

## **ANNEX 1: TERMS OF REFERENCE**

### **AUDIT SERVICES**

#### **I. Programme Summary**

Beneficiary: Romanian Angel Appeal Foundation

Romanian Angel Appeal Foundation is the Principal Recipient (“PR”) of Round 6-TFM<sup>1</sup> TB grant of the Global Fund to Fight AIDS, Tuberculosis and Malaria. Specifically, the funding under the Round 6-TFM TB grant supports the implementation of the Programme entitled “Scaling up Tuberculosis Control in Romania by focusing on poor and vulnerable populations”. Romanian Angel Appeal Foundation was also a Principal Recipient of the Round 6 HIV grant that ended in 2010.

The overall goal<sup>2</sup> of the Programme is to increase the efforts for TB Control activities, by introducing innovative activities, and continuing the proven effective activities in order to decrease the TB burden in Romania.

In order to have the most effective TB control the need is to focus the efforts on vulnerable groups: homeless children and youngsters, prisoners, population from remote / poor areas, MDR-TB patients and to develop some innovative activities as well.

The achievement of the Programme goal is pursued through three main objectives:

- Protect poor and vulnerable populations from TB through targeted education and adherence interventions;
- Strengthen the MDR-TB control by improved MDR-TB case management through early detection, treatment and support interventions to M/XDR-TB patients;
- Ensure the efficient and effective implementation of the GF grant.

In order to achieve the objectives and the indicators set up together with the Global Fund, the Principal Recipient has signed within Phase 1, 7 Sub-Grant Agreements with 7 Sub-Recipients (“SRs”) for the TB Component. Within Phase 2 the Principal Recipient signed 6 Addenda with 6 Sub-Recipients. And within TFM the Principal Recipient signed 3 Sub-Grant Agreements 3 Sub-Recipients and 2 Addenda to Sub-Grant Agreements with 2 Sub-Recipients.

#### **II. Principal Recipient**

The Principal Recipient of the grant is Romanian Angel Appeal Foundation with responsibilities under the grant outlined in the Programme Grant Agreement number ROM-607-G04-T [TMF].

Under the terms of the Programme Grant Agreement, the Principal Recipient may provide Grant funds to other entities to carry out Programme activities (i.e. Sub-Recipients).

---

<sup>1</sup> TFM = Transitional Funding Mechanism

<sup>2</sup> For more information please access the link <http://www.fonduglobal.ro/en/implementation-status/tb/>

For details on the organizational chart of the Principal Recipient, please see the RAA's Organization Chart attached in Annex 3 to the Invitation Letter. A detailed description of Principal Recipient activities can be found on <http://www.fondulglobal.ro/primator-principal/raa/>

*Address of the Principal Recipient*

Romanian Angel Appeal Foundation  
52, Rodiei Street, Sector 3  
030956, Bucharest – Romania  
Phone: +40 21 323 68 68  
Fax: +40 21 323 24 90  
E-mail: [office@raa.ro](mailto:office@raa.ro)

*List of Senior Officers and Contact Details:*

Silvia Asandi – General Manager  
Phone: +40 21 323 68 68  
Fax: +40 21 323 24 90  
E-mail: [office@raa.ro](mailto:office@raa.ro)

*List of Contact Persons responsible for Accounting, Financial Management and Internal Audit*

Ana-Maria Duca – Procurement Manager  
Phone: +40 21 323 68 68  
Fax: +40 21 323 24 90  
Mobile: +40 0731 137 523  
E-mail: [ana.duca@raa.ro](mailto:ana.duca@raa.ro)

Mihaela Nacu – Financial Officer / Financial Manager ad Interim

Phone: +40 21 323 68 68  
Fax: +40 21 323 24 90  
Mobile : +40 0731 137 524  
E-mail: [mihaela.nacu@raa.ro](mailto:mihaela.nacu@raa.ro)

### **III. Financial Statements**

1. According to the Grant Agreement the budget for year 2013 (1 January 2013 – 31 December 2013) of Programme implementation is EUR 2,619,776.

2. *Funds Received and Disbursed for year 2013:*

Budget for 2013	EUR 2,619,776
Funds received from the Global Fund	EUR 2,616,208
Disbursed to the SRs (1 January 2013 – 30 September 2013)	EUR 1,196,083
Spent by the PR (1 January 2013 – 30 September 2013)	EUR 158,689
Spent by SRs (1 January 2013 – 30 September 2013)	EUR 1,062,732

### *3. Accounting standards*

The Principal Recipient and the Sub-Recipients prepare their accounts in accordance with the Accounting Law no. 82/1991, as amended and with the regulations issued by the Ministry of Finance applicable to non-profit legal entities and to public institutions.

The Programme Financial Statements are prepared on the cash receipts and payments method and Global Fund Guidelines. On the cash basis, revenue is recognized when cash is received and expenses are recognized when cash is paid rather than when incurred.

The Programme Financial Statements are prepared in EURO. The Romanian Lei (RON) equivalent of expenditures is calculated according to the exchanges rate provided by the Principal Recipient's bank on the day of disbursement.

The Principal Recipient and the Sub-Recipients must use different bank accounts for each activity covered by the Programme. The bank accounts must be opened in Lei/RON, to an agreed bank that offers competitive interest rates. The Principal Recipient and the Sub-Recipients can use the funds granted only for the implementation of the activities covered by the Programme. The Principal Recipient and the Sub-Recipients must keep the funds received in the current accounts.

Similar to the special bank accounts, the Principal Recipient and the Sub-Recipients must open special cash registers, different for each activity covered by the Programme, for the expenses made through the cash register.

The expense reports must be made on a quarterly basis. Segregation of duties must be enforced for activities such as: payments approval, expenses eligibility verification, processing of payments and accounting for payments.

The Project's accounting system (books and records) was established to record the financial transactions of the Project and is maintained by the SRs.

The Project's accounting system (books and records) provides the basis for the preparation of the special-purpose Project Financial Statements and special-purpose Statement of Special Accounts (all referred as "the Project Financial Statements").

## **IV. Objective of the services / Audit Scope**

The purpose of the audit of the Programme Financial Statements is to enable the auditor to express a professional opinion on the special purpose Financial Statements of projects:

1. managed by the PR and financed from the Global Fund Grants for the year ended 31 December 2013 and cumulative since the commencement of the projects;
2. implemented by the SRs and financed by PR from the Global Fund Grants for the year ended 31 December 2013 and cumulative since the commencement of the projects.

The objective of the audit services is to allow the audit firm ("Auditor") to express an independent opinion on the financial statements of the projects developed by the Principal Recipient and the Sub-Recipients and financed by the Global Fund starting with the date of

Grant Agreement signing. The purpose of the audit is to verify the projects' financial statements, the accounting documents and registrations, the projects' accounts statements and the financial transactions run through these.

Following this process, the Auditor will envisage the strengths and vulnerabilities of the management procedures and will make recommendations.

In order to perform the audit, the auditor would have full and complete access at any time to all records and documents related to the project (including books of account, legal agreements, minutes of committee meetings, bank records, invoices and contracts etc) and all employees of the entities.

The audit report would state if the audit was not in conformity with any of the audit standards that were stated as being applicable for this audit and should indicate the alternative standards or procedures followed.

#### **V. Description of the Auditor's activities and responsibilities (Principal Recipient and Sub-Recipients)**

The Auditor and its team have to be independent and not to be involved in any relation with the Beneficiary (the Principal Recipient and the Sub-Recipients) or with any members of the Beneficiary's staff.

The Auditor would have full and complete access at any time to all records and documents (including books of account, legal agreements, minutes of meetings, bank records, invoices and contracts etc.) and all employees of the entity related to the project.

In order to achieve the above mentioned objectives, the Auditor will perform the following activities:

- a. The audit will be performed in accordance with the International Standards on Auditing (ISA) issued by IFAC – International Federation of Accountants, with a special attention to ISA 701 “Modifications to the independent auditor's report” applicable starting with 31 December 2006, and to ISA 800 “The Independent Auditor's Report on Special Purpose Audit Engagements”, and by following the Ethics Code for professional accountants.
- b. Special attention will be paid whether the Programme Financial Statements have been prepared in accordance with the Grant Agreement and the accounting principles stated above and whether grant funds have been spent in accordance with the conditions of the relevant financing agreements.
- c. The Auditor will verify during his mission the contractual documents of the Principal Recipient and those of the Sub-Recipients, with special attention on the Sub-Recipients Annex 2. Budget of the Project and Annex 3. Procurement Plan of the Project. The Auditor will verify the financial reports and statements of the Principal Recipient and of the Sub-Recipients and their correspondence with the Grant Agreement and Annexes 2 and 3 of the Sub-Grant Agreements, separately for the Principal Recipient and for the Sub-Recipients.

- d. The period which will be audited is between 1 January 2013 and 31 December 2013.
- e. The audit process will envisage particularly the following aspects:
- If the funds received have been used in accordance with the conditions of the Grant Agreement and the Sub-Grant Agreements and served the purpose of the project;
  - If the goods, services and works have been procured in accordance with the Grant and Sub-Grant Agreements, the Operational Manual ([www.raa.ro](http://www.raa.ro)) and the Procurement Supply Management Plan applicable for Romania;
  - To verify if the expenditures for a transaction or an operation have been accurately registered in the Beneficiary's accounting system and Financial Report and if they are backed up by supporting documents. Furthermore, the Auditor verifies if the expenditures for a transaction or operation have been reported to the proper chapter/budget line.
  - To verify if the budget from the Financial Report corresponds with Annex 2. Budget of the Project (the accuracy and authorisation of the initial Budget) and if the expenditures incurred have been included in the budget of the project;
  - To verify if the Requests for Funds of the Sub-recipient is correct and in accordance with the provisions of the Sub-Grant Agreement and the Operational Manual;
  - To verify the expenditures and to report all the exceptions that result from this verification. The verification's exceptions represent all the exceptions found in applying the procedures specified in the Operational Manual. In all cases the Auditor will evaluate the financial impact (the estimated impact) of the exceptions as related to non-eligible expenditures. For example: if the Auditor should find an exception regarding the procurement rules, he will evaluate how this has led to non-eligible expenditures. The Auditor will report all the exceptions found, including the ones where he cannot measure the financial impact.
  - To verify that the necessary supporting documents, records, and accounts have been kept in respect of all Project ventures including expenditures reported via Statement of Expenditures and Special Accounts. Clear linkages should exist between the accounting records and the financial reports presented by the PR;
  - To verify that Special Accounts have been used and have been maintained in accordance with the provisions of the relevant financing agreements;
  - To verify that the special-purpose Project Financial Statements have been prepared in accordance with the applicable accounting principles and practices, and give a true and fair view of the financial position, resources and expenditures of the Projects for the period that is audited.
- f. The Auditor will verify if all the information from the Financial Reports is in accordance with the Beneficiary's accounting and registration system (i.e. balance sheet, general ledger, various accounting registers, etc.).

- g. The Auditor shall submit to the Beneficiary the accurate planning for the activities that will be performed during his mission, no later than two weeks since the date of contract signing.
- h. The Auditor is responsible for the confidentiality of the information and documents that he has been given access during his mission.
- i. The period of time in which the Auditor will perform the audit and submit an audit report, separately for each entity (Principal Recipient and Sub-Recipients) both in Romanian and English language, is of no more than one quarter (3 months) from the date of contract signing, but no later than 30 May 2014.

The audit report will state if the audit was not in conformity with any of the above and indicate the alternative standards or procedures followed.

### **Special-purpose Project Financial Statements**

(Separately for PR and separately for each SR)

The special-purpose Project Financial Statements should include:

- 1 Statement of Sources and Uses of Funds (Cash Flow Statement) containing:
  - a list of funding sources - showing the funds received from GF – for the PR (i.e. PR Requests for Disbursement) or from PR – for the SRs and Programme funds from other donors (if applicable), separately;
  - a list of the categories for uses of funds for reporting purposes.

The Statement of Sources and Uses of Funds (Cash Flow Statement) format includes the current reporting period and the cumulative figures from the commencement of the Programme.
- 2 a Summary of Expenditures shown under the main Programme headings and by main categories of expenditures for the fiscal year ended 31<sup>st</sup> December 2013 – for the current reporting period and cumulative figures from the commencement of the Programme;
- 3 a Statement of Special Accounts;
- 4 a Balance Sheet showing Accumulated Funds of the Project, bank balances, other assets of the Programmes and liabilities, if any;
- 5 a Special Accounts reconciliation for the year ended 31 December 2013 and cumulatively since the beginning of the Programme (period 1 October 2007 – 31 December 2013). The Special accounts balances should be presented for all currencies related to Global Fund funds, such as: Lei/RON, EURO. The summary of all currencies should be converted in the Programme currency - Euro - when it is included in the Audit report.
- 6 for the PR the Project Financial Statements will contain the master reconciliation for all accounts related to the program: Lei/RON, EUR, Lei/RON VAT account. These will be shown separately for each account.

The above-mentioned financial statements templates, that should be filled in by the Auditor, are provided in Annex 4 attached to the Terms of Reference (“TORs”).

## **Special-purpose Special Accounts** (Separately for PR and for each SR)

In conjunction with the audit of the special-purpose Project Financial Statements, the auditor is also required to audit the activities of the Special Accounts associated with the Project. The Special Accounts usually comprise:

- deposits and replenishments received from the PR or GF;
- interest that may be earned from the balances and which belong to the PR or SRs Projects;
- the remaining balances at the end of each period for all currencies balances in the PR/SRs accounts related to GF funds (RON, EURO).

The auditor must form an opinion as to the compliance with the PR procedures and the balances of the Special Accounts at the end of the fiscal year 2013. The auditor should examine the eligibility of financial transactions during the period under review and fund balances at the end of such a period, the operation and use of the special-purpose Special Accounts in accordance with the financing agreements, and the adequacy of internal controls for this type of disbursement mechanism.

The special-purpose Special Accounts statements and the auditor's report should reconcile with the special-purpose Project Financial Statements.

### **VI. A. Audit Report - the following results should be produced:**

1. The Auditor will submit one final audit report separately for each Sub-Recipient and Principal Recipient by 30<sup>th</sup> May 2014. Two weeks prior to the submission of final audit report the Beneficiary (Principal Recipient and Sub-Recipients) will have time to comment on the report. The audit report shall include the following information:
  - A definition of the entity or the portion of an entity that is subject to the audit,
  - That it is a special purpose report and its intended use,
  - Accounting standards that have been applied and that indicate the effect of any deviations from these standards
  - The audit standards applied – ISA (International Standards of Auditing - published by the International Auditing Practices Committee of the International Federation of Accountants)
  - The period covered by the audit
  - Whether the Programme Financial Statements present fairly the cash receipts and disbursements made under the Programme and whether the funds were utilized for the purposes defined in the Programme Grant Agreement
  - Whether the reports of the Sub-Recipients present fairly the cash receipts and disbursements under the Programme and whether the funds were utilized for the purposes defined in the signed agreements between the Romanian Angel Appeal Foundation and the sub-Recipients;

- A summary of the funds received; for the PR the summary will show the funds for all accounts related to the program: Lei/RON, EUR, Lei/RON VAT account. These will be shown separately for each account.
  - A summary of the expenditures on each budgetary chapter and on each main budget caption per each reporting quarter separately and cumulative up to the end of the fiscal year (31 December 2013);
  - A statement on the special project accounts. For the PR the statement will show distinctly all the accounts for all currency: Lei/RON, EUR, Lei/RON VAT account.
2. The audit reports, English and Romanian version, will be first submitted by e-mail to each Sub-Recipient and to the PR so that the accuracy of the translation could be verified. This format should be submitted no later than 10<sup>th</sup> May 2014.
  3. The final audit report will be both in Romanian and English language separately for each Sub-Recipient and Principal Recipient. Each report will be written and signed in 6 copies: three copies in English and three copies in Romanian; one copy in English and one copy in Romanian for the Global Fund and LFA, one copy in English and one copy in Romanian for the Sub-Recipient and one copy in English and one copy in Romanian for the Principal Recipient. In case of any translation/different interpretation issues occur, the English version shall prevail. In case of any translation/different interpretation issues occur, the English version shall prevail. All 6 copies (three copies in English and three copies in Romanian) will be signed by the Auditor. The auditor will also submit the electronic format of the audit reports, signed and stamped, on a CD/DVD.

## **VI.B. Management Letter**

1. In addition to the audit reports, the auditor **must** prepare a "management letter,"(English and Romanian language), separately for each Sub-Recipient and Principal Recipient, in which the auditor will:
  - a) give comments and observations on the accounting records, systems, and controls that were examined during the course of the audit;
  - b) assessment of the internal control system of the PR and the Sub-Recipients;
  - c) identify specific deficiencies and areas of weakness in the internal control system and the financial management of the Programme and make recommendation for their improvement;
  - d) report on the compliance of each financial covenant in the relevant financing agreement;
  - e) communicate matters that have come to attention during the audit which might have a significant impact on the implementation of the project;
  - f) bring to the PR's attention any other matters that the auditor considers pertinent; and
  - g) include management's comments in the final management letter.
  - h) report if the recommendations from the previous audit report for the Programme have been applied.
2. The management letters, English and Romanian version, will be first submitted by e-mail to each Sub-Recipient and to the PR so that the accuracy of the translation could be verified. This format should be submitted no later than 10<sup>th</sup> May 2014.



3. The management letter will be both in Romanian and English language separately for each Sub-Recipient and Principal Recipient. Each letter will be written and signed in 6 copies: three copies in English and three copies in Romanian; one copy in English and one copy in Romanian for the Global Fund and LFA, one copy in English and one copy in Romanian for the Sub-Recipient and one copy in English and one copy in Romanian for the Principal Recipient. In case of any translation/different interpretation issues occur, the English version shall prevail. In case of any translation/different interpretation issues occur, the English version shall prevail. All 6 copies (three copies in English and three copies in Romanian) will be signed by the Auditor. The auditor will also submit the electronic format of the management letters, signed and stamped, on a CD/DVD.

**VII. Necessary qualifications:**

**The Auditor shall have the following qualifications:**

- the Auditor and the members of the audit team must have graduated from a University with major in the area of financial audit;
- the Auditor has to be an active member of the Chamber of Financial Auditors of Romania (“CAFR”); and to submit copies of the CAFR member certificate and of the CAFR member book stamped for the current year;
- The auditor must be experienced in applying ISA audit standards;
- The auditor must employ adequate staff with appropriate professional qualifications, and suitable experience with ISA standards, including experience in auditing accounts of entities comparable in size and complexity to the entity being audited;
- The Auditor should have strong knowledge on the fiscal and labour legislation applicable in Romania, and to become familiar with the procedures of the Operational Manual and of the Global Fund Guidelines for Audit of Programme Financial Statements.
- The audit company should have experience in auditing donor-funded Programmes;
- Fluency in reading and writing in English;
- CVs should be provided to the Principal Recipient 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. The CVs will be submitted in Europass format.

**VIII. Evaluation criteria**

The evaluation criterion is the most advantageous offer based on the quality-price criteria.

No	Criteria	Maximum score to be awarded
1	<p><b>General qualifications</b></p> <p>a. Engagement leader – at least 7 years of experience: 15 points. For less than 7 years experience no points will be awarded.</p> <p>b. Auditor proposed team – at least 2 members with at least 3</p>	30 points

	years of experience: 15 points. For less than 3 years experience for at least 2 team members no points will be awarded.	
2	<p><b>Skills and experience of the Auditor</b></p> <p>a. Number of projects with non-reimbursable financing (for e.g.: PHARE, European Structural Funds, SAPARD, GFATM, etc.) audited during the last 3 years – maximum 30 points. A list of projects audited will be presented together with the contract value.</p> <ul style="list-style-type: none"> <li>– Between 1 – 4 projects audited: 5 points</li> <li>– Between 5 – 10 projects audited: 15 points</li> <li>– More than 10 projects audited: 30 points</li> </ul> <p>b. Number of auditor team members proposed (auditors and accountants) – maximum of 20 points for the largest team. For other number of persons proposed the points awarded will be calculated proportionally between the offers with the largest team divided to the “n” offer team and multiplied with the maximum score</p>	50 points
3	<p><b>Lowest financial offer:</b> maximum 20 points</p> <p>a. for the lowest financial offer the maximum of 20 points will be awarded</p> <p>b. for other financial offers the score will be awarded as following:</p> $P_{pr} = ( \text{minimum offer} / n \text{ offer} ) \times \text{maximum awarded points}$ <p>The financial offers/quotations compared are the the prices tendered including VAT.</p>	20 points
	<b>Maximum points to be scored</b>	<b>100 points</b>

### **IX. Location and reporting**

The Auditor will prepare audit reports for the following Sub-Recipients, in accordance with the Terms of Reference:

- Fundatia Central pentru Politici si Servicii de Sanatate – CPSS, Bucharest (Foundation Center for Health Policies and Services), audit report for 2 projects – deadline for submission 30 May 2014;
- Salvati Copiii Romania – SC, Bucharest (Save the Children Romania), audit report for 1 project – deadline for submission 30 May 2014;
- UIP-TB - Administratia Nationala a Penitenciarelor – ANP, Bucharest (National Administration of Penitentiaries ), audit report for 1 project – deadline for submission 30 May 2014;
- Institutul de Pneumoftiziologie “Marius Nasta” – Bucharest (“Marius Nasta” Pneumology Institute), audit report for 1 project – deadline for submission 30 May 2014;

- UNOPA (Uniunea Nationala a Organizatiilor Persoanelor Afectate de HIV/SIDA) and Sub-SubRecipient ASPTMR (Asociatia pentru sprijinirea pacientilor cu tuberculoza multidrog-rezistenta) – Bucharest, audit report for 1 project – deadline for submission 30 May 2014;
- Romanian Angel Appeal Foundation – Bucharest, audit report for 1 project – deadline for submission 30 May 2014.

## **X. Audit plan**

The estimated calendar for the audit 2013 procurement procedure and service supplying:

- 25<sup>th</sup> November 2013 – starting the procurement procedure
- 9<sup>th</sup> December 2013, 12.00 o'clock – deadline for tenders' submission
- 9<sup>th</sup> – 13<sup>th</sup> December 2013 – evaluation and selection of most advantageous offer
- 16<sup>th</sup> – 20<sup>th</sup> December 2013 – signing the contract with the selected auditor
- until 30 May 2014 - financial audit reports to be sent to GFATM and LFA

## **General**

Because of the test nature and other inherent limitations of an audit, together with the inherent limitations of any accounting and internal control system, there is an unavoidable risk that even some material misstatements may remain undiscovered. The responsibility for the preparation of financial statements including adequate disclosure is that of the management of the Principal Recipients and the Sub-Recipients. This includes the maintenance of adequate accounting records and internal controls, the selection and application of accounting policies, and the safeguarding of the assets of the entity. As part of the audit process, the auditor will request from the management written confirmation concerning representations made to the auditor in connection with the audit.

According to the Global Fund guidelines, the Principal Recipient has the right to not take into consideration the offers / tenders submitted by an auditor which has performed the Programme audit for 2 consecutive years.