Terms of Reference (ToR)

External Audit

1. Background

Good Neighbors International (GNI) has been working in Nepal since 2002 with the objective of improving lives of poor people, especially children through education, income generating activities, health services, child protection, disaster risk reduction, advocacy and network building. Currently, GNI Nepal has been operating its activities in 20 districts.

Accounting and financial management practices of GNI Nepal are governed by the Interim Financial Regulations and Provisional Financial Procedures. Financial Statements of GNI Nepal are prepared in accordance with the national and international accounting standards.

2. Purpose and objective of the Audit:

The overall purpose of this assignment is to give the reasonable assurance of all income received and cost incurred in current fiscal year are in accordance with the relevant policy of Good Neighbors International Nepal, compliance with Government of Nepal's rules and regulation and produce a report as per relevant standards.

3. Audit scope and assignment:

The scope of the Annual Audit is to check the income provided and costs incurred through the original vouchers and project related documents (contracts, agreements…), based on the annual plan/program and financing plan. The auditor will review income and expenditures of GNI Nepal for the period of one financial year. The auditor should verify the report by the means of;

- Checking and verification of supporting documents, records and books of accounts related to all project activities
- Checking and verification of the inventory /fixed assets lists in Good Neighbors International Nepal.

- Checking compliance with local applicable laws, in sample, the quantitative and qualitative program reports, review of compliance with laws, regulations and other external requirements, management policies, directives and other internal requirements.
- The audit should be carried out in accordance with either Nepal Standards on Auditing (NSA), or International Financial Reporting Standard (IFRS).
- Audit should be conducted twice a year, donor audit (as of 31st December) and statutory audit.

4. Audit Methodology:

In order to present the true and fair view on the financial statement/reports, the auditor shall conduct accuracy checks, observations, inspection of records and document, and interviewing the beneficiaries, inquiry and analysis, recommendation, comparison, including:

- Visit head office and review vouchers, invoices and supporting documents for all the amount expensed and income receipt
- Review previous audit reports and follow up the status of comments
- Review staff, rental, and other relevant contract
- Review payroll and tax compliance
- Review the beneficiaries' policies and compliances
- Review the GNI-funded items' inventory list in central and field offices

5. Procedure:

Following the completion of the recruitment process the selected auditor/ audit team will start the audit process passing through the following major phases:

A. **Inception/planning phase:** The auditor should propose the plan in LOI

B. **Auditing**:

- The auditor shall audit the financial transactions of GNI Nepal for the financial period and primary discussion on findings with concerned personnel of GNI.
- Preparation of draft report and issue the draft report for management comment on agreed timeline.
- Receipt of Final Management Comments from Good Neighbors International Nepal.
- Finalize the Management letters: Good Neighbors International Nepal and auditors.
- Finalization of report and issue final audit report with certified statements and a management letter for the financial year.
- Sign the Final Report

C. **Final Reporting:** The final audit report should be submitted to Good Neighbors International Nepal within stipulated timeline.

6. The Audit Report and Management Letter

a. Audit Report

The audit report should clearly indicate the auditor's opinion. This would include following:

- The title, addressees, and an opening or introductory paragraph containing

a) Identification of the financial information audited including the period covered; and

b) Statement of the responsibility of the entity's management and auditor.

- A scope and methodology paragraph describing the nature of the audit referencing

a) The accounting standards that have been applied and indicate the effect of any deviations from those standards;

b) The audit standards that were applied ISAs, or national standards that comply with one of these in all material respects; and

c) The work auditor performed.

- An opinion paragraph disclosing

a) whether the financial statements and supporting schedules fairly present the cash receipts and expenditure in all material respects and that the funds were used for the purposes defined by the work program;

b) whether the financial transactions reflected in the statements are in accordance with financial regulations and procedures, budgetary provisions and other applicable directives; and

c) summary assessment of the efficiency of the management and internal control system.

The auditor may expand the report to include other information on need basis and explanations not intended as a reservation. Audit reports need to be provided English.

b. Management Letter

The auditor should submit a letter to the management at the completion of the audit. The topics/issues to be covered in the letter should include:

- Comments and observations on the accounting records, procedures, systems and controls that were examined during the course of the audit;
- An assessment of the efficiency of the administration, management and internal control system of GNI Nepal;
- A description of any specific internal control weaknesses noted in the financial management. Recommendations to resolve/eliminate the internal control weaknesses noted should be included;
- Management comments/response to audit findings and recommendations;

- Report on the degree of compliance with each of the financial, legal and contractual compliances and external matters affecting such compliance;
- Communicate matters that have come to attention during the audit which might have a significant impact on implementation and sustainability of the Program;
- Any other issues the auditor finds relevant from their professional judgment.

7. Debriefing Meeting:

The Auditor/Audit Team should conduct debriefing meeting to relevant program and finance staff and Management Committee Members regarding the audit in overall, response on the management letter, and auditor's final view on the response of management.

8. Auditor Independence and Qualification

The auditor must be completely impartial and independent from all aspects of management or financial interests in the entity being audited. The auditor should not, during the period covered by the audit nor during the undertaking of the audit, be employed by, serve as director for, or have any financial or close business relationships with any senior participant in the management of GNI. The auditor should disclose any relationship that might possibly compromise his/her independence.

The audit firm/engagement partner must be a Chartered Accountant and registered with the Institute of Chartered Accountant of Nepal (ICAN). The firm must have at least five years of relevant and diversified professional experience in auditing with sizeable portfolio and experience in the audit of donor funded project, development sector, NGOs and INGOs. The auditor must employ adequate staff with appropriate professional qualifications and suitable experience.

The firms profile should be provided to GNI Nepal by the principal of the audit institution who would be responsible for signing the opinion and key personnel proposed as part of the audit team. Profile should include details on relevant audits carried out by the applicable staff, including ongoing assignments indicating capability and capacity to undertake the audit and experience in auditing financial statements compliant with the Chartered Accountants Standards.

9. Audit Assignment:

The audit assignment will take place as:

a. Statutory Audit & Donor Audit of the organization.
b. Partner Audit. Currently GNI Nepal has 22 partners.

c. Project Audit (Conduct audit as per donor requirement), This will be applicable for sub projects of the organization.

Kindly quote the price separately for each assignment. For partner, kindly quote per partner cost.

10. Access to Facilities and Documents:

The financial systems are partly automated in FAMAS (Financial and Management Accounting System) and QuickBooks.

a) The auditor will have full and complete access at any time to all records and documents (including books of account, legal agreements, minutes of committee meetings, bank records, invoices and contracts etc.) and all employees of the entity. The auditor will have a right of access to banks and depositories, consultants, contractors and other persons or firms engaged by the program management over the period under the audit review.

11. How to submit the Bid?

Interested and eligible audit firm must submit the RFP in a sealed envelope clearly marked with **"RFP for External Audit"** by 17:00 hrs. 9th Nov 2021 to:

Good Neighbors International, Nepal

Ekantakuna-13, Lalitpur, Nepal
GPO: 8975, EPC 1605, Kathmandu, Nepal
Email: eoi@gninepal.org