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**TERMS OF REFERENCE**

* **Audit Services -**

**Principal Recipient(PR):** Southern Africa Malaria Elimination Eight Initiative Secretariat

**Grant Number:** 849

**Title of Program:** Malaria Elimination in Southern Africa

**Period covered by the audit:** 01 October 2015 – 31 December 2016

**Audit timeline:** Audit report and Management Letter to be submitted by March 15 2017

1. **Program background:**

Eight of the 15 Southern African Development Community (SADC) member states are presently collaborating on an initiative to eliminate malaria from within their bordrs. Four of theses countries – Botswana, Namibia, South Africa and Swaziland – have reduced malaria transmission to the point where elimination in the short term is feasible – conditional on a simultaneous regional controll effort to reduce malaria transmission across the sub-region.

Malaria transmission dynamics among these eight countries are highly connected, being linked through population movement and malaria ecologies. As a result of this interconnectedness, these “frontline”countries have continually batled high importation of the disease from their four nothern neighbours – Angola, Mozambique, Zambia and Zimbabwe. These nothern coutries – the “second line” countries – experience notably highr malaria transmissiion, which serves as a continued reservoir of infection that is subsequently imported into the four eliinatingg countries, preventing them from from achieving elimination. These eight countries have therfoe banded together to form a sub-regional initiative – the Elimination 8 (E8). The E8 is founded on addressing the barriers to elimination that extend beyond the limits of what any individual state can control or mitigate; it adresses these barriers and facilities multilateral collaboration on a set of regional activities that synergistically reinforce and accelerate progress, making malaria elimination possible in each of the countries. Elimination in the “frontline four” – will pave the way for a subsequent elimination drive among the four “second line”counties to the north.

* 1. **Strategic Objectives:**

1. To strenthen regional coordination in order to achieve elimination in each of the E8 member counties
2. To expand access to early diagnosis an treatment for border communities as well as mobile and migrant population.
3. To strengthen regional epidemological and entomological surveillance systems by the end of 2017
   1. **Core Priority Programme Areas**
4. Case Management
5. Active Case Detection
6. Regional Surveillance Database, Analysis and Feedback
7. Epidemic Preparedness and Response
8. Regional Laboratory
   1. **Supportive Programme Areas**
9. Procurement & supply manangement (PSM)
10. Programme Management
11. Health Information Systems (Monitoring and Evaluation)

The grant implementation period is 01 October 2015 to 30 September 2018. The Grant Funds received from the Global Fund is U$17 817 031.00 (Seventeen Million Eight Hundred and Seventeen Thousand and Thirty – One US Dollars) or its equivalent in other countries. The E8 Secretariat will implement part of the grant through contractors across the boarders of the eight countries.

1. **Objectives of the Audit**

The objective of the audit of the Grant Program Financial Statements (GPFS) is to enable the auditor to express an independent professional opinion on:

1. 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 (Elimination 8) in the GPFS and in accordance with International Financial Reporting Standards(IFRS).;
2. 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;
3. 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;

Whether the GPFS agree or reconcile with other information reported to GF i.e. Progress Updates and Enhanced Financial Reports.

* 1. **Audit scope of work**

The minimum requirement is that the audit will be carried out in accordance with International Standards on Auditing (ISA) and will include such tests and controls as the auditor considers necessary under the circumstances.

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 the requirements of the Companies Act of Namibia. For expenditures incurred in other jurisdictions, the auditor should verify their compliance with the requisite legislation.
2. **Grant expenditure**-Funds received by the Program from disbursements, or generated by the Program’s funds, 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 entity’s 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 contractors**-Verify that disbursements made by PR to Contractors are in line with the Contractor agreements and the approved work plan and budget. Verify that the Elimination 8 follows adequate process for validating expenditure reports submitted by the Contractors.
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 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 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.
    1. **Available documents and facilities**

Elimination 8 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 Principal Recipient and Sub-Recipient 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 as well as contractor agreements;
3. Main supporting schedules to the financial statements including: income and expenditure, assets and liabilities, cash records;
4. Interim monthly or quarterly grant activity reports (programmatic as well as financial);
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 Global Fund and Elimination 8, Elimination 8 and Contractors 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. Locations of contractor accounting records
    1. **Responsibility for the preparation of Grant Program Financial Statements (GPFS).**

The responsibility for the preparation of consolidated GPFS or of separate GPFSs for each entity covered by the audit, if applicable, lies with the Elimination 8 Secretariat.

* 1. **Grant Program Financial Statements (GPFS).**

The financial statements should include the following components:

1. In the currency of the grant agreement, an Income and Expenditure Statement (IES) showing GF funds received, any other income received and all grant expenditures. Grant expenditures should be reported against the budget as defined in the grant agreement for the period with the actual expenditure allocated to tee same budget categories disclosed for the implementing entity;
2. A statement of financial position;
3. A statement of changes in net assets;
4. Any other footnotes applicable;
5. Supplemental statements on advances and fixed assets, including where applicable (a) a statement or annex showing Contractor advances and reconciliation of total amount advanced by PR to Contractors with Contractor recorded expenditure and Contractor cash balance at the end of the reporting period, (b) a listing of all fixed assets purchased with grant funds.
   1. **Auditors report**

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

* 1. **Management Letter**

In addition to the audit report, the auditors will prepare a management letter in which they shall;

1. Set out any instances of non-compliance with the Grant agreement that were noted by the auditor in the course of their work to form an opinion on the GPFS;
2. Provide a schedule of ineligible and unsupported expenditures identified by the auditors in the course of their work;
3. 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;
4. Provide recommendations to address the observed deficiencies and areas of weakness in systems and controls which may be effected promptly;
5. 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;
6. Report on the implementation status of recommendations contained in previous reports;
7. Include responses made by the PR (Elimination 8) in discussing audit recommendations.

It must be clearly noted on the face of the Management Letter that it is a confidential document and must be treated as such.

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.

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 PR’s and SR’s financial statements.

* 1. **General information**

The audit report and accompanying management letter, including the PR’s responses, should be received by the Global Fund within three (3) months after the end of the reporting period under audit.

The selected audit firm will also be granted timely, full and unrestricted access to the entity’s financial management system, accounting records, assets, property and personnel that may assist in clarifying any matter related to the audit.

To assist the selected audit firm in planning the audit, the PR will make available as a minimum the documents and information stated below. It is highly recommended that the auditors familiarize themselves with the following:

1. GF’s guidelines for the annual audits of Global Fund Grant Program Financial Statements:
2. Grant agreements between the PR and GF. Any correspondence from GF approving a reprogrammed budget affecting the audited year;
3. Progress updates (Pu/DR’s) and Management Letters. Confirmation of amounts disbursed and outstanding at the Global Fund should be obtained;
4. Enhanced Financial Reports (EFR);
5. Guidelines for Budgeting on GF Programs
6. PR’s approved Finance, Procurement, SR’s Management and other relevant Manuals;
7. An understanding of the Proposal/Concept Note under which the grant is being implemented

The auditors are strongly encouraged to contact the LFA , Global Fund Country Team and the Secretariat 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 and Country Team as and when needed to obtain any additional information/ clarifications.

* 1. **Auditor’s Qualifications**

The person appointed, as the project auditor should:

1. have an internationally recognized professional accounting qualification i.e. the person appointed should be either a certified public accountant, a chartered accountant or should be the holder of an equivalent professional accounting qualification;
2. be a member in good standing of a body of accountants affiliated to the international Federation of Accountants (IFAC); and;
3. have experience and knowledge of the Global Fund’s current financial management requirements or other international agencies.
4. The auditor must be a registered firm. Independent or individual auditors will be disqualified.

In order to avoid potential conflicts of interest, the person appointed as auditor will not be allowed to advice on the establishment of the project’s financial management system.

* 1. **Duration of Engagement**

The audit engagement will be for only for this assignment.

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

The objective of the audit is to enable the auditor to express an opinion on the financial statements of the Global Fund Program as well as those of the E8 Secretarial as a PR and its contractors.

An annual audit, in terms of the International Standards on Auditing is required for the fifteen months ended 31 December 2016.The Secretariat will implement parts of the grant through certain contractors and the contractors will be subject to internal and external audits. The auditor will thus be required to verify the accounting records of the E8 contractors. The selected auditor will be required to provide an audit report on the grant program financial statements as well as the statutory financial statements of the E8 Secretariat. The selected auditor will report to the Audit Committee of the E8 Secretariat, the Audit Committee will in turn report to the Board of Directors.

1. **Contacts Persons**

**Simon Kunene-E8 Board Chairman**

Ministry of Health Swaziland

Cell: +26876031350

Email: manager@malaria.org.sz

**Kudzai Makomwa – Director**

Elimination 8 Secretariat

First Floor, Channel Life Towers

39 Post Street Mall

Windhoek

Namibia

Cell: +264815779592

Email: [kmakomva@elimination8.org](mailto:kmakomva@elimination8.org)

**Francis Garikayi – Finance and Admin Manager**

Elimination 8 Secretariat

First Floor, Channel Life Tower

39 Post Street Mall

Windhoek

Namibia

Cell: +264818577104

Email: fgarikayi@elimination8.org

**Ester Antonio-LFA**

PricewaterhouseCooper

Arundel Office Park, Building 4, Norfolk Road

Mount Pleasant, Harare, Zimbabwe

Tel/ Fax: +263 4 33 8362-8

Email: [antonio.esther@zw.pwc.com](mailto:antonio.esther@zw.pwc.com)

1. **Evaluation of Proposals (Technical and Financial)**

The Technical proposal shall be evaluated as follows:

1. Understanding of Terms of Reference 20
2. Experience of consultant/firm 50
3. Key personnel’s qualification 30
4. Methodology

Minimum eligible technical score is 75%

The Lowest Financial Proposal (LFP) for eligible proposal will be selected for negotiations.

1. **How to apply**

5.1 Audit firm(s) who meet the requirements of the TORs and the commercial and contractual conditions, and if the auditor find any ambiguity, omission or internal contradictory, or any feature that is unclear or that appears restrictive, they should seek clarification before the closing date of submission;

5.2 Audit firm should ensure that they submit a full proposal including all the supporting documents requested. It is essential to ensure accuracy in the curricula vitae of key staff submitted. The curricula vitae should be signed by the consultants and the key individuals and dated. Noncompliance with important requirements will result in rejection of the proposal;

5.3 Once the proposals are received and opened, auditors shall not be required nor permitted to change the substance, the key staff and so forth;

5.4 The process of proposal evaluation shall be confidential;

5.5 The financial proposal should be in US$ Dollars;

5.6 Bidders are requested to submit (1) one ORIGINAL and (3) Three COPIES clearly marked “ORIGINAL” or “COPY” for each technical and financial offer; and,

5.7 Bidders are reminded to clearly mark technical and financial offer in separate envelopes.

Interested audit firms with international recognition should submit their proposals, clearly indicating ‘Proposal for the Provision of External Audit Services’ on or before Tuesday, 17th January 2017 at 15:00hrs to the following address:

Southern Africa Malaria Elimination Initiative (E8), Channel Life Towers, 39 Post Mall Street, or by email to [procurement@elimination8.org](mailto:procurement@elimination8.org), Windhoek, Namibia.

All Proposals received after this time and date, or submitted otherwise than indicated in this shall not be considered.