

Audit TERMS OF REFERENCE (TOR)

For the external audit of Manusher Jonno Foundation (MJF) core and certification of the Consolidated Financial Statements of MJF

1. Introduction:

Manusher Jonno Foundation (MJF) is an indigenous funding vehicle through which human rights and governance initiatives of NGOs and civil society organizations are funded. In 2006, MJF got its registration from Registrar of Joint Stock Companies and NGO Affairs Bureau. A Governing Board comprised of nine eminent personalities of Bangladesh are managing the organization. The Executive Director is the administrative head of the organization. Manusher Jonno Foundation is a multi-donor based organization, carrying out different human rights and governance related projects. As per project agreement as well as MJF policy, it carries out external audit of the projects and the organization regularly.

This ToR would cover two separate audits/certification viz.

- A. Annual Audit of the Core activities of Manusher Jonno Foundation (MJF)
- B. Certification on the Consolidated Financial Statements of MJF (comprise of Mjf core & its all projects)

The terms and conditions of audit are as follows:

2. Period of Audit, Approach, Standards, Reporting Currency, and Components of Financial Statements:

2.1 Period of the Audit/Certification: 12 months (01 July 2020 to 30 June 2021) for MJF core and Consolidation accounts. Tentative audit start date is **27th July 2021**.

2.2 Audit Approach:

- a) The nature of the audit will be a project specific as listed in para-2 above. Certification is required for the consolidated financial statements of MJF that includes all projects run by MJF and its partner NGOs for the relevant audit period.
- b) The auditor is expected to issue audit opinion on the balances and transactions of consolidated FS and MJF Core
- c) The auditor would use a sampling approach on MJF's transaction in order to reach the opinion. The auditor is required to perform inspection, observation, confirmation, verification and analytical procedures of at least 75% transactions to form opinion on the financial statements.

2.3 Auditing Standards: The audit of the Financial Statements should be conducted in accordance with International Standards on Auditing (ISA) and will include such tests and controls as the auditor deems necessary to achieve the objective of the audit.

2.4 Responsibility, Accounting and Reporting Standards of Financial Statements: The responsibility for the preparation of the Core (MJF) and Consolidated Financial Statements lies with the Manusher Jonno Foundation. MJF will prepare the FS in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS). In all cases the set of

financial statements and the notes to such statements shall include information on the basis of accounting that was used in their preparation together with all significant accounting policies. Any material deviations, if any, should be brought to the attention of the Board of directors of Manusher Jonno Foundation.

2.5 Reporting Currency: Financial Statements will be presented in local currency (BDT). Being the project is ongoing, year wise comparative presentation is applicable for this reporting period.

2.6 Basis of Accounting: The Financial Statements shall be prepared on the basis of Modified Cash Basis of Accounting.

2.7 Components of the Financial Statements:

- I. A statement of financial position;
- II. A statement of profit or loss and other comprehensive income;
- III. A statement of changes in equity;
- IV. A statement of cash flow;
- V. A statement of receipts and payments;
- VI. Notes to the Accounts and other disclosure;
- VII. A listing of fixed assets purchased with MJF.

2.8 Expenditures for Manusher Jonno Foundation:

Particular	Total Expenses in BDT
Expenses Manusher Jonno Foundation (approx.)	10,000,000
Total for the period in July 2020-June 2021	10,000,000

3. Key Contacts:

3.1 Manusher Jonno Foundation (MJF):

Name	Designation	Address	Email	Mobile
Md. Anwar Hossain	Director- Finance and Admin	House # 3 & 4, Haji Road, Avenew:3, Section:2 Rupnagar, Mirpur, Dhaka 1216	anwar@manusher.org	+880 1731 649 225
M. Mahfuzul Karim	Coordinator- Accounts		mahfuz@manusher.org	+880 1711 140 523
Afroza Islam	Deputy Manager- Accounts		afroza@manusher.org	+880 1717 871 876
Md. Farid Hossain	Assistant Manager- Accounts		farid@manusher.org	+880 1700 676 692

4. Objectives:

The **objective of the audit** is to enable the auditor to express an opinion on:

- a) Whether the financial position at the end of the reporting period and of the funds received and expenditures for the reporting period, are presented fairly in all material respects by the Manusher Jonno Foundation in accordance with the applicable accounting framework (IAS, /IFRS whereas applicable);
- b) To evaluate the internal control system, estimate the risks and identify any matters of concern, including any material weaknesses in internal control;
- c) Whether the Financial Statements (FS) agree with the books of account that provide the basis for preparation of the FS and reflect the financial transactions of the program, as maintained by Manusher Jonno Foundation.

5. Scope of Audit:

The minimum requirement is that the audit will be carried out in accordance with the International Standards on Auditing (ISA) and International Financial Reporting Standards (IFRS). This audit will include such tests and controls as the auditor deems necessary to achieve the objective of the audit.

As part of the audit testing procedures, particular attention should be paid to the following areas:

- a) **Compliance with applicable legislation:** Confirm that the transactions are in compliance in all material respects with prevailing and applicable laws, rules and regulations of Bangladesh;
- b) **Internal Control System:** Verify and assess the adequacy and effectiveness of the accounting and overall internal control system to monitor expenditures at all levels of the organization and other financial transactions including special attention to the adequacy and effectiveness of controls around cash transactions;
- c) **Designated Bank Accounts:** Verify whether designated bank accounts have been maintained and operated;
- d) **Procurement and Value for Money:** Verify whether goods and services procured using the funds are transparent, competitive and in accordance with the procurement policy of the organization. Review the expenditures with due attention to economy and efficiency;
- e) **Safeguarding of assets:** Verify that the MJF have put in place the mechanisms for tracking and safeguarding of assets purchased with funds and that they are being used for the intended purposes. Verify whether fixed assets register exists or not;
- f) **Record or data Retention and Documentation:** Verify that pertinent supporting documents, records and accounts have been retained in compliance with policy. Confirm whether procedures exist for security and management of electronic data e.g. data backup systems and procedures;
- g) **Follow up the status of previous audit reports findings:** The auditor should follow up on management's intended actions to address the findings of previous audits, including external audit;

- h) Manusher Jonno Foundation is a separate entity from the projects. It has Tax Identification Number (TIN) and submits Tax Returns for assessment in every year. Therefore, Core Project's audit of MJF should be done in accordance to International Standards on Auditing and applicable tax regulations.
- i) **Certification of Consolidated FS:** In addition to project specific external audits, the MJF also consolidates the financial information of all projects with a consistent end date on 30 June. The Auditor is required to certify this consolidated Financial Statements.

6. Readily Available Documents:

The nature of documents and financial records belonging to the program is listed below:

- Consolidated and project specific financial statements including pertinent schedules e.g. advance register, fixed assets and inventory list;
- General Ledger, Cash & Bank Books and other important records;
- Original supporting documentation of all reported expenditures;
- Bank Statements;
- Financial procedures manuals, systems description or any other documentation explaining the processes contributing to the production of reliable reports and maintaining internal control;
- Minutes of management meetings, if any;

During the course of audit, the auditor would have full and complete access to systems, all records and documents (including books of account, legal agreements, minutes of committee meetings, bank records, invoices and contracts/agreements etc.) and all employees of the entity. Besides, the auditors would have a right of access to banks, depositories, suppliers and other persons or firms engaged by the program management.

7. Deliverables:

- a) Soft copy of the draft Audit Report, accompanying Management Letter of MJF Core and consolidation as a whole shall be submitted by the Auditor to the Director of Finance and Admin of Manusher Jonno Foundation for discussion and finalization by 23rd August 2021 .
- b) Soft copy of Audit Report, and accompanying Management Letter of MJF Core and consolidation as a whole shall be submitted by the Auditor to the Director of Finance and Admin of Manusher Jonno Foundation for discussion and finalization by 29th August 2021 .
- c) On receiving the afore-mentioned reports, an arrangement for discussion will be made at the Office of Manusher Jonno Foundation.
- d) Five (05) copies of the Audit Report and Three (03) copies Management Letter (if any) inclusive of Management Comments for MJF Core duly signed by the Auditors shall be submitted to the Director of Finance and Admin of Manusher Jonno Foundation by **31st August 2021** .
- e) Signed scanned copy and final soft copy to be submitted to the Director of Finance and Admin of Manusher Jonno Foundation by **31st August 2021**.
- f) Components of the financial statements listed in section 2.7 shall be integral part of certification along with the Auditor's report.

8. Management Letter.

In addition to the audit report, the auditor will prepare a management letter (if any) in which they include:

- a) set out any instances of non-compliance that were noted by the auditors in the course of their work to form a consolidated audit opinion on the FS;
- b) provide a schedule of ineligible expenditures identified by the auditors in the course of their audit work;
- c) comment on instances of non-compliance in the accounting records, procedures, systems and controls that were examined during the course of the audit with particular reference to ineligible expenditures and systematic weaknesses;
- d) Provide recommendations to address the observed deficiencies and areas of weakness in systems and controls;
- e) Communicate matters with MJF management that have come to their attention during the audit which might have a significant impact for the organization;
- f) The Management letter should use a system of grading depending on the level of severity of findings (High/Medium/Low risks).
- g) Report on the implementation status of recommendations contained in previous audit reports, if any;

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