



ENHANCED TERMS OF REFERENCE FOR EXTERNAL AUDIT SERVICES

USG-FUNDED PROGRAMS – COMPLIANCE WITH 2 CFR PART 200

1. Background

Management and Development for Health (MDH) is a Tanzanian non-governmental organization dedicated to strengthening health systems and improving public health outcomes through evidence-based interventions, research, and technical assistance.

MDH implements multiple donor-funded programs, including projects funded by the United States Government (USG), and prepares its annual financial statements in accordance with International Public Sector Accounting Standards (IPSAS).

MDH seeks to engage an independent external audit firm to conduct the annual audit of its financial statements and related donor-funded programs.

2. Audit Objective

The objective of the audit is to enable the external auditor to express an independent professional opinion on whether:

1. The financial statements present fairly, in all material respects, the financial position of MDH.
2. The financial statements have been prepared in accordance with IPSAS.
3. Funds received and expenditures incurred have been utilized for their intended purposes.
4. Internal controls are adequately designed and operating effectively.
5. MDH has complied with applicable donor requirements, laws, regulations, grant agreements, and internal policies.

3. Scope of Audit

The audit shall be conducted in accordance with:

- International Standards on Auditing (ISA);
- International Public Sector Accounting Standards (IPSAS);
- International Ethics Standards Board for Accountants (IESBA) Code of Ethics;
- Applicable laws and regulations of the United Republic of Tanzania;
- Award agreements and donor requirements;



- 2 CFR Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards;
- Applicable provisions issued by US Government agencies and other donors funding MDH programs.

The auditor shall plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement and that donor-funded activities have been managed in accordance with applicable regulations and award conditions.

4. Review of Internal Controls

In accordance with 2 CFR 200.303, the auditor shall evaluate whether MDH has established and maintained effective internal controls over Federal awards.

The review shall include assessment of:

- Control environment and governance structures;
- Risk assessment processes;
- Segregation of duties;
- Financial reporting controls;
- Procurement controls;
- Cash management controls;
- Payroll controls;
- Subrecipient monitoring controls;
- Asset management controls;
- Information technology controls;
- Fraud prevention and detection controls;
- Monitoring activities and corrective action processes.

The auditor shall identify any significant deficiencies or material weaknesses in internal controls and provide recommendations for improvement.

5. Compliance Testing of USG Awards

The auditor shall perform compliance procedures over US Government-funded awards and assess whether MDH has complied with applicable Federal requirements.

The audit shall include testing of:

A. Allowable Costs and Cost Principles

Review whether expenditures:



- Are reasonable, allocable, and allowable;
- Are adequately supported by documentation;
- Comply with award terms and conditions;
- Meet requirements of 2 CFR 200 Subpart E.

B. Cash Management

Assess whether cash advances and reimbursements are managed in accordance with donor requirements and applicable regulations.

C. Procurement Standards

Review procurement transactions for compliance with:

- Competitive procurement requirements;
- Conflict of interest provisions;
- Documentation requirements;
- Procurement thresholds and approval procedures.

D. Equipment and Property Management

Assess compliance with property management requirements, including:

- Asset registers;
- Physical verification procedures;
- Asset safeguarding measures;
- Disposition procedures.

E. Subrecipient Monitoring

Where applicable, verify whether MDH has:

- Conducted risk assessments of subrecipients;
- Executed compliant subaward agreements;
- Performed ongoing monitoring;
- Reviewed financial and programmatic reports;
- Followed up on findings and corrective actions.

F. Reporting Requirements

Review whether:

- Financial reports are accurate and complete;
- Reports agree with accounting records;
- Reports were submitted within required timelines.



G. Program Income

Where applicable, verify proper accounting and utilization of program income.

H. Cost Sharing and Matching

Review compliance with any cost-sharing or matching requirements specified in award agreements.

6. Fraud Risk Assessment

The auditor shall evaluate MDH's processes for preventing, detecting, and responding to fraud, waste, abuse, and corruption.

Audit procedures shall include consideration of:

- Fraud risk indicators;
- Related-party transactions;
- Conflict of interest management;
- Whistleblower mechanisms;
- Management override of controls.

Any suspected fraud or material irregularity identified during the audit shall be communicated promptly to MDH management and governance structures.

7. Audit Deliverables

The auditor shall provide the following:

A. Independent Auditor's Report

Expressing an opinion on whether the financial statements are fairly presented in accordance with IPSAS.

B. Report on Internal Control

Including:

- Significant deficiencies;
- Material weaknesses;
- Recommendations for corrective action.

C. Compliance Report

Addressing compliance with:

- Award agreements;
- Applicable Federal regulations;
- 2 CFR Part 200 requirements;



- Donor-specific regulations.

D. Schedule of Audit Findings and Questioned Costs

The report shall identify:

- Material weaknesses;
- Significant deficiencies;
- Instances of non-compliance;
- Questioned costs;
- Unsupported costs;
- Recommendations and management actions.

E. Management Letter

Including:

- Operational observations;
- Internal control weaknesses;
- Compliance issues;
- Opportunities for strengthening systems and controls.

8. Audit Findings Classification

Audit findings shall be classified according to severity and include:

- Criteria;
- Condition;
- Cause;
- Effect/Risk;
- Recommendation;
- Management response;
- Agreed corrective action plan.

9. Experience Requirements

The audit firm must demonstrate:

- Experience auditing organizations receiving US Government funding;
- Knowledge of 2 CFR Part 200 Uniform Guidance;
- Experience auditing donor-funded programs;
- Experience reviewing internal controls over Federal awards;
- Capacity to identify questioned costs and compliance findings;
- Availability of personnel knowledgeable in donor compliance and IPSAS reporting.



Until Everyone is Healthy

At least one senior member of the audit team should have demonstrable experience conducting compliance audits of US Government-funded awards.