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

**Principal Recipient (PR):** Save the Children International

**Grant Number:** BAN-202-G12-H-00

**Title of Program:** Expanding HIV/AIDS Prevention in Bangladesh

**Period covered by the audit:** 01January 2014 to 31 December 2014

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**Terms of Reference**

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

**General Information:** Save the Children International is a non-profit International Non-Governmental Organization, working throughout the globe to create a lasting and positive change in the lives of children in need. Save the Children has been working in Bangladesh since 1970. The country office program portfolio covers HIV/AIDS, Child Protection, Health & Nutrition, Food Security & Livelihoods, Child Rights Governance, Education, Humanitarian Sector etc. by receiving funds from various donors including the Global Fund. The organization, registered under the applicable laws of the government of Bangladesh, implements its program mainly through sub-recipients/partner organizations by using the sub-grant mechanism.

**Background:** Save the children implements the Global Fund’s program to fight AIDS, Tuberculosis and Malaria through sub-granting to national and international organizations and providing technical assistance for implementing the HIV/AIDS program in Bangladesh. Save the Children is the Principal Recipient (PR) for grant of the Global Fund to fight Aids, Tuberculosis and Malaria focusing to implement HIV/AIDS Program under RCC consolidated Grant titled “Expanding HIV/AIDS Prevention in Bangladesh”.

**Grant # BAN-202-G12-H-00 (RCC Consolidated Program):**  Save the Children International, Bangladesh Country Office is the Principal Recipient (PR) for grants of the Global Fund focusing to implement HIV/AIDS Program under Grant # BAN-202-G12-H-00 (RCC Consolidated Grant Agreement).  This is a consolidated grant of Round - 6 and Rolling Continuation Channel (RCC) proposal on prevention of HIV/AIDS starting from 01 December 2009 to 30 November 2015 in 2 phases. Round - 6 programs on HIV/AIDS was ended on 30 November 2009 as an independent grant and was consolidated with Rolling Continuation Channel (RCC) from 01 December 2009 onward. RCC was divided into 2 phases; first phase was from 01 December to 30 November 2012. Second phase of RCC consolidated grant is 01 December 2012 to 30 November 2015 with an approved budget of US$ 23 Million.

The objectives of the Global Fund financed HIV/AIDS Rolling Continuation Channel (RCC) programs are:

1. Increasing the scale of prevention services for key population at higher risk (IDUs, FSWs)
2. Increasing the scale of the most effective activities conducted with the Global Fund Round 2 HIV/AIDS program and
3. Building capacity of partners in order to increase the scale of the national response to the HIV/AIDS epidemic.

The target Group/Beneficiaries of this program:

1. IDUs and their partners
2. FSW
3. Young people
4. People living with HIV/AIDS (PLHIV)
5. Teachers of formal and non-formal institutions
6. Health service providers
7. Policy and local level gatekeepers

Planned Activities:

The broad activities (Service Delivery Area) covered by the grant agreement comprise of:

1. Expand harm reduction services for IDUs
2. Expand services for FSW
3. Expand HIV teaching into un-served areas through formal and non-formal educational institutions
4. Expand delivery of behavior change communication through mass media
5. Expand advocacy to create an enabling environment
6. Strengthen the capacity of Principal Recipients and implementing partners for an effective national response
7. Develop capacity building Mechanism
8. Monitoring, coverage and quality

The table below is an approximate budgetary breakup in BDT of the grant for the audit period:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| Grant Cycle | Audit Period | Total Budget (100%) | SCI PR including DI Budget (30%) | SR Budget (70%) | # of SR | # of SSR |
| Rolling Continuation Channel | 01 Jan 2014 to  31 Dec 2014 | BDT 620,514,741  USD 7,756,434 | BDT 188,833,560  USD 2,360,419 | BDT 431,681,182  USD 5,396,015 | 5 | 14 |

A list of Sub Recipients (SRs) with the budget and the audit period is given in Attachment B.

* 1. **Program Entities and audit approach:**

Save the Children is the Principal Recipient (PR) of RCC consolidated grant on HIV/AIDS program expanding prevention of HIV/AIDS in Bangladesh. It implements the program around the country through partnership with 5 different organizations from NGOs of national and international level, which are titled as Sub Recipients (SR) of the grant. In addition, these Sub Recipients have numbers of Sub Sub-Recipients (SSR) to implement the program. As this is a national program of Bangladesh on HIV/AIDS, there is a national Country Coordinating Mechanism (CCM) to oversee the program in Bangladesh. Honorable Minister for the Ministry of Health and Family Welfare is the chair of the national committee under CCM.

**Accounting Standards**

Financial statements of the Program will be prepared in accordance with GAAP or the International Accounting Standards (IASs) published by the International Accounting Standards Board as adopted by the Institute of Chartered Accountants in Bangladesh (ICAB) as Bangladesh Accounting Standards (BASs). The auditor should state whether the accounting standards followed for the Program are consistent with those followed by the PR.

1. **Contacts**

**1**. Michael McGrath, Country Director, **2**. Shoaib Siddiqui, Director-Finance & Support Services, **3**. Dr. Lima Rahman, Acting COP, HIV/AIDS Sector, **4**. Syed Kashif Hayat, Director Awards Management & Partnerships, **5**. Md. Tajul Islam, Deputy Director-Grants, HIV/AIDS Sector. Address: Save the children, House No. CWN (A) 35, Road No. 43, Gulshan-2, Dhaka-1212, Bangladesh.

**Attachment-A** of this Terms of Reference (TOR) includes the list of all Sub Recipients and Sub-Sub Recipients (under each lead SR) of the RCC grant with detail contact information.

1. **Available documents and facilities**

The PR shall provide the auditor with access to all books and records pertaining to the grant as requested by the auditor, including a list of all key PR and SR locations, noting the key documents held at each location. An indicative list of the documents which may be requested by the auditor includes:

1. The grant program financial statements;
2. Grant and sub-grant agreements;
3. Main supporting schedules to the financial statements
4. Interim quarterly grant activity reports (programmatic as well as financial) such as PUDR/PU /EFR etc ;
5. General ledger, cash book, other important books and records;
6. Original supporting documentation to all reported expenditures (invoices, full support for all procurement of health products or other procurements requiring tender procedures, payrolls, bank vouchers, journal vouchers etc);
7. Bank statements;
8. Important correspondence between GF and PR, PR and SRs pertaining to grant implementation matters;
9. Financial procedures manuals, systems descriptions or any other documentation explaining the processes contributing to the production of reliable financial reports and maintaining internal control;
10. Minutes of management meetings;
11. Internal audit reports relevant to GF expenditures or any systems, governance or other issue which impinges on GF grants.
12. **Objectives of the Audit**
    1. The **objective of the audit** of the Grant Program Financial Statements (GPFS) is to enable the auditor to express an independent professional opinion on:
13. Whether the financial position of the grant program at the end of the reporting period and of the funds received and expenditures for the reporting period, are presented fairly in all material respects by the PR (and SRs[[1]](#footnote-1)) in the GPFS and in accordance with the applicable accounting framework;
14. Whether, in all material respects, the grant funds have been used in conformity with the provisions of the Grant Agreement, including the approved budget and workplan and any amendments thereto as contained in implementation letters;
15. Whether the GPFS agree with the program accounts (books of account) which provide the basis for preparation of the GPFS and reflect the financial transactions of the program, as maintained by the program implementing entities;
16. Whether the GPFS agree or reconcile with other information reported to GF i.e. Progress Updates and Enhanced Financial Reports.
17. **Responsibility for the preparation of Grant Program Financial Statements (GPFS).** 
    1. The preparation of the financial statement is the responsibility of the auditee (here Save the Children and Sub Recipients) and the auditor’s responsibility is to certify whether those are in accordance with GAAP/IAS. In order to provide the opinion, the auditor will review the agreements between the parties as necessary and will express opinion whether the financial transactions are in compliance with the grant agreement and program goal and deliverables.
18. **Grant Program Financial Statements (GPFS).**

The financial statements shall include the following components:

1. Fund Accountability Statement showing budget and expenditure for the current period with a comparison to the previous period
2. Receipt and Payment showing expense of PR and disbursement to SRs
3. Statement of Source and Usage of Fund (Cash Flow Statement) showing fund received and spent for the Global Fund grant
4. Budget vs Expenditure Summary showing budget and expenditure for the reporting period and for cumulative period
5. Listing of Fixed Assets purchased with grants fund during the period under audit
6. Notes to the statement as applicable

PR and SRs will prepare these statements together with agreed supporting schedules within scheduled working days after starting of the audit assignment.

1. **Audit Scope of Work**

The audit to be performed at Save the Children Country Office at House # CWN (A)-35, Road # 43, Gulshan-2, Dhaka, Bangladesh as well as all Sub Recipients’ offices as stated in the **Attachment A**.

**Estimated Total Expenditure to be audited:** The estimated total expenditure of RCC consolidated grant for the audit period would be around US$ 7.75 million (equivalent to around BDT 620 million). Approximately 70% of the total expenditure is to be incurred at Sub Recipients level including Sub-Sub Recipients’ and 30% at PR level including Direct Implementation. The sub recipients (SRs) implement the program by themselves and through their sub recipients/SSRs throughout the country. It shows that a major portion of expenditure is also incurred at Sub-Sub Recipients (SSR) level.

**Attachment-A** of this Terms of Reference (TOR) includes the list of all Sub Recipients and Sub-Sub recipients (under each lead SR) of the RCC grant with detail contact information.

**Attachment-B** of this Terms of Reference (TOR) contains the entity wise Audit period and Budget of PR, SR and SSR.

**Audit Period:** The current audit period has been mentioned, along with other information in Attachment-B.

**Time line for audit work**: The audit work will be commenced on 08 March 2015. Draft audit report will be submitted to Save the Children and Sub Recipients as applicable by 07 May 2015. Final audit report will be submitted to Save the Children and Sub Recipients as applicable by 31 May 2015.

**Financial statements to be audited:** Consolidated Fund Accountability Statement, Receipts and Payments Account, Cash Flow Statement, Notes to the Accounts Budget vs. Expenditure Statement with variance analysis, a statement or annex showing SR advances and reconciliation of total amount advanced by PR to SRs with SR recorded expenditure and SR cash balances at the end of the reporting period and List of Assets.  All of these are applicable for Save the Children (PR), Sub Recipients (SR) of the program under audit.

The organizations under audit (Save the Children and Sub Recipients) are responsible to prepare the above mentioned statements. The auditor is responsible to certify the financial statement and also to give their findings and opinion on financial record keeping, reasonableness, applicability and allow eligibility of cost as deemed necessary.

The currency of the financial statements will be in US dollar for the report of Save the Children. But the Sub Recipient’s financial statement will be in BDT only.

The auditor will verify the financial activities including books of accounts, the payments and expenses including vouchers, fund transfer process to Sub Recipients by Save the Children and Sub Recipient to Sub Sub-Recipients including Bank Statements. The auditor will physically verify inventory items purchased under the grant and relevant expenditure.

TOR Transactions relating to support from/to Save the Children International to/from the genuineness and necessity of these transactions in relation to the supporting evidence available and the goals of the GFATM program will be critically evaluated and reported on.

The auditor will verify quarterly financial statements which have been submitted to Save the Children by the Sub Recipients. Similarly the auditor will verify and report on Financial Statements submitted by the Sub Sub Recipients to Sub Recipients and clearly express opinions on the fair presentation of the basic Financial Statements. While verifying these reports, the auditor will critically evaluate and report on whether Performance Based Funding (PBF) methodology of TGF has been followed.

* 1. The minimum requirement is that the audit will be carried out in accordance with International Standards on Auditing (ISA) as applicable in Bangladesh or International Standards of Supreme Audit Institutions (ISSAIs) and will include such tests and controls as the auditor considers necessary under the circumstances.
  2. As part of the audit testing procedures, particular attention should be paid to the following areas:

1. **Compliance with applicable legislation** – Verify that the transactions comply in all material respects with any applicable legislation;
2. **Grant expenditures -** Funds received by the Program[[2]](#footnote-2) from disbursements, or generated by the Program’s funds[[3]](#footnote-3), were spent in conformity with the approved budget and workplan existing at the time of the expenditure and in line with provisions of the Grant Agreement, including any applicable grant conditions (as amended by any Implementation Letters), and only for the purposes for which the funds were provided;
3. **System of internal controls** - Assessment of the adequacy and effectiveness of the accounting and overall internal control system to monitor expenditures at all levels of the Program and other financial transactions including special attention to the adequacy and effectiveness of controls around cash transactions;
4. **Follow up on the status of findings of previous audit reports** – The auditor should follow up on management’s intended actions to address the findings of previous audits, including external audit, relevant internal audits and audits issued by the Office of the Inspector General (OIG) of TGF;
5. **Designated bank accounts** - Where Designated Accounts (including those being used under an approved pooled funding program implementation mechanism) have been used by PR and SRs, they have been maintained and operated in accordance with the provisions of the Grant agreement and in accordance with the Global Fund’s rules and procedures;
6. **Safeguarding of assets** - Verify that the PR has put in place mechanisms for the tracking and safeguarding of assets purchased with grant funds and that they are being used for the intended purposes. Verify that Program’s fixed assets register exists, is maintained in accordance with the Grant agreement; that property rights or related beneficiaries’ rights are established in accordance with the Grant’s conditions;
7. **Disbursements to SRs** - Verify that disbursements made by the PR to SRs are in line with the SR sub-grant agreements and the approved work plan and budget. Verify that the PR follows adequate process for validating expenditure reports submitted by the SRs;
8. **Data retention and supporting documentation** - Necessary supporting documents, records, and accounts have been retained in compliance with provisions of the Grant Agreement. Procedures exist for security and management of electronic data (backup systems and procedures, etc.);
9. In addition the Global Fund may request the auditors to review the following areas of concern, in which case the additional scope would be agreed between the Global Fund and the auditors in advance:
10. **Goods and services** - have been procured transparently, competitively and in accordance with the Grant Agreement and relevant procurement Guidelines approved by TGF;
11. **Procurement systems for pharmaceutical and health products** – Verify the evidence that procurement transactions were undertaken in accordance with the grant agreement and the organization’s policies and procedures;
12. **Value for Money** – review grants expenditures with due attention to economy and efficiency.
13. **Auditor’s report**

8.1The auditor should express their opinion which includes followings at minimum level:

* The purpose of this audit report as per grants agreement with The Global Fund to fight AIDS, Tuberculosis and Malaria
* Accounting standards that have been applied and indicate the effect of any deviations from those standards.
* A disclosure of audit standards that have been applied (either INTOSAI standards, ISA or national standards that comply with one of these in all material respects).
* The period covered by the opinion.
* The auditor will serve their opinion whether the Financial Statements and supporting schedules presented are true and fair. The cash receipts and disbursements for the program and that the funds were utilized for the purpose defined by the grant specific reporting points.
* The audit methodology must be clearly mentioned in the audit report.
* The auditor will provide five original copies of the final audit report along with management letter to Save the Children. Copy of the final audit reports will be forwarded to Local Fund Agent (LFA) of Global Fund and to The Global Fund secretariat at Geneva, Switzerland. Among others the contents of the audit reports will include separate financial statements of each of the sub recipients and on the top the financial statement of Save the Children on total grants. The formats and templates of minimum financial statements will be provided by Save the Children. The auditor will also provide separate audit reports for each of the sub recipients (SR) under the RCC consolidated grant at their end.

*In preparing the audit report, the selected audit firm will issue an audit opinion on the financial statements in accordance with ISA or ISSAI*.

1. **Management Letter.**
   1. In addition to the audit report, the auditors will prepare a management letter in which they shall:
2. Set out any instances of non-compliance with the Grant agreement that were noted by the auditors in the course of their work to form an opinion on the GPFS;
3. Provide a schedule of ineligible and unsupported expenditures identified by the auditors in the course of their work;
4. Comment on instances of non-compliance in the accounting records, procedures, systems and controls that were examined during the course of the audit with particular reference to ineligible expenditures and systematic weaknesses;
5. Provide recommendations to address the observed deficiencies and areas of weakness in systems and controls which may be effected promptly;
6. Communicate matters that have come to their attention during the audit which might have a significant impact on the implementation and sustainability of the grant program;
7. Report on the implementation status of recommendations contained in previous audit reports;
8. Include responses made by the PR in discussing audit recommendations, along with a timeline for implementing agreed recommendations. In cases where either the PR does not accept an audit finding or the auditor disagrees with the adequacy of the management response, the management report will acknowledge that disagreement. All observations and recommendations will be discussed with PR management before the letter is finalized.
   1. It must be clearly noted on the face of the Management Letter that it is a confidential document and must be treated as such.
   2. The Management Letter should state that the auditor acknowledges and agrees that the Management Letter shall be shared with GF and the Local Fund Agent (LFA) on a confidential basis.
   3. The Management letter should use a system of grading points depending on the level of severity in line with that proposed in the *Guidelines for the annual audits of PRs’ and SRs’ financial statements*.

**Attachment-C** of this Terms of Reference (TOR) General Guidelines for Management Letter (M/L)

1. **General Information** 
   1. Auditors will be granted timely, full and unrestricted access to PR’s (and SRs’) financial management system, accounting record, asset, property and personnel that may assist in clarifying any matter related to the audit.
   2. It is highly recommended as part of auditing requirements on understanding the nature of the entity’s operations, that the auditors familiarize themselves with the following:
2. GF’s *Guidelines for the annual audits of Global Fund Grant Program Financial Statements:* [*Guidelines and Tools - The Global Fund to Fight AIDS, Tuberculosis and Malaria*](http://www.theglobalfund.org/en/lfa/documents/)*;*
3. Grant agreements between the PR and GF and sub-grant agreements concluded with SRs. Any correspondence from GF approving a reprogrammed budget affecting the audited year;
4. Progress Updates (PU/DRs) and Management Letters. Confirmation of amounts disbursed and outstanding at the Global Fund should also be obtained;
5. Enhanced Financial Reports (EFR);
6. Guidelines for Budgeting on GF programs: [*Operational Policies, Guidelines and Tools - The Global Fund to Fight AIDS, Tuberculosis and Malaria*](http://www.theglobalfund.org/en/library/guidelinestools/);
7. PR’s approved Finance, Procurement, SRs’ Management and other relevant Manuals;
8. *It is also recommended to obtain an understanding of the Proposal/Concept Note under which the grant is being implemented. Proposals are available at the following link* [*Grant Portfolio - The Global Fund to Fight AIDS, Tuberculosis and Malaria*](http://portfolio.theglobalfund.org/en/Home/Index) *and then navigate to the respective country page.*
   1. The auditors are strongly encouraged to contact the LFA prior to preparing the audit plan enabling the LFA to highlight any key weaknesses and areas of concern upfront. During the course of the audit, the Auditors are encouraged to contact the LFA as and when needed to obtain any additional information/clarifications.

**The Audit Fee:** Audit Fee will be made in Taka after receiving the final audit reports as per the TOR. Necessary Tax and VAT will be deducted at source as per applicable law of the country. Save the Children shall not pay or reimburse the auditor for any expenses other than the above agreed service fee.

It is expected that the auditor will be able to submit the audit reports to Save the Children and to the 5 partner organizations under 6 packages as per above scheduled time frame. Otherwise, Save the Children may impose penalty on total audit fee for such failure.

**Qualifications of the Auditor:** The auditor who will sign the report must be at least a chartered accountant and be completely impartial and independent from all aspects of management or financial interests in the entity being audited or those of its implementing/supervising agency or directly related entities. The auditor should not, during the period covered by the audit nor during the undertaking of the audit, be employed by, serve as director for, or have any financial or close business relationships with any senior participant in the management of the entity. It may be appropriate to remind an auditor of any existing statutory requirements relating to independence and to require an auditor to disclose any relationship that might possibly compromise his/her independence.

The auditor should be experienced in applying either ISA or INTOSAI audit standards, whichever is applicable for this audit. The auditor must employ adequate staff with appropriate professional qualifications and suitable experience with ISA standards, including experience in auditing the accounts of entities comparable in size and complexity to the entity being audited.

**Qualification of the Audit Team Members:**

At least three years of professional work experience is required and must be approved by Save the Children. Curriculum Vitae (CVs) should be provided to the client by the principal of the firm of auditors who would be responsible for signing the opinion, together with the CVs of managers, supervisors and key personnel proposed as part of the audit team. It would be appropriate to indicate required/minimum professional qualifications necessary for the senior auditors/principals responsible for the audit. CVs should include details on audits carried out by the applicable staff, including ongoing assignments indicating capability and capacity to undertake the audit.

**Termination:** Either party may terminate this agreement at any time and for any reason, upon five (5) days written notice to the other party. In the event of termination pursuant to this section, the auditor shall be entitled to receive any payments earned or accrued through the date of termination or refund any amount if they receive in advance.

**Confidential Information:** In view of the fact that Auditor’s relationship with  Save the Children creates a relationship of confidence and trust between Auditor and Save the Children with respect to many confidential affairs of Save the Children, not really available to the public including plans for further developments, auditor agrees to retain in the strictest confidence on all confidential matters and information of Save the Children and its agents, including, without limitation, a) business plans; b) projections; c) strategic planning documents; and d) programmatic results (financial or otherwise), excepting information of the kind disclosed in the ordinary course of business, learned by them heretofore or hereafter; and further agrees not to disclose such information to anyone outside the Save the Children, either during or after this agreement is terminated. Disclosure is allowed in the course of performing the duties and responsibilities as specified with Save the Children’s express written consent. Matters shall be considered to be confidential only to the extent not publicly known or not of common knowledge of those familiar with a business like that of Save the Children. This paragraph survives the termination of the agreement.

**Certification Regarding Terrorism:** The  Auditor hereby certifies that it has not provided and will not provide material support or resources to any individual or organization that it knows, has reason to know, is an individual or organization that advocates, plans, sponsors, engages in, or has engaged in an act of terrorism.

Auditor has to comply with the GF Code of Conduct for suppliers available at the GF website:

[http://www.theglobalfund.org/en/library/documents/Code of Conduct for Suppliers](http://www.theglobalfund.org/en/library/documents/Code%20of%20Conduct%20for%20Suppliers)

1. Depending on the scope of the audit report as described in the foreword. [↑](#footnote-ref-1)
2. Including goods and services from direct disbursements to third parties. [↑](#footnote-ref-2)
3. From Interest generated, Revenues, exchange gains, VAT recoveries, recovery of funds from ineligible expenditures or other concept, etc. [↑](#footnote-ref-3)