

Terms of Reference (ToR) for the hiring of Audit Firm for Auditing of the project titling “Empowering the poor, marginalized communities in Bangladesh for Enabling Access to Land and other Natural Resources”, a project of Association for Land Reform and Development (ALRD)

1. Background:

Association for Land Reform and Development (ALRD) was established in January 1991 as a single focused right based national networking organisation. The emergence of ALRD was mainly to facilitate the land advocacy and capacity building of its partner organisation in enabling access to and control over natural resources of the poor, landless and marginalized communities in Bangladesh. ALRD is the successor to NGO Coordination Council for Land Reform Program (NCCLRP) which was formed in 1987 as a coalition at the initiative of few leading national and international NGOs, willing to promote the land rights of the poor, specially landless and land poor.

NCCLRP was established to support and undertake complementary initiatives to the Government *khas* land (Government's land) distribution program. This comprised of primarily raising awareness of the grassroots people on the relevant government rules, laws, policies and guidelines with further initiatives on mobilization of NGOs and other civil society actors to involve in the distribution process of *khas land*. NCCLRP played a key role in adoption of ‘*Khas Land Distribution Policy*’ by the Government in 1987 and 1998. NCCLRP played significant facilitating role in the drafting and elaboration of the Policy, in particular, in specifying the rights and title of the women in the *khas* land distribution policy.

2. Justification/Rationale:

Association for Land Reforms and Development (ALRD) have been implementing a five years (1 January 2017 to 31 December 2021) project with the financial support of Royal Danish Embassy, Dhaka and Bread for the World (BftW), Germany. It may be mentioned that the yearly budget of the project is BDT 5.5 crore. The project is named “Empowering the poor, marginalized communities in Bangladesh for Enabling Access to Land and other Natural Resources”.

Fund is being reimbursed/transferred from Royal Danish Embassy, Dhaka and Bread for the World (BftW), Germany, for the operation of the project. As per policy of the project donors, the project expenses are to be audited on half yearly basis by an independent audit firm and as per the rule of NGOAB, the project expenses are to be audited annually by any NGOAB enlisted audit firm. For this purpose, ALRD is going to appoint the audit firm for three years (from 1 January 2019 to 31 December 2021) for the last three years of the project period. The external auditor will carry out the audit as per following ToR as well as the prescribed ToR of Development Partner i.e. Bread for the World as well as ToR of NGOAB attached in this document as annexures.

3. Objective of the audit

- a) The objective of the audit of ALRD’s financial statements is to enable the auditors to express an independent professional opinion on the financial position of ALRD and to ensure that the fund utilized for ALRD’s project activities have been used for their intended purposes. These should be done following guidelines given in approved project documents which are detailed in para nr. 6 of this ToR.

- b) The project accounts (books of account) provide the basis for preparation of the project financial statements and are established to reflect the financial transactions in respect of the project, as maintained by the ALRD.
- c) Recommendations on strengths, weaknesses, and improvements required for ALRD's financial system.

4. Scope of the audit

The audit shall include the following but not limited:

- a) Check the correctness and completeness of all the financial transactions;
- b) Check whether the accounts, records, systems, documents and statements are maintained according to generally accepted accounting standards;
- c) Check whether the funds are utilized efficiently and effectively on different activities and all the expenditures are incurred properly;
- d) Check whether the Own Means Contribution from ALRD are in cash and has passed through the books of accounts.
- e) Check whether the advance balances shown in the accounts of the project are in agreement with the books of accounts;
- f) Check internal control system of ALRD and report weaknesses, if any;
- g) Perform any other checking/reviewing as deemed appropriate by the Auditor;
- h) Follow up report of the last audit recommendations and comments, if any;

5. Contents, duration, principles and output of the audit

- a) The auditor shall express his opinion on the financial statements based on the audit. They must conduct the audit in accordance with International Standards of Auditing (ISA) as prescribed by The Institute of Chartered Accountants of Bangladesh and as per scope of audit mentioned in the Audit Agreement.
- b) Further, the auditor must plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
- c) Auditors should state in their report, whether the statements are prepared on the basis of cash or accrual and why. If there is accrual system, it needs to be ensured that there is proper reconciliation of the project fund balance and cash/bank balance; they also should mention whether bank accounts earn interest or not and why.
- d) The auditor shall carry out project audit for the period of **January 2019 to December 2021** on half yearly basis. The audit plan should include:
 - Types of transactions to be checked and the methods/techniques used;
 - Review existing Internal Control System by examination of the appropriateness, relevance and the functioning of the Internal Control System, through the evaluation of the -
 - internal controls of the organization (structures, functions, tasks, authority; responsibilities, methods, procedures, etc.),
 - existence, respect and application of laws, regulations and instructions;
 - protection of resources and assets;
 - prevention of errors and frauds;
 - Examination of the financial regularity, through the control and evaluation of the accounting transactions, in full, as required to be assessed by the auditor;
 - Plan of visits to the spots/beneficiaries, if required;
 - Consult with the concerned persons whom the Auditor deems important to successfully complete this audit.

- e) Prepare and submit audit report as per donors standard auditing format- Royal Danish Embassy, Dhaka and Bread for the World (BftW), Germany (separate audit agreement would be signed between BftW, Auditor and ALRD) and NGOAB requirements which includes both financial and management letter.-
- f) The auditor shall comment whether all formalities in terms of reporting to and getting cleared by NGOAB (according to prevailing act of law) are up to date in relation to implementation of this project, mentioning names of such formalities;
- g) Recommendations for improving the accounting and internal control systems as deemed appropriate.

6. Basic documents of the audit

The following documents are considered to be the basis for this audit:

- Financial management guidelines of ALRD;
- HR Manual of ALRD;
- Donors Financial Rules;
- Donors Agreements
- Decisions/resolutions taken by the Executive Committee of ALRD, if any;
- Audit report of the last external audits;
- Statutory instructions, requirements, and/or necessary guidelines, issued by NGOAB;
- Auditing ToR of NGOAB;
- Auditing ToR of Donors;
- ToR of this audit;

7. Description of the details of the assignment

- a. Verification of the receipts of funds and other incomes;
- b. Verification of the expenditures and checking whether they correspond to the project budget;
- c. Verification of total purchases and checking whether the procedures are followed as per regulation;
- d. Checking the deduction at source of VAT and Tax as per law of the land;
- e. Checking of Internal Control System and give comments in the report;
- f. Checking all advances and its adjustments in the system;
- g. Checking transactions whether those are in compliance with the budget and financial guidelines of ALRD;
- h. Verification of the transactions are to be focused on the following points:
 - Checking whether the expenditures are fully authorized;
 - Checking the validity of the vouchers and original bills/documents;
 - Checking arithmetical correctness of the accounting documents, vouchers and the financial statements;
 - Checking correctness of all the books of account, statements, reports, documents and the booking of all incomes and expenses etc.;
 - Any other verification that the auditor may consider useful in the execution of his mandate;
- i. The auditor has the right and duty to establish additional/special checks if necessary;

8. Deliverables and Timeframe

The Auditor shall carry out the assignment immediately after issuance of the appointment letter from ALRD. The Auditor will be required to submit two copies of draft financial audit report and a Management Letter to ALRD for necessary feedback and input by the management of ALRD within the stipulated time. The auditor will finalize the same and will submit 6 (six) copies of final financial audit report along with Management Letter in accordance with the scope of work described here by the following deadlines.

Sl	Reporting period	Type of Report	Deadline by month
a	Half yearly (January to June)	Financial statement as per donor prescribed format along with management letter	By August
b	Half yearly (July to December)	Financial statement as per donor prescribed format along with management letter	By February
c	Annually (January to December)	Complete financial statements (Financial position, comprehensive income statement, statement of receipts and payments, notes to the financial statements, necessary schedules, FD-4 , budget variance, etc.) as per NGOAB requirements.	By February

d) Suggested management letter should contain:

- Summary of the findings (General area covered during audit process, weakness identified, risk associated with that weakness, possible consequence, recommendations and management response);
- Details of findings with reference to the relevant sections of the audit report;
- Recommendations: a separate section should be devoted to recommendations for further improvements of financial management and administrative systems and procedures. This section should be as practical as possible in order to guide the management so that this could be included in an action plan for further improvement to the organization's financial management in the future;
- The management would review the issues identified by the auditor, and would add their comments on the management letter before finalizing the same.
- Also, the auditor may wish to comment on "good practices" (if any) that were developed by the organization which should be shared with the executive board members;
- Minutes of Closing (Exit) Meeting (extracts) with the ALRD;
- Follow up status of last year's audit recommendations, if any;

9. Exit Meeting.

The auditor should arrange an exit meeting with the management of ALRD in order to reduce points of discussion in draft audit report.

10. Location of Service:

The required service of external audit will be rendered at ALRD office situated at 1/3, Block-F, Lalmatia, Dhaka-1207, Bangladesh.

11. Audit fees:

Audit fee will be finalized on based on financial proposal of audit firm (if require, ALRD will negotiate with the audit firm) during the selection process.

12. Qualification of the Audit firm:

The partnership audit firms based in Bangladesh having affiliation/membership with an internationally reputed Chartered Accountancy firms and enlisted with NGOAB, Government of Bangladesh, will be eligible to apply.

13. Termination of the Agreement

- a) The agreement with the auditor can be terminated by either party with a written notice within one month from the date of signing of the agreement.
- b) The Auditee can terminate the contract without any notice in the following circumstances:
 - if the Auditor cannot fulfil the Terms of Reference;
 - if the Auditor cannot submit their reports within the time specified in point 8 of this mandate;
 - if the Auditor fails to inform incidence of frauds/misappropriation, if any, to the Auditee/ALRD or does not mention the incidence of fraud/misappropriation, if any, in their audit report.

14. Testify Obligation

During the course of the audit if any frauds / misappropriations are detected, the Auditor shall have to provide evidence of the incidence to the Auditee so that it can take legal actions, if necessary.

15. Anti -corruption Clause

Neither party shall offer, seek acceptance or promise a third party directly or indirectly in favour of him or any other party any gift or benefit which would or could be construed as illegal practice.

16. Professional Secrecy

Any document, information or data entrusted to or produced by the Auditor in connection with this assignment shall be strictly confidential and cannot be used by the Auditor for any other purposes without written consent of the Auditee. This provision shall remain valid even after the completion of this assignment.

Annexure:

- a) Prescribed ToR of BftW
- b) ToR of NGOAB