

**TERMS OF REFERENCE (TOR)**  
**Concerning**  
**External audit of Sida Funded project of Manusher Jonno Foundation**

**1.0 Introduction:**

Manusher Jonno Foundation is a multi-donor based organization, carrying out different human rights and governance related projects. "Strengthen Civil Society and Public Institutions to Build Community Resilience to Adopt Climate Change" being funded by SIDA (Swedish International Development Agency) is one of them. Like the other project of MJF, SIDA project is also implementing in partnership approach by 17 (seventeen) Direct Partners called the Sub-Recipient (SR). The working area of the project is different districts all over the country. It is a NGOAB approved project and the 5th year of the project is ending on 30 Nov 2021.

As per project agreement as well as MJF policy, MJF wishes to engage the services of an audit firm for the purpose of auditing the "Strengthen civil society and public institutions to address combating gender-based violence and build community resilience to adopt climate change" as stipulated in the agreement between Manusher Jonno Foundation and SIDA. The audit shall be carried out in accordance with international audit standards issued by IAASB<sup>1</sup>. The audit shall be carried out by an external, independent and qualified auditor.

**2.0 Objectives and scope of the audit-**The objective is to audit the financial report of SIDA funded project operating from MJF office in Dhaka with 17 (seventeen) Direct Partners called the Sub-Recipient (SR) covering audit for the period from 01 December 2020 to 30 November 2021 simultaneously to express an audit opinion according to ISA 800/805 on whether the financial report of "Strengthen civil society and public institutions to address combating gender based violence and build community resilience to adopt climate change" is in accordance with SIDA's instruction for financial reporting as stipulated in the agreement including appendix between SIDA and Manusher Jonno Foundation. The project agreement and policy and procedures of MJF are the integral part of ToR.

**3.0 Additional assignment: According to agree upon procedures ISRS 4400, review the following areas in accordance with the Terms of reference below. The assignment will produce the following:**

a) Auditor's report with certified financial statements (Balance Sheet, Income and Expenditure Account, Receipts and Payments Account) and notes to the financial statements. This report should also include Auditor's certification on expenditures of "Strengthen civil society and public institutions to address combating gender-based violence and build community resilience to adopt climate change" project of Manusher Jonno Foundation (MJF) through a tabular presentation with variance analysis of budget & actual expenditure.

1. Follow up whether salary costs debited to the project/programme are recorded throughout the duration of the year in a systemized way and examine whether the salary costs can be verified by sufficient supporting documentation. Disclose the total salary and benefit expenditure for MJF staff for the audited period, and the respective shares debited to the Sida funded programme. Details should be provided for each of the senior management positions.
2. Examine whether the financial report includes a comparison, for every budget item, between the actual costs/expenditures of activities and the budgeted costs/expenditures as approved by Sida for the period. Rental costs debited to the Sida funded programme should be compared with the overall rental costs, with the actual amounts disclosed, for the audited period.

<sup>1</sup> The International Auditing and Assurances Standards Board (IAASB)





3. Based on materiality and risk the auditor shall examine whether there is supporting documentation related to incur costs. Regardless of materiality of the findings the auditor shall quantify the amount for costs lacking sufficient supporting documentation.
  4. Examine whether foreign exchange gains/losses are disclosed as a separate item in the Financial report as well as disclosed in accordance with what is stipulated in the agreement including appendices and generally accepted accounting principles.
  5. The cooperation partner's compliance with the applicable tax legislation with regard to taxes (e.g. PAYE)<sup>2</sup> and social security fees.
  6. Follow up whether the cooperation partner has adhered to the procurement guidelines annexed or referred to in the agreement.
  7. Review if outgoing balance for previous period is the same as incoming balance for the current period.
  8. If the cooperation partner applies modified cash basis as accounting principle, the auditor shall describe used method and describe possible effects on the accrual accounting within the project.
  9. Verify the unspent balance at the end of the financial year against accounting records and its supporting documentation.
- b) The auditors work should also include sufficient tests on the followings to establish true and transparent picture of "Strengthen civil society and public institutions to address combating gender based violence and build community resilience to adopt climate change" project MJF and its partner organizations under this project for the period of 01 December 2020 to 30 November 2021.
- Organization's Control Environment
  - Accounting System, Budget / Budgetary Control and Approval process.
  - Cash Management including Receipt, Disbursement & Petty Cash Management
  - Bank Account Management and reconciliation of those
  - Bank Balance confirmation with bank statement for the audit period should be collected from respective bank directly.
  - Inventory and Distribution system
  - Fixed Assets Management
  - Procurement process
  - Financial Reporting
  - Compliance with the applicable tax legislation
  - Donor Reporting

After completing the above tasks, the auditor should submit a Management Report which should include all their audit findings in a following manner:

- Audit findings
  - Consequences
  - Recommendation to minimize risk
  - MJF's response
- Follow up whether the cooperation partner has implemented the following recommendations from the assessment of internal control and the Agreed upon procedure review of "Strengthen Civil Society and Public Institutions to Build Community Resilience to Adopt Climate Change" project". The examination includes reviewing whether the cooperation partner has implemented the action points as described in cooperation partner's management response that has been submitted to SIDA.





#### **4.0 Follow up of funds that are channeled to implementing partners**

- Does Manusher Jonno Foundation have signed agreements with its partner organizations?
- Are the audit requirements in agreements with partner organizations in accordance with the audit requirements as stipulated in Manusher Jonno Foundation's agreement with SIDA?
- Review whether there is an unbroken chain of audited financial reports according to the requirements as stipulated in the agreement between Manusher Jonno Foundation (MJF) and SIDA, for funds disbursed the previous year. Present in table form what kinds of audits that have been received by MJF (project audits or overall statutory audits), the periods covered, with disclosure of the amounts disbursed by MJF and the audited income and expenditure of each of the sub-granted CSOs. The review shall also include whether Manusher Jonno Foundation makes documented assessments of the audited financial reports submitted to MJF and whether these reports are followed-up by Manusher Jonno Foundation (MJF). The review shall also include any observations from auditors that Sida should be informed about.
- Are the same requirements for reporting exchange rate gains/exchange rate losses as stipulated in the agreement between MJF and Sida, included in the agreements between MJF and its implementing partners?

#### **5.0 The reporting**

The scope of the audit shall be stated in the report and the methodology used shall be presented.

**The reporting shall be signed by the responsible auditor (not just the audit firm) and title.**

The reporting from the auditor shall include an independent auditor's report in accordance with the format in standard ISA 800/805 and the auditor's opinion shall be clearly stated, as well as a Management letter with audit findings and weaknesses identified during the audit process. The auditor shall regardless of materiality, quantify the amount for costs lacking sufficient supporting documentation. The auditor shall make recommendations to address the weaknesses identified and the recommendations shall be presented in priority order. If the auditor assesses that no findings or weaknesses have been identified during the audit that would result in a Management Letter, an explanation of this assessment must be disclosed in the audit reporting.

Measures taken by the organization to address weaknesses identified in previous audits shall also be presented in the Management Letter.

The additional assignment according to agree upon procedures ISRS 4400 under paragraph III, shall be reported separately in a "Report of factual findings".

If the auditor conducts an additional assignment according to ISRS 4400 and assesses that the observations presented in the "Report of factual findings", include the information that would have been included in a Management Letter, a Management Letter does not need to be developed. In such a case, the "Report of factual findings" shall include an explanation of why a Management Letter has not been developed.

#### **6.0 Qualification of the personnel executing the audit:**

The Reviewer of the audit team in charge of finalization of the audit report shall be a Chartered Accountant. The audit team should lead by an Audit Manager, who must be course completed with qualifying application level and several years of experienced. The other members should be at-least semi-senior to above ranked articulated student or staff member of the firm. Junior articulated students should not be member of the audit team.





## **7.0 Exit meeting**

An exit meeting to be hold soon before leaving the place of auditor latest before the submission of draft.

## **8.0 Deliverables**

- The auditor shall certify & submit the following reports:
- Three copies of draft reports are to be submitted both in hard and soft copies at least 15 days before submission of final signed reports.
- 6 copies of final audit report (Both MJF & 17 Sub-Recipients);
- 4 Copies of FD-4 Certification for NGOAB, for sub-recipients' are not necessary.
- 4 copies Management letter for MJF and sub-recipient individually with consequences and recommendations
- 4 Copies consolidated Report of factual findings
- Minutes of Exit meeting with the Audittee.
- The detail of Tax and Vat deductions with challan numbers of deposits for each of PNGOs and MJF.

Informal feedback shall be provided by auditor's representative as and when required during audit.

## **9.0 Commencement and completion of Audit:**

The field work (at place of audit) is to begin within seven days of receiving letter of appointment and to be completed no later than 2 months as per agreed audit plan

## **10.0 Termination of appointment/agreement:**

- a) Either party can terminate this agreement with a written notice within 15 (fifteen) days from the date of signing this agreement.
- b) MJF can terminate the contract in writing in the following cases:
  - If the Auditor cannot fulfill any clause of Terms of Reference (ToR).
  - If the Auditor cannot submit their reports within the time specified in point 9.0 of this Terms of Reference.

## **11.0 General terms and conditions:**

- a) 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 purpose without the written consent of the MJF. This provision shall remain valid even after the completion of this assignment.
- b) The Auditor shall not without first obtaining the consent in writing from MJF, permit any of his duties or obligations made under this contract to be performed or carried out by any other person or reassign its interest in a contract.

