementation of the grant agreement.

## 1.2 Program description [grant specific- please update]

The project goal is to contribute to the National HIV/AIDS Strategy's goal of controlling the HIV prevalence in communities below 0.3%; reduce the morbidity and mortality due to HIV infection; reduce the impact of HIV/AIDS on socio-economic growth.

*During the period under review, the program expanded implementation of new approaches for HIV testing services including HIV self-testing (HIVST), partner notification (PN), and decentralization of confirmatory testing to district facility to facilitate earlier diagnosis and linkage to care, especially among key populations and their partners.*

*ABC Associates were contracted by the Ministry of Health to perform an audit of grant number FUR-H-MOH for the period January 1, 2018 to December 31, 2018 to enable the ministry of health meets its obligations for accountability under the Global Fund grant agreement.*

This is the first audit on the MOH under the NFM 2 cycle hence, there are no prior audit recommendations.

# 2 Executive Summary

[Auditor's name] entered into an agreement with the Global Fund to Fight AIDS, Tuberculosis and Malaria (hereafter GF) on [01 March 2018] to carry out the external financial audit of the GF supported program of the Ministry of Health of [insert country name] entitled '[insert grant title]' for the period [January to 31 December 2018.]

The Principal Recipient (PR) of the Grant is the Ministry of Health of [insert country name] who signed Sub-Recipient Agreements with [insert name of Su-recipients]).

The subject of our audit was the Special Purpose Grant Program Financial Statements (SPGFS) prepared by the Principal Recipient for the grant for the period from period [January to 31 December 2018.]. Total expenditure and Sub-recipient disbursements reported by the Principal Recipient amounted to xxx, as follows:

	<b><u>Expenditure</u></b> <b><u>USD \$</u></b>
<b>Principal Recipient – [Ministry of Health of xxx]</b>	XXX
<b>Sub-recipients:</b>	
<b>SR1</b>	XXX
<b>SR 2</b>	XXX
<b>SR3</b>	XXX
<b>Total</b>	<b>XXX</b>

We have issued audit opinions on the SPGFS which are attached as Annex 1 to this report. In addition, we have raised several audit findings which are summarized in the table below:

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

Each of our findings is explained in detail in the Management Letter, which also provide the management comments on our recommendations. We have given a priority rating to each recommendation in order to highlight those that we consider are more critical than others. The rating we have used is as follows:

Priority reference	Description of grading
I	<b>Critical:</b> There is a fundamental weakness or deficiency in an internal control or in a series of internal controls which involves a substantial risk of either material error, or irregularity or fraud with regard to the expenditure and revenue stated in the Special Purpose Grant Financial Statement of the Grant. <b>Grade I</b> findings are particularly critical, and the involvement of management may be required for their resolution. These are high-level issues which impact seriously on the achievement of overall grant goals. Remedial action should be taken urgently.
II	<b>Important:</b> There is a weakness or deficiency in an internal control or in a series of internal controls which, although not fundamental, relates to shortcomings which expose specific internal control areas (e.g. cash and bank management or budgetary and expenditure control) to a less immediate level of risk of either error, or irregularity or fraud. <b>Grade II</b> findings are those that may have significant impact on the control environment. Here control environment looks at risk factors derived from management's attitude to risk regarding operational activities within the Principal Recipient/Sub-recipient organization. Prompt specific action should be taken.
III	<b>Recommended:</b> There is a weakness or deficiency in internal control which individually has no major impact but where the Grant would benefit from improved internal controls and/or where the implementer would have the opportunity to achieve greater effectiveness and/or efficiency. <b>Grade III</b> findings are those which are less significant than Grade 1 and II but nevertheless merit attention.

Our assessment of the implementation of recommendations made from the prior year audit report relating to the period [January to 31 December 2018.] are detailed in Annex 9.

The status of the findings / recommendations at the date of our audit in terms of implementation was as follows:

Implemented	xxx
Not applicable	xxx
Partially implemented	xxx
Not implemented	xxx
<b>Total</b>	<b>xxx</b>

### 3 Objectives and Scope of the Audit

#### 3.1 Audit objectives

The overall audit objective was to conduct a financial audit of the global fund grant managed by the [Ministry of health the period January 1, 2019 to December 31, 2019] in accordance with the Global Fund Audit Guidelines. The specific objectives were to:

- Express an independent professional opinion on:
  - i. Whether the Special Purpose Grant Financial Statement present fairly in all material respects the financial position, funds received and expenditures by the Principal Recipient (and Sub-recipients<sup>1</sup>) for the reporting period and in accordance with the applicable accounting framework;
  - ii. Whether, in all material respects, the grant funds have been used in conformity with the provisions of the Grant Agreement, including the approved budget and work plan and any amendments thereto as contained in implementation letters;
- Evaluate, obtain sufficient understanding and comment on whether the program internal control framework is satisfactory and report on both strengths and weaknesses. The auditor must review the internal control framework of the Principal Recipient and key Sub-Recipients identified by the Global Fund Country team in consultation with the Principal Recipient.

#### 3.2 Audit scope

The audit scope required us to carry out sufficient audit steps and procedures to ensure that the audit objectives were met for the period January 1, 2018 to December 31, 2018. The sample size was determined based on a materiality threshold of x% of the total amount of reported expenditure and considering the risk analysis performed. Refer to Section 4 of this report as well as section 7 of the terms of reference titled “Audit scope of work”.

#### Audit scope limitations (if any)

[Where applicable, state here any limitation noted during the audit. For example: Some of the ministry of health regional offices in the Northern provinces were experiencing heavy floods during the audit period and could therefore not be sampled for field visits. However, we believe that the effects of this scope limitation is not material because we were able to perform alternative procedures on the expenditure incurred by these provinces.]

### 4 Key audit Matters

As part of the comprehensive audit report, we are required to report on the following aspects:

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<sup>1</sup> Depending on the scope of the audit report as described in the foreword.

- Compliance with applicable legislation: verification that the Principal Recipient and financial information comply in all material respects with any applicable legislation and signed grant agreements.
- Reconciliation of General ledger with SPGFS: Review that the general and program ledgers to determine whether costs incurred were properly recorded ensuring that the costs charged to the grant reconcile to the program and general ledgers. Reconciliation of the SPGFS to the underlying records, principally the cash book.
- Grant expenditures: verification that funds received by the Program, including goods and services from direct disbursements to third parties, or generated by the Program's funds were spent in conformity with the approved budget and work plan existing at the time of the expenditure and in line with provisions of the Grant Agreement, including any applicable grant conditions (as amended by any Implementation Letters), with due attention to economy and efficiency, and only for the purposes for which the funds were provided. Verification of the shared costs allocation mechanism and review that shared costs are accurate, complete and reasonable.
- System of Internal Controls: comprehensive assessment of the design and operating effectiveness of the accounting and overall internal control system to monitor expenditures at all levels of the program and other financial transactions, including special attention to the adequacy and effectiveness of controls around cash transactions and for the purpose of managing material risks to the achievement of the objectives of the Program, was suitably designed and operated effectively during the period under review. Specific attention has also been paid to controls with respect to the risk of fraud at the Principal Recipient /Sub-recipients [ISA 240] and to the controls on the processes entrusted to third-parties [If any].
- Designated Bank Accounts: Where dedicated Accounts [including those being used under an approved pooled funding program implementation mechanism] have been used by Principal Recipient and Sub-recipients, we have verified that they have been maintained and operated in accordance with the provisions of the Grant agreement and in accordance with the Global Fund's rules and procedures
- Safeguarding of Assets: verification that the Principal Recipient and Sub-recipients have put in place mechanisms for the tracking and safeguarding of assets purchased with grant funds and that they are being used for the intended purposes. Verification that the Program's fixed assets register has been maintained in accordance with the Grant Agreement and that property rights and related beneficiaries' rights have been established in accordance with Grant conditions;
- Goods and Services: Goods and services have been procured transparently, competitively and in accordance with the relevant grant agreement and the Principal Recipient or Sub-recipient's procurement procedures;
- Procurement systems for pharmaceutical and health products: Verification that procurement and inventory systems and controls are adequate to efficiently support the acquisition, storage, supply and distribution of pharmaceutical and health products, in accordance with program objectives.
- Disbursements to Sub-recipients [as relevant]: Verification of disbursements made by the Principal Recipient to Sub Recipients and assessment of whether they were in line with Sub-recipient sub-grant agreements and the approved work plan and budget. Assessment of whether the Principal Recipient follows adequate processes for validating expenditure reports submitted by the Sub Recipients.
- Data retention and supporting documentation: Ensuring that all necessary supporting documents, records, and accounts have been retained in compliance with provisions of the Grant Agreement, and that procedures exist for security and management of electronic data

(backup systems and procedures etc.). Also verified that the archiving system is adequate and secured.

- Value for money: Verification of grant expenditure with due attention to economy and efficiency
- Follow-up on previous audits: assessment of the status of implementation of recommendations contained in previous audit reports, including OIG reports where applicable.

4.1 **Results of the audit by objective** [This section will have to be adapted to the final opinion of the auditor]

**(i) Reach an opinion as to the validity of the Special Purpose Grant Financial Statements (Special Considerations – ISA 800)**

The Special Purpose Grant Financial Statements presents fairly, in all material respects, program revenues, costs incurred and reimbursed, and commodities and technical assistance directly procured by [Principal Recipient *name e.g. Ministry of Health*] for the period [*state the audited period e.g. January 1, 2018 to December 31, 2018*] in accordance with the terms of the agreement and in conformity with the basis of accounting described in note [*note number e.g. 2.3.1*].

**(ii) Identify, evaluate and report on the auditee's internal control structure**

The Internal Control System set up by the Entity for the purpose of managing material risks to the achievement of the objectives of the Program, was suitably designed as at [*audited period end date*].  
However, deficiencies identified were noted [*State section number e.g. 5*] of this report.

**(iii) Identify, evaluate and report as to whether the auditee complied in all material respects with Global Fund grant agreement terms and applicable laws and regulations**

We audited the PR's compliance with the grant agreements and the applicable legislation and noted that [*Entity name e.g. the Ministry of health*] complied, in all material respects with the requirements of the grant agreements and applicable regulations. Deficiencies identified were noted [*State relevant section number e.g. 6*] of this report.

**(v) Review the Indirect cost rate/Appportionment of common costs**

The Ministry of health has been authorized to charge indirect costs to the Global Fund grant using a provisional rate of 10%. The final indirect cost rate is 12% of the distribution base as computed in the schedule of computation of indirect cost rate discussed in section [*please add the relevant section*] of this report. Based on our review, nothing came to our attention that caused us to believe that Ministry of Health did not fairly present the schedule of indirect cost rate.

**(vi) Follow-up on prior audit recommendations**

This was the first audit of the three-year grant and hence, there are no prior audit recommendations.



We have identified [*number of issues of the previous year*] recommendations from the previous audit report. Out of these, [*state number*] recommendations have been satisfactorily implemented and [*state number*] are yet to be completed. The completion rate of previous audit recommendation is [*completed recommendation/ total recommendation*].

Principle Secretary  
Ministry of Health  
P. O. Box 30152-00100  
Ficticia

## 5. INDEPENDENT AUDITORS' REPORT ON THE SPECIAL PURPOSE GRANT FINANCIAL STATEMENTS

### 5.1. INDEPENDENT AUDITORS' OPINION (UNQUALIFIED)

#### Opinion

We have audited the grant [State grant name] financial statements of [Principal Recipient name e.g. Ministry of Health] for the period [state the period e.g. January 1, 2018 to December 31, 2018] which comprise [mention the different statements audited]<sup>2</sup>. Our responsibility is to express an opinion on the grant financial statements based on our audit.

In our opinion, the accompanying statements present fairly, in all material respects, program revenues, costs incurred and cash position for the reporting period in accordance with the terms of the Global Fund grant agreement and in conformity with the basis of accounting described in note 2.3.1.

#### Basis for Opinion

We conducted our audit of the Special Purpose Grant Financial Statements in accordance with the *Global Fund Auditing guidelines* with specific references to ISA 800. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Special Purpose Grant Financial Statements* section of our report. We are independent of Principal Recipient Name in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code. We believe that our audit provides a reasonable basis for our opinion.

**Emphasis of matter** – Basis of Accounting and restriction on use and distribution [please include paragraph if necessary]

We draw attention to Note [include the number of the relevant note] to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist [State Principal Recipient name] in complying with the financial reporting provisions of the contract referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for [State Principal Recipient name, e.g. Ministry of Health] and the Global Fund and should not be distributed to or used by parties other than [State Principal Recipient name, e.g. Ministry of Health] and the Global Fund. Our opinion is not modified in respect of this matter.

**Other information** [please include paragraph if necessary]

#### Management's responsibilities for the Grant Program Financial Statements

The preparation of the grant financial statements is the responsibility of the [Entity name, e.g. Ministry of Health]'s management. Management is responsible for the preparation of these the financial statements in accordance with the financial reporting provisions of Section [insert the relevant section] of the contract and for such internal control as management determines is

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<sup>2</sup> Identify the title of each statement comprising the financial statements

necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' responsibilities for the audit of the Special Purpose Grant Financial Statements**

Our objectives are to obtain reasonable assurance about whether the special purpose grant financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these grant program financial statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Special Purpose Grant Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

In accordance with the *Global Fund Auditing Guidelines*, we have also issued our reports on our consideration of the [*Principal Recipient, e.g. Ministry of Health*]'s internal control and our tests of its compliance with the grant agreement, relevant laws and regulations. Those reports are an integral part of an audit performed in accordance with the guidelines and should be read in conjunction with this Independent Auditors' Report in considering the results of our audit.

[Auditor name, e.g. ABC Associates]  
[Audit report date, e.g. 20<sup>th</sup> April 2019]  
[Auditor name, e.g. Ficticia]

## 5.2. INDEPENDENT AUDITORS' OPINION (QUALIFIED)

### Opinion

We have audited the grant *[State grant name]* financial statements of *[PR name, e.g. Ministry of Health]* for the period *[state the period, e.g. January 1, 2018 to December 31, 2018]* which comprise *[mention the different statements audited]*<sup>3</sup>. Our responsibility is to express an opinion on the grant financial statements based on our audit.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph below, the accompanying statements present fairly, in all material respects, the program revenues, costs incurred and cash position for the reporting period in accordance with the terms of the Global Fund grant agreement and in conformity with the basis of accounting described in note xxxx *[please add the relevant note]*.

#### Specific cases of ineligible costs

*In our opinion, except for the ineligible costs described in the "basis for opinion" paragraph, the accompanying statements present fairly, in all material respects, program revenues, costs incurred and cash position for the reporting period in accordance with the terms of the Global Fund grant agreement and in conformity with the basis of accounting described in note xxxx [please add the relevant note].*

### **Basis for qualified opinion**

We conducted our audit of the Special Purpose Grant Financial Statements in accordance with the *Global Fund Auditing guidelines* with specific references to ISA 800. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Special Purpose Grant Financial Statements* section of our report. We are independent of PR Name in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code. We believe that our audit provides a reasonable basis for our opinion.

[Example: The Principal Recipient's costs included an amount of US\$xxx used to renovate 13 health facilities (refer to our findings as set out in Section x (Summary of Findings) of our report detailing significant weaknesses identified during the audit). The Principal Recipient has no approval for this expenditure which was not initially a program activity. On this basis and in our opinion, this amount should be refunded to the Global Fund.]

When ineligible costs have been identified add the text below *[to be adjusted accordingly]*

*The results of our tests disclosed the following material questioned costs as detailed in the Special Purpose Grant Financial Statements:*

- (1) US\$ 2,123 in costs that are explicitly questioned because they are not program related, unreasonable, or prohibited by the terms of the agreements and;*
- (2) US\$ 2,474 in costs that are not supported with adequate documentation or did not have required prior approvals or authorizations;*

*The ineligible costs have been further discussed in section 2.3.6 of this report.*

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<sup>3</sup> Identify the title of each statement comprising the financial statements

**Emphasis of matter** – Basis of Accounting and restriction on use and distribution [please include paragraph if necessary]

We draw attention to Note [include the number of the relevant note] to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist [State Principal Recipient name] in complying with the financial reporting provisions of the contract referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for [State Principal Recipient name, e.g. Ministry of Health] and the Global Fund and should not be distributed to or used by parties other than [State Principal Recipient name, e.g. Ministry of Health] and the Global Fund. Our opinion is not modified in respect of this matter.

**Other information** [please include paragraph if necessary]

### **Auditors' responsibilities for the audit of the Special Purpose Grant Financial Statements**

Our objectives are to obtain reasonable assurance about whether the grant program financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these grant program financial statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Special Purpose Grant Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

In accordance with the *Global Fund Auditing Guidelines*, we have also issued our reports on our consideration of the [Principal Recipient e.g. Ministry of Health]'s internal control and our tests of its compliance with the grant agreement, relevant laws and regulations. Those reports are an integral part of an audit performed in accordance with the guidelines and should be read in conjunction with this Independent Auditors' Report in considering the results of our audit.

[Auditor name, e.g. ABC Associates]  
[Audit report date, e.g. 20<sup>th</sup> April 2019]  
[Auditor name, e.g. Ficticia]

### 5.3. INDEPENDENT AUDITORS' OPINION (ADVERSE)

#### **Opinion**

We have audited the grant [State grant name] financial statements of [Principal Recipient name, e.g. Ministry of Health] for the period [state the period, e.g. January 1, 2018 to December 31, 2018] which comprise [mention the different statements audited]<sup>4</sup>. Our responsibility is to express an opinion on the Grant Financial Statements based on our audit.

In our opinion, because of the fundamental nature of the matters referred to in the below 'basis for adverse opinion' paragraph, the Grant Financial Statements do not present fairly, in all material respects, the program revenues, costs incurred and cash position for the reporting period in accordance with the terms of the Global Fund grant agreement and in conformity with the basis of accounting described in note 2.3.1.

#### **Basis for adverse opinion**

We conducted our audit of the Special Purpose Grant Financial Statements in accordance with the *Global Fund Auditing guidelines* with specific references to ISA 800. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Special Purpose Grant Financial Statements* section of our report. We are independent of PR Name in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that our audit provides a reasonable basis for our opinion.

[Example: We refer to our findings as set out in Section xxx (Summary of Findings) of our management letter detailing significant procurements where the procedures were not followed. As 80% of the Program relate to procurement of health products, we consider these fundamental weaknesses in the Internal Control System to pose a critical risk to the achievement of the objectives of the Program].

We were unable to obtain sufficient appropriate audit evidence about *[describe issues]* because *[describe reasons / circumstances]*. We consider the effects of this misappropriation to be both material and pervasive in the context of our audit.

**Emphasis of matter** – Basis of Accounting and restriction on use and distribution [please include paragraph if necessary]

We draw attention to Note *[include the number of the relevant note]* to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist [State Principal Recipient name] in complying with the financial reporting provisions of the contract referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for *[State Principal Recipient name, e.g. Ministry of Health]* and the Global Fund and should not be distributed to or used by parties other than *[State Principal Recipient name, e.g. Ministry of Health]* and the Global Fund. Our opinion is not modified in respect of this matter.

**Other information** [please include paragraph if necessary]

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<sup>4</sup> Identify the title of each statement comprising the financial statements

## **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the grant program financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these grant program financial statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Special Purpose Grant Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

In accordance with the *Global Fund Auditing Guidelines*, we have also issued our reports on our consideration of the *[Principal Recipient, e.g. Ministry of Health]*'s internal control and our tests of its compliance with the grant agreement, relevant laws and regulations. Those reports are an integral part of an audit performed in accordance with the guidelines and should be read in conjunction with this Independent Auditors' Report in considering the results of our audit.

**[Auditor name, e.g. ABC Associates]**  
**[Audit report date, e.g. 20<sup>th</sup> April 2019]**  
**[Auditor name, e.g. Ficticia]**

#### 5.4. INDEPENDENT AUDITORS' OPINION (DISCLAIMER)

##### Opinion

We have been engaged to audit the grant [State grant name] financial statements of [Principal Recipient name, e.g. Ministry of Health] for the period [state the period, e.g. January 1, 2018 to December 31, 2018] which comprise [mention the different statements audited]<sup>5</sup>. Our responsibility is to express an opinion on the Grant Financial Statements based on our audit.

Because of the significance of the matter described in the Basis for disclaimer of opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the grant financial statements.

##### Basis for disclaimer of opinion

We conducted our audit of the Special Purpose Grant Financial Statements in accordance with the *Global Fund Auditing guidelines* with specific references to ISA 800. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Special Purpose Grant Financial Statements* section of our report. We are independent of PR Name in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that our audit provides a reasonable basis for our opinion.

[Example: The audit evidence available to us was limited because we were unable to verify program expenditure having a carrying amount of [xxx] and send confirmation letters to banks having a carrying amount of [xxx] due to limitations placed on the scope of our work by the management of the PR. As such, we have been unable to obtain sufficient appropriate audit evidence concerning both program expenditure and cash balances at PR and SRs.]

##### Emphasis of matter – Basis of Accounting and restriction on use and distribution [please include paragraph if necessary]

We draw attention to Note [include the number of the relevant note] to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist [State Principal Recipient name] in complying with the financial reporting provisions of the contract referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for [State Principal Recipient name e.g. Ministry of Health] and the Global Fund and should not be distributed to or used by parties other than [State Principal Recipient name e.g. Ministry of Health] and the Global Fund. Our opinion is not modified in respect of this matter.

##### Other information [please include paragraph if necessary]

##### Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the grant program financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected

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<sup>5</sup> Identify the title of each statement comprising the financial statements



to influence the economic decisions of users taken on the basis of these grant program financial statements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Special Purpose Grant Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

In accordance with the *Global Fund Auditing Guidelines*, we have also issued our reports on our consideration of the *[Principal Recipient, e.g. Ministry of Health]*'s internal control and our tests of its compliance with the grant agreement, relevant laws and regulations. Those reports are an integral part of an audit performed in accordance with the guidelines and should be read in conjunction with this Independent Auditors' Report in considering the results of our audit.

This report is intended for the information of Ministry of Health and the Global Fund.

**[Auditor name, e.g. ABC Associates]**  
**[Audit report date, e.g. 20<sup>th</sup> April 2019]**  
**[Auditor name, e.g. Ficticia]**

## 6. SPECIAL PURPOSE GRANT FINANCIAL STATEMENTS FOR THE MINISTRY OF HEALTH – Representation Letter

(Entity Letterhead)

(To Auditor)

(Date)

This representation letter is provided in connection with your audit of the financial statements of *[Principal Recipient name e.g. Ministry of Health]* for the year ended *[December 31, 20XX 2]* for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, (or give a true and fair view) in accordance with *[International Financial Reporting Standards.]*

We confirm that (to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves):

### *Financial Statements:*

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated *[insert date]*, for the preparation of the financial statements in accordance with International Financial Reporting Standards; in particular the financial statements are fairly presented (or give a true and fair view) in accordance therewith.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- All events subsequent to the date of the financial statements and for which the *[applicable financial reporting standard]* require adjustment or disclosure have been adjusted or disclosed.
- *[Any other matters that the auditor may consider.]*

### *Information Provided*

- We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and
  - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- *[Any other matters that the auditor may consider necessary (see paragraph A11 of this ISA).]*

The Special Purpose Grant Financial Statements was prepared by *Ministry of Health management* and signed on its behalf on *April 20<sup>th</sup>, 2019* by:

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Principle Secretary, Minister of Health

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Accountant General, Minister of Health

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Director, National Aids Commission

## **Appendix 1**

### **Overview on grant budget management**

*Guidance: provides auditor's assessment of compliance and implementation of approved GF grant budget, key variances, significant budgetary reclassifications and additional budgets received during the reporting period.*

## **Appendix 2**

## Key financial position

*Guidance: for each major reporting position in the financial statements the auditor should provide at least a one-page overview of the following key elements:*

*[E.g.: Revenue (grants from The Global Fund, Cash balance, Fund Balance, Advances, Commitments)]*

<b>Audit assertion</b> <i>Why is this financial position considered key</i>	<b>Work performed</b>	<b>Key control procedures performed</b>	<b>Auditor's judgement on management's assessment of key risks and actions on risk mitigating measures</b>	<b>Audit approach and sample selection methodology</b> <i>Control-based vs substantive. When substantive, disclose the relative size of sample population tested. When control based, comment on the existence and effectiveness of the control systems.</i>