

Audit TERMS OF REFERENCE (TOR)

For the external audit of Partner NGOs of “Excluded Peoples Rights in Bangladesh (EPRB)”, a project of Manusher Jonno Foundation

1. Introduction and Program Background:

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.

MJF started Excluded Peoples Rights in Bangladesh (EPRB) project in July 2017 to improve the governance and rights situation in Bangladesh and influence policy in order to impact positively on the well-being of extreme poor and marginalized people. Through five programmatic interventions e.g. I) Strengthening public institutions, II) Tackling marginalization and discrimination, III) Security and rights of women and girls, IV) Youth and social cohesion, V) Decent and safe work environment (protection of workers and working children) across various locations of Bangladesh, the EPR is reaching out to the most marginalized and excluded people which includes persons with disabilities, sex workers, dalits, ethnic minorities, char people, readymade garments and migrant workers, youths and children working in hazardous jobs. Currently this Project has 84 sub-Grantees all over Bangladesh.

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: The period of audit will be for 12 months (01 July 2020 to 30 June 2021). Tentative start date of the audit is **7th July 2021**.

2.2 Audit Approach:

- a) The nature of the audit will be grant and partner specific.
- b) The auditor is expected to issue audit opinion on the balances and transactions for each partner NGO.
- c) The auditor would use a sampling approach on partner NGO transaction in order to reach the entity specific opinion. The auditor is required to perform inspection, observation, confirmation, verification and analytical procedures of at least 75% transactions of entity specific 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: Partner of NGO shall prepare the Financial Statement in accordance with International Accounting Standards (IAS) and International Financial Reporting Standards (IFRS). 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 of Partner NGO 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 comprehensive income;
- III. A statement of receipts and payments;
- IV. A statement of budget variance;
- V. Notes to the financial statement;
- VI. Statement of fund reconciliation;
- VII. Supplemental statement fixed assets which includes a listing of fixed assets and inventories purchased with grant funds.

3. Key Contacts:

3.1 Manusher Jonno Foundation (MJF):

Name	Designation	Address	Email	Mobile
Mr. Anwar Hossain	Director- Finance and Admin	House # 3 & 4, Haji Road, Avenue # 3 Section # 2	anwar@manusher.org	+880 1731 649 225
Aleya Ferdousi		Rupnagar, Mirpur, Dhaka 1216	ferdousi@manusher.org	+880 1712 038 667
Md. Shahidul Alam	Manager- Grants		shahid@manusher.org	+880 1716 973 995
Mihir Ranjan Saha			mihir@manusher.org	+880 1711 971 920

4. Objectives:

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

- a) Whether the financial position of the grant program 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 partner NGO in accordance with the applicable accounting framework (IAS/IFRS as applicable);
- b) Whether, in all material respects, the grant funds have been used in conformity with the provisions of the Partner NGO Agreement, including the approved budget and work plan and any amendments thereto;
- 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 the program implementing entity.

5. Scope of Audit:

An Audit firm required to audit 21 PNGOs of EPRB project located in Dhaka and other districts.

The minimum requirement is that the audit will be carried out in accordance with the International Standards on Auditing (ISA). 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) **Grant Income and Expenditures:** Verify that funds disbursed to sub-grantee by MJF and received by them are in line with the sub-grant agreement as well as reconciled with each other. Confirm that the funds were spent in conformity with the approved budget, work plan and in line with provisions of the sub-grant agreement. Verify that MJF follows adequate process for validating periodical expenditure reports submitted by the sub-grantees;
- c) **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 Program and other financial transactions including special attention to the adequacy and effectiveness of controls around cash transactions;
- d) **Designated Bank Accounts:** Verify whether designated bank accounts have been maintained and operated in accordance with the provisions of the sub-grant agreement;
- e) **Procurement and Value for Money:** Verify whether goods and services procured using the grant funds are transparent, competitive and in accordance with the partner agreement and procurement policy of the partner. Review grants expenditures with due attention to economy and efficiency;
- f) **Safeguarding of assets:** Verify that the Partner have put in place the mechanisms for tracking and safeguarding of assets purchased with grant funds and that they are being used for the intended purposes. Verify whether fixed assets register exists and is maintained in accordance with the partner agreement and applicable policies;

- g) **Record or data Retention and Documentation:** Verify that pertinent supporting documents, records and accounts have been retained in compliance with provisions of the partner agreement. Confirm whether procedures exist for security and management of electronic data e.g. data backup systems and procedures;
- h) **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, relevant internal audits, if any.

6. Readily Available Documents:

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

- DOA (Deed of Agreement) between MJF and partner and the approved budget;
- Consolidated and grantee 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;
- Important correspondences between MJF and partner pertaining to grant implementation matters;
- 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 between MJF and sub-grantee, if any;
- Internal audit and or financial monitoring reports of the project;

During the course of audit of the program for the period from 01 July 2020 to 30 June 2021, the auditor would have full and complete access at any time 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 Draft Audit Report, accompanying Management Letter shall be submitted by the Auditor to the Director of Finance and Admin of Manusher Jonno Foundation for discussion and finalization **by 31st July 2021.**
- b) Soft copy of final Audit Report, and accompanying Management Letter shall be submitted by the Auditor to the Director of Finance and Admin of Manusher Jonno Foundation for discussion and finalization **by 7th August 2021 .**
- c) On receiving the afore-mentioned reports, an arrangement for discussion will be made at the Office of Manusher Jonno Foundation.

- d) Three (03) copies of the Audit Report and accompanying Management Letter inclusive of Management Comments of the program duly signed by the Auditors shall be submitted to the Director of Finance and Admin of Manusher Jonno Foundation by **16th August 2021** .
- e) Signed scanned copy of final audit report to be submitted to the Director of Finance and Admin of Manusher Jonno Foundation by **16th 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 in which they should:

- a) set out any instances of non-compliance with the partner agreement that were noted by the auditors in the course of their work to form an 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 on the implementation and sustainability of the grant program;
- 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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