

## **Audit TERMS OF REFERENCE (TOR)**

For the external audit and FD4 certification of Excluded People's 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 eleven 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. 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:** 12 Months starting from 01 July 2020 and ends on 30 June 2021. Tentative audit start date is 13 July 2021.

#### **2.2 Audit Approach:**

- a) The nature of the audit will be a consolidated audit comprising the expenditure incurred by MJF and 102 partner NGOs. A separate audit arrangement will take place for those 102 partner NGOs. Auditor selected under this TOR is required to undertake audit of 20 partner NGOs. For remaining 82 NGOs, the auditor is expected to rely on the audited financial statement of those NGOs which MJF will provide in due course.
- b) The auditor is expected to issue audit opinion on the balances and transactions of consolidated FS.
- c) The auditor would use a sampling approach on MJF and sub-grantees 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 Financial Statements lies with the Manusher Jonno Foundation. MJF will prepare the FS 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 including sub-grantees expenses 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 cash flow;
- IV. A statement of receipts and payments;
- V. Notes to the financial statement;
- VI. Supplemental statements on advances and fixed assets which includes
  - a statement showing sub-grantee advances and reconciliation of total amount advanced by MJF to sub-grantee with sub-grantee’s recorded expenditure and cash balances at the end of the reporting period,
  - a listing of fixed assets purchased with grant funds.
  - FD4 certification report

**2.8 Expenditures to sub-grantees and MJF Portion during this reporting period:**

Particulars	Amount in BDT
Expenses of partners (approx.)	65,00,93,305
Operation Cost and others (approx.)	18,63,18,870
<b>Total Expenditure</b>	<b>83,64,12,175</b>

### 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	<a href="mailto:anwar@manusher.org">anwar@manusher.org</a>	+880 1731 649 225
M. Mahfuzul Karim	Coordinator-Accounts	Section # 2 Rupnagar ,Mirpur, Dhaka 1216	<a href="mailto:mahfuz@manusher.org">mahfuz@manusher.org</a>	+880 1711 140 523
Afroza Islam	Deputy Manager-Accounts		<a href="mailto:afroza@manusher.org">afroza@manusher.org</a>	+880 1717 871 876

### 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 Manusher Jonno Foundation and Sub Grantees 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 Sub-Grants 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 i.e MJF

### 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) **Grant Income and Expenditures:** Verify that funds disbursed to partner by MJF and received by them are in line with the partner 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 partner agreement. Verify that MJF follows adequate process for validating periodical expenditure reports submitted by the partner;

- 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 donor 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 sub-grant agreement and procurement policy of the sub-grantee. Review grants expenditures with due attention to economy and efficiency;
- f) **Safeguarding of assets:** Verify that the MJF 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 donor 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 donor 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 DFID 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 sub-grantee 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 and FD-4 Certification, 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 **5<sup>th</sup> August 2021**.
- b) Soft copy of final Audit Report, FD-4 Certification, 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 **19<sup>th</sup> 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, FD-4 Certification, and Three (03) copies of 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 **25<sup>th</sup> August 2021**.
- e) Signed scanned copy and soft copy of final audit report to be submitted to the Director of Finance and Admin of Manusher Jonno Foundation by **16<sup>th</sup> 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 sub-grant agreement 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 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.

-The End-