**Audit Terms of Reference**

**Plan International Sudan**

**Kordofan Program Area**

**TOR for the Final Audit (External) of Support youth Employability and Livelihoods in North Kordofan State Project funded by Plan International Germany**

**October, 2020**

1. **Funds Background**

There is a lot of challenges facing youth employment in Sudan due to weak formal and informal institutions and weak productive capacities, business development and management environment is challenging for youth in absence of pro-poor strategies, and policies, therefore Youth employability project with total budget 712800 Euros scheduled to be reviewed on December 2012 donated by German National Office and implemented by Plan-International Sudan and national partner Sub-Saharan International development organization designed to enhance livelihood security of 465 youth in North Kordofan State.

1. **Audit Objectives**

The auditor will carry out auditing of statements of account in accordance with the following Terms of References. The audit shall be performed by chartered accountant, who is approved by a recognized institution (e.g. chamber of commerce). The audit shall be reported in the following two documents in appendix 1 and 2.

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

* 1. Whether the financial position of the funded project, funds received and expenditures for the reporting period are presented fairly in all material respects in the financial report and in accordance with donor requirements. Any rules and regulations stricter than the donor rules and regulations lined out in the MoU (Memorandum of Understanding) between the different parties of the project are internal and are not subject to the audit;
	2. Whether the funds have been used in conformity with the provisions of the donor contract, including approved budget and work plan and any amendments;
	3. Whether the financial report agrees with the financial accounts which provide the basis for preparation of the financial report and reflect the financial transactions of the project; and
	4. Whether the financial report agrees or reconciles with other information reported to the donor such as narrative reports.

2.5 Donor’s procurement guidelines have been followed. In the event of conflict between donor’s guidelines and internal guidelines, donor’s guidelines take precedence.

1. **Responsibility for Preparing the Financial Report**

The responsibility for the preparation of the consolidated financial report for each implementing organisation covered by the audit, if applicable, lies with Plan International Sudan.

1. **Financial Statements**

The financial statements should furthermore include the following components:

* 1. In the local currency, an Income and Expenditure Statement showing funds received and all expenditures. Expenditures should be reported against the budget in local currency[[1]](#footnote-1) as defined in the donor contract for the period with the actual expenditure allocated to the same budget categories;
	2. A statement of financial position
	3. A statement of changes in net assets
	4. Expenditure which exceeds the budget appropriations by more than 10% shall be explained separately, if the approval of the GNO has not previously been obtained.
	5. Supplemental statements on assets, including listing of all assets above (410 EUR excl. VAT[[2]](#footnote-2)) purchased with grant funds.
	6. Any other footnotes applicable.
1. **Audit Scope of Work**
	1. The Audit shall confirm:
* The identity of the project concerned.
* In which way the audit has been carried out.
	1. The audit should offer an opinion on the following areas:
* Does the Financial Project Report correspond with the agreement?
* Are the recorded expenses in the Financial Project Report in line with the approved original budget and activity plan?
* Is the approved Financial Project Report free of material misstatement?
* Have the funds have been utilised in accordance with the approved budget and planned activities?
* The organisation has kept registers of the Petty Cash and the Bank Accounts. In the absence of the project bank account, there are sufficient internal controls to monitor the project funds.
* Based on a representative selection, the expenditures are supported by original bills, duly cancelled, stamped and signed. Appropriate and approved internal procedures for authorising disbursements have been adhered to.
* Based on representative selection, the expenditure dates in the invoice list are recorded based on the date of payment. Accordingly, the expenditure breakdown per year in the financial report is also based on date of payment.
1. **Auditor’s report**

The audit shall be conducted in accordance with International Standards on Auditing (ISA) 800 “The Independent Auditor’s Report on Special Purpose Audit Engagements and as promulgated by the International Federation of Accountants and that standards used for the preparation of the financial statements are in accordance with the International Financial Reporting standards

The Auditor's report shall include an audit option. See example and format for an Auditor's report. Appendix

1. **Management letter**

The auditor shall also, attached to the Auditor’s Report, submit a Management letter which needs to describe the purpose and the agreed-upon procedures of the engagement in sufficient detail to enable the reader to understand the nature and the extent of the work performed. The Management letter shall also include factual findings and the following:

* A general review of project progress and timeliness in relation to progress milestones and the planned completion date, both of which should be stated in the project document or the Annual Work Plan (AWP).
* An assessment of the project's internal control system with equal emphasis on (I) the effectiveness of the system in providing the project management with useful and timely information for the proper management of the project and (ii) the general effectiveness of the internal control system in protecting the assets and resources of the project.
* A description of any specific internal control weaknesses noted in the financial management of the project and the audit procedures followed to address or compensate for the weaknesses. Recommendations to resolve/eliminate the internal control weaknesses noted should be included.
* Risk analysis according to ISA 315, describe the most significant standpoints in the planning of the audit

Review process of fraud and corruption according to ISA 240

1. **Reporting**

Plan International Sudan will forward two copies of Auditor's Report and Management Letter to Plan International Germany through both email and regular mail or courier. The report should be in English.

The required number of copies of the signed report should be submitted to Plan International Sudan both in hard copy and PDF soft copy. The audit report should include the following:

* The expenditures, for which evidence has been supplied, are in keeping with the appointed purpose as set out in the Financing Plan.
* The special purpose of the report and its intended use.
* The audit standards that were applied (INTOSAI standards, ISA or national standards that comply with one of these in all material respect).
* Whether the Statement of Expenditure is adequately and fairly presented. The disbursements made are in accordance with the purpose for which funds have been allocated to the project;
* Whether the Statement of Assets and Equipment is fairly and adequately presented.
* Whether the Statement of Cash Position reported by the project is fairly and adequately presented.
1. **Audit Report**

The required number of copies of the signed report will be submitted by Plan both in hard copy and PDF soft copy Furthermore, the auditor shall submit his/her audit certificate of registration.

**10. Audit Expected Deliverables**

1. Audit proposal satisfying submitted TOR requirements i.e. methodology, timeframe, tools and identified qualifications should be submitted 15 days after receiving the TOR announcement
2. Financial Proposal: The financial costs should be worked out and should be in line with the proposed design of the study and should be submitted 15 days after receiving the TOR announcement and Includes the Following:
3. Professional fee
4. Field Cost (please provide detailed breakup of field cost)
5. Printing, stationery and communication
6. Data processing and analysis
7. Report writing
8. First draft report should be submitted and shared with Plan International Team for their feedback and comments 15 days from starting audit process
9. Final report to incorporate all the feedback from the first round review for the draft one report and should be submitted one week days after Plan International review
10. **: Qualifications of the Auditor**
* 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 the entity.
* The auditor should be experienced in applying either ISA or INTOSAI audit standards, whichever is applicable for the audit.
* The auditor must employ adequate staff with appropriate professional qualifications and suitable experience with ISA or INTOSAI standards, including minimum three years’ experience in auditing the accounts of entities comparable in size and complexity to the entity being audited.
* Experience in auditing of GNO supported projects is an asset.

**12: Curriculum vitae (CVs)**

**Curriculum vitae** should be provided to the client by the principal of the firm of auditors who would be responsible for signing the opinion, together with the CVs of managers, supervisors and key personnel proposed as part of the audit team. CVs should include details on audits carried out by the applicable staff, including ongoing assignments indicating capability and capacity to undertake the audit. Moreover, the costs of the audit MUST be presented in **LOCAL CURRENCY (SDG**). Documents presented in hard currency will not be considered in this bidding process.

1. Audit Report

Appendix 1

Example format for the Auditor’s Report

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AUDITOR’S REPORT (IN ACCORDANCE WITH ISA 800/805) TO THE DONORS OF [CO Name] – [Project Name and grant #]

We have examined the financial statements for the [Project name] set out on pages.... The management is responsible for preparing the financial project report. Our responsibility is to report to you our opinion on the consistency of the financial report within the [Project name] and its compliance with agreement and regulations. We also read other information contained in the financial project report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statements whether due to fraud or error.

We conducted our audit in accordance with International Standards on Auditing (ISA 800/805), and the applicable parts of the agreement between [Donor name] and [Plan Office]. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statement within the financial project report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial report. An audit also includes assessing the accounting principles used and their application by the management and significant estimates made by the management when preparing the financial statement as well as evaluating the overall presentation of information in the financial statement. We believe that our audit provides a reasonable basis for our opinion set out below.

Basis of opinion

We conducted our work in accordance with ISA 800/805 “The Independent Auditor’s Report on Special Purpose Audit Engagements”.

Opinion

In our opinion, the financial report for the project is consistent with the accounting system, complies with the agreement and regulations and has been prepared in accordance with the agreement between [Donor name] and [Plan Office].

[Date and place]

[Name and title of auditor]

[Address]

Appendix 2

Example format for the Management Letter/Report of Factual Findings

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REPORT OF FACTUAL FINDINGS

To [CO Name] Management

Scope of audit

We have performed the procedures agreed with you and enumerated below with respect to the financial project report as at [date] of [organisation]’s [Project name] , for the time period DD/MM/YYYY to DD/MM/YYYY showing total expenditure of [currency] [amount].

Our engagement was undertaken in accordance with [standards and regulations]. The procedures were performed solely to assist you your commitment to Plan International regarding the validity of the financial project report, and the following most important procedures were undertaken during the audit:

1. [Risk analysis according to ISA 315, describe the most significant standpoints in the planning of the audit]

2. [Review process of fraud and corruption according to ISA 240]

3. ……

4. ……

Outcome and significant observations

We report our findings below:

a) ….

b) ….

c)

Our report is solely for the purpose set forth above and for your information and is not to be used for any other purpose or to be distributed to any other parties than Plan International and [donor name].

[Date and place]

[Name and title of auditor]

[Address]

See guidance section 3.4

1. to be converted using exchange rate as specified in the budget/FAD [↑](#footnote-ref-1)
2. Exchange rate applicable to the project expenditure according to donor regulations, is the average exchange rate calculated based on the actual transfers (funds received in local currency less bank fees / funds transferred in Euro). [↑](#footnote-ref-2)