

# **Terms of Reference (ToR) for Annual Audit including ISRS 4400 for the project of “Strengthen Civil Society and Public Institutions to Build Community Resilience to Adopt Climate Change project” of Manusher Jonno Foundation.**

## **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 project” being funded by Embassy of Sweden is one of them. Like the other project of MJF, “Strengthen Civil Society and Public Institutions to Build Community Resilience to Adopt Climate Change” project is being implemented 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 6th year (No cost extension) of the project is ending on 31 August 2022.

The Manusher Jonno Foundation, hereafter referred to as the “Cooperation partner” wishes to engage the services of an audit firm for the purpose of auditing the “Strengthen Civil Society and Public Institutions to Build Community Resilience to Adopt Climate Change project”, as stipulated in the agreement between the Cooperation partner and Embassy of Sweden. The audit shall be carried out in accordance with international audit standards (ISA) issued by IAASB<sup>1</sup>. In addition, an assignment according to International Standards on Related Services (ISRS) 4400 shall be carried out. The audit and the additional assignment shall be carried out by an external, independent and qualified auditor.

## **I. Objectives and scope of the audit**

The objective is to audit the financial report for the period 01 December 2021 to 31 August 2022 as submitted to Embassy of Sweden and to express an audit opinion according to ISA, applying ISA 800/ISA 805, on whether the financial report of “Strengthen Civil Society and Public Institutions to Build Community Resilience to Adopt Climate Change project” is in accordance with the Cooperation partner’s accounting records and Embassy of Sweden’s requirements for financial reporting as stipulated in the agreement including appendices between Embassy of Sweden and Cooperation partner (Agreement).

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

**II. Additional assignment; according to agreed upon procedures ISRS 4400, review the following areas in accordance with the Terms of Reference below**

**Mandatory procedures that must be included:**

1. Observe whether the financial report is structured in a way that allows for direct comparison with the latest approved budget<sup>2</sup>.
2. Observe and inspect whether the financial report provides information regarding:
  - a) Financial outcome per budget line (both incomes and costs) for the reporting period and columns for cumulative information regarding earlier periods under current agreement.
  - b) When applicable, compare if the opening fund balance<sup>3</sup> for the reporting period matches with what was stated as closing fund balance in the previous reporting period.
  - c) A disclosure of exchange gains/losses. Inquire and confirm whether the disclosure includes the entire chain of currency exchange from Embassy of Sweden's disbursement to the handling of the project/programme within the organisation in local currency/ies, if applicable.
  - d) Explanatory notes (such as, for instance, accounting principles applied for the financial report).
  - e) Amount of funds that has been forwarded to implementing partners, when applicable.
3. a) Inquire and inspect with what frequency salary costs during the reporting period are debited to the project/programme.  
Choose a sample of three individuals for three different months and:
  - b) Inquire and inspect whether there are supporting documentation<sup>4</sup> for debited salary costs.
  - c) Inquire and inspect whether actual time worked is documented and verified by a manager. Inquire and inspect within which frequency reconciliations between debited time and actual worked time is performed.
  - d) Inspect whether the Cooperation partner comply with applicable tax legislation with regard to personal income taxes (PAYE)<sup>5</sup> and social security fees.
4. a) Inspect and confirm that the unspent fund balance (according to the financial report) at the end of the financial year is in line with information provided in the accounting system and/or bank account.

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<sup>2</sup> The budget is attached to the agreement with Embassy of Sweden as an annex and any updates should be supported by a written approval by Embassy of Sweden.

<sup>3</sup> I.e. funds remaining from disbursements made during previous reporting period/s

<sup>4</sup> Debited salary costs should be verified by supporting documentation such as employment contracts.

<sup>5</sup> Pay As You Earn

b) **Applicable the final year:** Inspect and confirm the unspent fund balance (including exchange gains) in the financial report and confirm the amount that shall be repaid to Embassy of Sweden.

### **Follow up of funds that are channelled to implementing partners**

Mandatory assignments that must be included if the Cooperation partner forward funds to implementing partners (IP's):

Choose a sample of a minimum of 50% of the total of disbursed funds as well as 100% of the number of IP's.

2.1 Inspect and confirm whether the Cooperation partner has signed agreements with the selected IP's.

2.2 Inspect and confirm whether the Cooperation partner, in all agreements entered with IP's, included the requirement to carry out annual audits. The requirement shall specify that these audits shall be carried out with application of ISA (reporting according to ISA 800/805) and a separate assignment according to ISRS 4400 should be included for project/programme support. If agreements regarding core support are entered into with IP's, the audit shall be conducted in accordance with ISA 700 or National standards on auditing.

2.3 Inquire and inspect whether the Cooperation partner has received financial reports and reportings from auditors from all IP's included in the selected sample:

a) Inquire and inspect whether the Cooperation partner has verified if reports from IP's are in line with the requirements in the Agreement.

b) Inquire and inspect whether the Cooperation partner has documented its assessment of the submitted financial reports and reporting from auditors including management responses and action plans from selected IP's.

c) Inquire and inspect whether the Cooperation partner has documented its follow-up actions based on the information provided in the financial reports and the reporting from the auditor of the selected IP's.

d) Inquire and inspect whether the Cooperation partner has reported substantial observations<sup>6</sup> from selected IP's audit reports in its communication with Embassy of Sweden. List observations<sup>7</sup> from IP's audit reports which have been part of this sample.

2.4 Confirm whether the Cooperation partner has followed-up grants in accordance with the requirements as described in the Agreement. Obtain a list of all IP's that are affected by the decision and select 100 % or a maximum of 17 IP's. Inspect and confirm whether the selected IP's have been followed-up in accordance with annexed routines.

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<sup>6</sup> Deemed substantial by the Cooperation partner.

<sup>7</sup> Observations included in Management Letters and if applicable, qualified audit reports.

### **III. The reporting**

The reporting shall be signed by the responsible auditor (not just the audit firm<sup>8</sup>) and shall include the title of the responsible auditor.

#### **Reporting from the ISA assignment**

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. The financial report that has been the subject of the audit shall be attached to the audit report.

The reporting shall also include a Management letter that discloses all audit findings, as well as weaknesses identified during the audit process. The auditor shall make recommendations to address the identified findings and weaknesses. The recommendations shall be presented in priority order and with a risk classification.

Measures taken by the Cooperation partner to address weaknesses identified in previous audits shall also be presented in the Management Letter. If the previous audit did not have any findings or weaknesses to be followed-up on, a clarification of this must be disclosed in the audit reporting.

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.

#### **Reporting from the ISRS 4400 assignment**

The additional assignment according to agreed upon procedures ISRS 4400 under section II, shall be reported separately in an "Agreed-upon procedures report". Performed procedures should be described and the findings should be reported in accordance with the requirements in the International Standard on Related Services 4400.

When applicable, the sample size shall be stated in the report.

### **IV. 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.

### **V. Exit meeting**

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

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<sup>8</sup> If the audit firm is obliged to sign, refer to relevant legislation. Embassy of Sweden still needs to know who has been responsible for the audit assignment.

## **VI. Deliverables**

- 1) The auditor shall certify & submit the following reports:
- 2) 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.
- 3) 6 copies of final audit report (Both MJF & 17 Sub-Recipients);
- 4) 4 Copies of FD-4 Certification for NGOAB, for sub-recipients' are not necessary.
- 5) 4 copies Management letter for MJF and sub-recipient individually with consequences and recommendations
- 6) 4 Copies consolidated Report of factual findings
- 7) Minutes of Exit meeting with the Auditee.
- 8) The detail of Tax and Vat deductions with challan numbers of deposits for each of PNGOs and MJF.
- 9) Soft copy of all the above report through DVD

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

## **VII. 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

## **VIII. Termination of appointment/agreement:**

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

## **IX. 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.