



# TERMS OF REFERENCE

**TITLE: Independent Audit of TFCG's 2016 Financial Statements**

**NAME OF ORGANISATION: Tanzania Forest Conservation Group**

## **BACKGROUND**

The Tanzania Forest Conservation Group (TFCG) is a national non-governmental organization. During 2016, TFCG received funds from donors to conduct activities relating to forest conservation in Tanzania. This Terms of Reference outlines the requirements for an independent auditor to audit TFCG's financial statements for the period from 01/01/2016 to 31/12/2016.

## **FINANCES**

TFCG's total expenditure in 2016 amounts to approximately TZS 5.3 billion. Payments are made in dollars and shillings and reports are submitted to donors for review, and to support fund transfer requests.

### **I Audit objectives**

1. The Audit shall be conducted in accordance with International Standards of Auditing (ISA).
2. The Audit shall comprise as many observations as are considered necessary under the circumstances.
3. The specific objectives of the Audit are as follows:
  - To give an opinion on the organisation's financial statement, in particular whether it presents a true and fair picture of revenue and expenditure in accordance with generally accepted accounting principles.
  - To evaluate TFCG's internal control structure and systems / procedures and to identify any matters worthy of mention, including any substantive shortcomings.
  - To make observations in order to determine whether the Organisation has satisfied in every substantive respect the conditions laid down in the respective project documents. All substantive matters which do not meet the said conditions and all indications of unlawful acts must be identified.

### **II Scope of the audit**

#### **1. Preparation of the audit**

The Auditor should assess the follow-up to the findings and recommendations of previous audits, if any, which are relevant to the audit approach for the coming period and should establish whether proper and timely corrective action was taken by the applicant.

#### **2. Drafting of audit plan**

The Auditor should draw up an audit plan which should include an examination of the structure and functioning of internal controls, an analytical review and a substantive investigation.

#### **3. Implementation**

The Auditor should audit the financial statement on the basis of the audit plan in order to issue an auditor's report.

The Auditor should request a representation from the applicant's management stating that, to the best of its knowledge, the financial statement encompasses all transactions and is accurate and complete in all respects.

The Auditor should ensure that the audit file contains sufficient documents of an appropriate and relevant nature and should record the audit procedures used and the results obtained in the file.

The Auditor should check the contracts concluded between the applicant and other organizations involved in the activities of the Organisation, identifying and quantifying all costs that are not supported with adequate documentation.

The steps listed at II. 1, 2 and 3 are not exhaustive or restrictive and may not impose any limitations on the auditor's professional judgment. Any restrictions on the scope of the audit should be mentioned in the auditor's report.

#### **4. Reporting**

The long-form report should include the following elements:

- i. The aim and scope of the financial audit, and audit criteria applied, where relevant, and any restrictions imposed on the scope of the audit.
- ii. The financial statement with explanatory notes and the accounting principles applied.
- iii. An auditor's report stating clearly the auditor's opinion of the financial statement.
- iv. A letter to the TFCG management with a summary of observations/queries and important recommendations for future improvement.

TFCG Auditors shall prepare a report to the TFCG Committee on the accounts certified in which they may mention:

- i. The extent and character of the examination and any important changes since the previous audit.
- ii. Matters affecting the completeness or accuracy of the accounts such as information necessary for the correct interpretation of the accounts, any amounts, which ought to have been received, but which have not been brought to account and expenditure without adequate supporting documentation.
- iii. Any other matter which should be brought to the notice of the Committee, such as cases of fraud or presumptive fraud, wasteful or improper expenditure of TFCG money or other assets (notwithstanding that the accounting for the transactions may be correct) or expenditure likely to commit the Organization to further outlay on a large scale, any defect in the general internal control system or detailed regulations governing the control of receipts and expenditure not in conformity with the government authorities.
- iv. The accuracy or otherwise of the supplies and equipment records as determined by the stocktaking and examination of the records.
- v. Recommendations on improvements in the financial and administrative practices of the organizations.

#### **III Review**

Donors supporting TFCG reserve the right to review the audit. The auditor concerned should assist this review and should supply the reviewer with all relevant documents relating to the audit.

#### **IV Audit files**

The audit firm must keep an orderly and accessible audit file. It should keep the files for a period of five years {5 years} from the date of completion of the audit.

#### **V. Period of contract performance and performance.**

The auditor will initiate the audit work on (To Be Decided). The draft audit report shall be presented within two weeks of initiating the audit. The final audit report shall be submitted within 5 working days of receiving the management response from TFCG.

#### **VI. Audit reports**

Original and five copies to: Chairman, TFCG P.O Box 23410. Dar es Salaam with electronic copies to [tfcg@tfcg.or.tz](mailto:tfcg@tfcg.or.tz)