

**TERMS OF REFERENCE  
FOR  
FINANCIAL AUDIT**

**Project: Promoting Effective, Responsive and Inclusive Governance in Bangladesh (PERI)  
Under Bangladesh Collaborative, Accountable and Peaceful Politics (B-CAPP) Programme  
funded by UK's Foreign, Commonwealth and Development Office (FCDO)**

**Project Period:  
1 March 2023 to 28 February 2028**

**Audit period:  
1 March 2023 to 31 March 2024  
(with annual renewable each year until 28 February 2028)**

The Asia Foundation (TAF) is seeking the services of an audit firm to undertake the project audit of its Promoting Effective, Responsive and Inclusive Governance in Bangladesh (PERI) Programme.

### **About the organization**

The Asia Foundation is a nonprofit international development organization committed to improving lives and expanding opportunities across Asia and the Pacific. Informed by 70 years of experience and deep local knowledge, our work is focused on governance, climate action, gender equality, education and leadership, inclusive growth, and international cooperation. We work in more than 20 countries through our 17 permanent country offices and programs across Asia and the Pacific, supported by a headquarters in San Francisco and an office in Washington, DC. Our funding comes from a diverse array of bilateral and multilateral development agencies, foundations, corporations, and individuals.

### **About the project**

The Asia Foundation (the Foundation) is implementing a 5-year initiative entitled 'Promoting Effective, Responsive and Inclusive Governance in Bangladesh (PERI)'- a locally led, adaptive governance Programme to be implemented under the FCDO's Bangladesh Collaborative, Accountable and Peaceful Politics (B-CAPP) Programme from 2023 through 2028. The overarching goal of the B-CAPP Programme is to promote more effective, responsive, and inclusive governance in Bangladesh. The end of the Programme outcome will see key policy and institutional reforms achieved in specific areas that overcome previously existing systemic constraints or bottlenecks and conflict resolution mechanisms established that promote peaceful communities and harmonious forms of interparty interactions.

### **Objectives of the audit**

The objective of the audit is to provide reasonable assurance that funding resources are managed following all applicable standards, including internal policies and guidelines. Therefore, it shall be assessed if the financial reporting of TAF and its partners that is subject to the audit presents fairly, in all material respects, the actual expenditure incurred and the fund received for the project for the period from 1 March 2023 to 31 March 2024 (with possible renewal of the audit assignment until 28 February 2028), is in conformity with the applicable legal regulations and laws as well as per the agreement terms with FCDO and policies of TAF.

### **Scope of the Audit**

- The auditor verifies that the expenditure was actually incurred by and pertains to the Beneficiary. For this purpose, the auditor examines supporting documents (e.g., invoices, contracts) and proof of payment. The auditor also examines proof of work done, goods received, or services rendered and he/she verifies the existence of assets if applicable.
- Verifies that the expenditure was incurred during the implementation period of the subgrant within the approved budget.
- Verifies whether the expenditure incurred was necessary for the implementation of the subgrant per the terms and conditions mentioned in the award document and that the supporting documents are in line with the requirements of the activity performed.
- The auditor verifies that expenditure is recorded in the partner's accounting system and according to the applicable accounting standards.



- The auditor verifies that the monetary value of the expenditure item agrees with underlying documents (e.g. invoices, salary statements).
- Examines the nature of the expenditure for the item and verifies that the expenditure item has been classified under the correct (sub) heading of the Financial Report.
- While reviewing the subgrantees expenditure, the auditor verifies that the indirect costs to cover the administrative overheads do not exceed an agreed percentage of the total direct costs of the subgrant, where applicable.
- The 1<sup>st</sup> year budget is about £1,315,000 (for the audit period). The total project fund size is approximately £12,500,000 for five years.
- There are about 6-7 partners/sub-grants in year 1 of the project, of which sub-grants amount approximately £765,000. Details will be provided with the work order. The auditor may select sample basis 30% of the sub-grantees (two out of six sub-grantees) to audit their expenditures. TAF encourages auditors to visit partners field offices to verify expenditures where appropriate.

### **Sampling and other means of selecting items for testing.**

When designing and performing tests of controls and substantive tests, the Auditor may apply audit sampling or other means of selecting items for testing. Audit sampling can use either a statistical or non-statistical approach.

The Auditor may use a judgmental selection of specific items from a population (e.g. high value or key items, all items over a certain amount, items to obtain information, or items to test control activities).

### **Closing Meeting**

At the end of the fieldwork, the Auditor should organize a closing meeting with the TAF representative. TAF will also invite FCDO representative in the meeting to join. It is also recommended that the Auditor should organize a closing meeting with the subgrantees upon completion of fieldwork with each partner. The Auditor should inform TAF about this meeting which TAF representatives may attend. This meeting aims to obtain the confirmation and initial verbal comments of the Entity on the findings and recommendations therein. Moreover, the Auditor and the Entity may want to agree on any outstanding information to be provided by the Entity and the deadline for submission where applicable. The Auditor can also inform the Entity about the further reporting procedures.

The Auditor should document the comments (both verbal and written) if any made by the Partner and by TAF and FCDO representatives and take them into account in drawing up the audit report.

### **The Auditor qualification**

#### **a. Qualifications and Experience**

The auditor and/or the firm is a member of a national accounting or auditing body or institution, which is a member of the International Federation of Accountants (IFAC). The Auditor/Firm will employ adequate staff with appropriate professional qualifications and suitable experience with IFAC standards, in particular, International Standards on Auditing, and with experience in auditing the accounts of entities comparable in size and complexity to the Entity. In addition, the audit team as a whole will have:

- The fieldwork team should have appropriate experience with audits of external aid operations financed by the donor agencies/missions/commissions.
- They have sufficient knowledge of Bangladesh's relevant laws, regulations, and rules. This includes but is not limited to taxation, labor regulations, accounting, reporting, and ethics.



#### **b. Team Composition**

The audit company is obliged to describe in detail the team composition and provide the profile of the team members. The team of auditors required for this engagement will be composed of a professional qualified chartered accountant who has the ultimate responsibility for the audit and an audit team which is composed of an appropriate mix of an Audit Manager with 3-5 members team who has professional experience in public and NGO audit practice.

#### **Audit certification**

- Audit Report with audit opinion including accompanying statements on the financial position, statement of Comprehensive Income, Receipts and Payments and related notes to financial statements including supplementary schedule showing total expenses.
- Audit management letter with factual findings, recommendations on internal control procedures, local laws/registration, and program compliance. If no issues have arisen during the course of the audit, the auditors must issue a management letter stating that no issues have arisen.
- The auditor will submit five sets of audit reports, including a management letter to TAF.
- For expenditure verification of the selected subgrantees, the auditor will issue a management letter to the subgrantees and a copy to TAF with factual findings, recommendations on internal control procedures, local laws/registration, and program compliance. If no issues have arisen during the course of the audit, the auditors must issue a management letter stating that no issues have arisen.

#### **The report shall comprise**

- Identification of the project/appropriation and accounting period, grant/fund for the period, recipient.
- Confirmation that the accounts have been audited.
- Statement of the nature and scope of the audit.
- Whether the reports are with or without qualification.
- Assessment of and information about any misrepresentations in the recipient's internal control procedures, bookkeeping, and accounting practice.
- Management's endorsement of the audit report.
- Conclusion and statement concerning the audit.
- A separate report for the subgrantees audited.

Where the auditor has been unable to audit part of or all the accounts, a statement to this effect must be issued, indicating the reason.

### **Audit Timeline**

The audit firm should strictly follow the timeline for deliverables as per the list mentioned below:

<b><u>Work</u></b>	<b><u>Timeline (tentative)</u></b>
Entrance meeting with TAF Management in Dhaka	April 25, 2024
Fieldwork audit in TAF and selected implementing partner's office/project implementing area (30% partners by random selection) including selected partners field office where applicable	April 28, 2024, to May 14, 2024 (please indicate if additional days are needed)
Submission of the draft report to TAF Management	May 19, 2024
Exit Meeting with TAF management and FCDO representative in Dhaka	May 21, 2024
Submission of signed Final Report to TAF Management	May 27, 2024

### **Mode of payment:**

The payment will be made through account payee cheque/ bank transfer in favor of the Audit Firm upon successful completion of the assignments. Tax and VAT will be deducted at source as per govt. rules and regulations.

### **Proposal submission guidelines:**

Please submit your proposal by March 23, 2024, to [country.bangladesh.jobs@asiafoundation.org](mailto:country.bangladesh.jobs@asiafoundation.org) The proposal should include:

- Cover letter (maximum one page).
- Technical Proposal (maximum seven pages, to be elaborated into a work plan in the inception phase):
  - Relevant experience including FCDO funded program audit.
  - Methodology according to TOR.
  - Proposed timeline for completing the audit.
  - Team composition and roles, including profiles /resumes of the personnel to be involved in the assignment.
- Financial proposal.
- A profile of the Audit firm.

TAF Bangladesh office and its implementing partner's business hour is 9.00 am to 5.00 pm during the working days. The audit team should follow the business hours.

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