Terms of Reference – External Audit

**Background**

SOS Children’s Village South Sudan, is an affiliate member of SOS Children’s Villages International, a federation of 137 national associations, working together with a single mission: to ensure that every child grows with love, respect and security.The focus of our work is the care for children without parental care and those at risk of losing the care of their parents. In each SOS Children’s Village, we give a loving home to vulnerable children.

The care given is holistic as all the child’s needs including food, clothing, education, medical services, among others are met.

In South Sudan, since 2012, the organization has grown to realize proficient child-centered programs where we have a children’s village and an emergency programme in Gumbo Shirkat This project aims to build the capacity and improve local partnerships with government and non-government stakeholders, the living conditions and resilience of vulnerable families and youth in Gumbo Shirikat by improving the protection systems established for their benefit. Families and children will have better access to community-based protection systems.

1. **External Financial Audit: Mandate and Relevance**

In accordance with SOS Children’s Villages International Statutes and in compliance with legal requirements, all member associations are obliged to perform an annual external financial audit conducted by an independent and recognized audit company.

The ‘***Good Management and Accountability Quality Standards’*** have set the quality standards in the area of;

* Management and transparency
* Integrity of the organization and
* Safeguarding of resources/assets.

The audited financial statements of the member association are fundamental tools through which the general Secretariat demonstrates good management and accountability to our key stakeholders and the federation. Each association has its financial statements validated by independent external auditors who are recognized either locally or internationally. The audit provides a professional and independent external view of the financial system, the accuracy of financial results and compliance with organizational rules, the generally accepted accounting standards as well as applicable national laws. This is thus crucial for maintaining the confidence and trust of all internal and external stakeholders.

Pursuant to paragraph ***4.5.2 & 4.6.6.2*** of the ‘Statutes’ of SOS Children’s Village International and in continuation of paragraph ***1.5 of ‘Good Management and Accountability Quality Standards’***, every member association is obliged to present audited financial statements on yearly basis **(January 01 – December 31)** which give a ‘true and fair’ view of the financial state of the organization.

The audited accounts are essential for the organization to prove to the donors that all the funds have been used for the intended purpose. In addition, external audit is a legal requirement as per local law, and any non-compliance may put the existence of the association at risk.

The Auditors must report improper use of funds, any type of financial irregularity and non-compliance of local laws by the member association. SOS Children’s Villages International has made a commitment to the promoting and supporting associations that the audited financial statements along with audit reports, certifying the proper use of funds, must be made available by **31st, May 2023**

1. **Audit Methodology:**

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

* Visit Project areas and review vouchers, invoices and all supporting documents for all the amount expensed and income received.
* Follow up with the previous audit reports and comments
* Review the payroll and tax compliance
1. **Evaluation criteria**

Interested Audit Firms should submit a Technical and Financial proposal in relation to the terms of references (ToRs) below and as stated in the attached Contract to be signed between SOS Children’s Villages and the Audit firm.

The following information and documents shall be provided:

* Background information on the audit firm: Details of firm’s experience in providing auditing services to companies in the not-for-profit sector, especially international organizations
* Methodology to be used: Describe how your firm will approach the audit of the project, e.g. select expenditure items
* Describe how and why your firm is different from other firms being considered, and why our selection of your firm as an independent auditor is the best decision we could make;
* firm’s registration details with relevant regulatory authorities
* Provide at least 3 references from not-for-profit organizations for which your organization conducted audits in recent years and are still your clients;
* Provide names and resumes of key personnel that will conduct the audit.
* Include estimated time required on-site to complete the services.
* Include fee proposal to complete the services outlined in this request.

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| Evaluation criteria  |  | Maximum score  | Actual score  |
| **Mandatory Criteria**  | Legally registered company and recognized internationally | Y/N  |   |
| **Understanding of the Assignment**  | *Clear conceptual understanding of the Scope of* *Works*  | 20  |   |
| *Proposed approach and methodologies for the* *Scope of Works*  | 20  |   |
| **Experience in Market** **Intelligence**  | Demonstrable technical and practical knowledge in the area of NGO financial audit, expertise and standard enforcement. *(i.e. the key tasks in the assignment)*  | 20  |   |
| A minimum of 6 years’ work experience in external Audit work | 15  |   |
| *Track record (timeliness of delivery)*  | 10  |   |
| **Capacity to Deliver**  | *Quality of proposed staff to be involved in the assignment*  | 15  |   |
| **Total**  |  | **100**  |  |

**NOTE:**

The Auditors will be required to have an inception meeting with the Finance manager, National Director and Finance and controlling advisor before commencement of the assignment.

**Process and Scope**

**a)** Auditor will check the accounting records and Financial Statements prepared in compliance with International Financial Reporting Standards, National Laws and SOS Financial policies.

**b)** Audit will cover all the programme units

**c)** Audit will cover all the following items in its scope:

1. All types of income of all the programmes. This includes:
* PSA Subsidies
* International Sponsorships
* Local fund raising income
* Operational income (school fees)
* Government Subsidy and
* Any other income (bank interest, donation in kind etc.).

It is emphasized that subsidy received from PSAs must be booked in prescribed accounting codes and properly shown in Financial Statements.

1. All kinds of expenditure including the running cost and investment for all the programme units.
2. All the assets and liabilities of the Member Association. This is to ensure correct and complete description in the balance sheet, considering the concept of accrual accounting.
3. The Children’s Money Gift, which means:
* Receipt of Children’s Money Gift
* Its Payment to the youths during the year and
* Children’s Money Gift at the end of the year.
* All the relevant documents to confirm the correctness and completeness of accounting records. Auditors may also seek third party evidence to corroborate the accuracy of the accounting records. It is strongly recommended that bank balance confirmation is obtained by auditors from the bank.
1. Physically verifying the assets to make an informed opinion. Evaluating the Member Association’s internal control system. Any shortcomings must be reported. Closing of Books (close income statement in NAV) must be done prior to start of audit process in NAs. No entry should be passed afterwards; however, the recommendations made by auditor and accepted by the NA should be incorporated and closing of books must be done again. Figures of the previous year will be mentioned in the financial statements for comparison purpose and must match with previous year’s audited figures. Auditor will maintain the audit working papers and they shall remain in the custody of Audit Company, for the period as defined by the local laws.
2. A draft of Audit Report, Management letter and the findings has to be discussed in a proper debriefing session between the NA and the auditor. The exit meeting with the auditor must clarify any unresolved queries and discuss suggestions for improvement.
3. On completion of the audit, auditor will sign and stamp the financial statements of NA for the financial year. These financial statements are:
* Statement of Financial Activities (Income & Expenditure Statement)
* Cash Flow Statement (Statement of Receipts and Payments)
* Balance Sheet (Statement of Financial Position)
* Statement of Changes in Accumulated Funds (It can be mentioned as annexure of Balance Sheet or can be a separate statement)

**3.2 Access to Data**

The NA is responsible for providing access to the accounting software, documents, any other information/ explanation to enable auditors in completing their work. The documents and information basically includes the:

* Cash and bank vouchers
* Bills and invoices
* Contracts and minutes of Senior Management team (SMT) and National management Team (NMT)
* Copies of any internal regulation which may have an impact on audit.

All explanations must be provided to the auditor, so that they can issue clean/unqualified/positive (without restrictions) report.

In addition to this, external auditor has the right to seek information from any employee of the organization, and visit any location to verify expenditure, income and statistics. Auditor may visit any of the programmes which are under audit. Alternatively, auditors may plan yearly rotational visits.

**Final Audit Package**

The auditor should submit the following documents to MA, properly **signed and stamped**, on the completion of the audit process as Audit Package:

* Auditors’ independent opinion including reasons for a qualified opinion/disclaimer, if any.
* Audited financial statements (for every programme location/ Children’s Village Programme).
* International Standardized Audit Questionnaire (one consolidated for every NA, as per prescribed format)
* Trial balance (one consolidated for every NA), generated from prescribed accounting software. Consolidated trial balance must include the full range of account codes for all programme units (facilities) and construction projects.
* Management letter (one consolidated for every NA), responses from management and follow-up of previous year’s recommendations.
* A separate Audit report for the Child Money Gift (CMG)
* List of Board Members and their addresses

NA must check the documents submitted by the auditor to ensure that they are complete in terms of the audit assignment as per the terms of engagement. Upon completion, the Financial Statements are to signed by the National Board.

**Audit aims**

The auditor must plan and perform the audit in order to provide a professional, unconditional statement of the contract partner's financial statements as well as of the other aspects as defined in Articles 1 to 7 above.

**Independent auditor's statement**

The auditor undertakes to draw up an independent statement on the contract partner's financial statements, presenting the financial situation, results of operations (and if necessary the cash flows) accurately and in full for the accounting year/accounting period, and in compliance with the contract partner's principles of accounting and/or the legal provisions of the partner country and the corresponding standards promulgated by the profession. Where deemed practical for an understanding of the accounts, the auditor shall supplement his report with comments on the financial statements.

**Local accounting in the NA**

The auditor is obliged to obtain a comprehensive understanding of the MA, the existence and the quality of the internal controls, the accounting and valuation principles applied and the adequacy of project organization reporting.

In order to achieve this, the auditor shall make him/herself fully familiar with these aspects at the children’s villages South Sudan, assess and add to his/her dossier the relevant documentation such as manuals, written work processes as well as memos/directives for project management.

Should the auditor find areas for improvement following his/her examination, he/she must advise the contract partner of these in a Management Letter.

Examples of possible audit actions are:

**Existence, adequacy and effectiveness of the Internal Control System (ICS)**

* Adequacy of the internal organization (structures, functions, tasks, authority, responsibilities, methods, procedures, segregation of duties, etc.).
* Effectiveness of project management and accounting processes.
* Adherence to applicable laws, regulations and instructions.
* Physical existence of assets and the related controls.
* Measures to safeguard against incorrect entries, manipulation of accounts, irregularity and fraud.
* Adequacy and completeness of financial information and the reporting system.

**Principles of orderliness (financial regularity)**

**Project related matters**

* Authorization of expenses and their validation by means of appropriate, seamless documentation of receipts.
* Proof of funds received for project performance and reconciliation of the information with the donor's statements.
* Proof of the existence of goods as well as a means of tracking the financial allocation and physical movement of such goods.
* Use of expenses in conformity with the agreed budget (s).
* Conformity of contracts with the relevant laws.
* Disposition and implementation of observations, adjustments and recommendations resulting from previous financial review reports.

**Accounting related matters:**

* Compliance and material accuracy of the statements, receipts, project accounting and other reports.
* Correctness and completeness of the accounting entries.
* Timely recording of all business and financial transactions.
* Agreement of project accounts and other reports with the general ledger accounts.
* Adequacy and completeness of revenues, all revenues are booked correctly.
* Proof of receivables and obligations as well as corroboration for balances in reconciliation and transit accounts.
* Reconciliation of the effective cash balance and bank statements with the general ledger accounts
* Disposition and implementation of observations, adjustments and recommendations resulting from previous financial review reports.

**Conformity with the project objectives and adherence to the contract condition**

Agreement of transactions, expenditures and receipts by comparison with the basic project documents (project description, programs of activities, contracts, TORs, budgets, etc.).

* Exclusive use of the funds allocated for goods and services for the project in line with the contractual provisions; goods must be physically available or have been demonstrably used/sold. Compliance with contractual provisions agreed on between the FDFA and the contract partners.
* Verification that expenses charged to the project corresponds to the agreed budget. Discrepancies between effective project expenses and budgeted expenses must be adequately justified and documented by the contract partner.

**Economical conduct of business and effective use of financial resources**

* Financial resources must be used for project activities as defined by the contractual provisions, ensuring an appropriate level of cost and benefit.
* Existence and application of adequate measures in the internal control system (ICS) in respect of the utilization of committed resources.
* Use of an appropriate system of tasks, authorities and responsibilities (T/A/R), in particular the separation of conflicting or important functions and processes such as commitment to obligations, signing and recording of expenses, matching of cash and bank account balances, clarification of long-term unsettled receivables and obligations, physical existence of material goods, etc.
* Existence of an adequate procurement system that guarantees an optimal cost-benefit ratio for the purchased materials and services and the appropriateness of the goods and services provided by contractors for local customers and cost structures.
* Verification that prices and rates are subject to regular reviews and that the accounting system in use is adequate to the requirements of a management tool, particularly as it concerns cost analysis.
* Critical inspection, substantiation and test for correctness of costs and expenses billed by consultants (rent, travel expenses, lump-sum expenses) and corroboration of their operational contribution to the project.
* Critical inspection (if necessary, with expert assistance) of all benefits paid to local staff (gross salary, social security contributions, income tax, etc.).
* Existence and use of a vehicle logbook and verification that private use of the vehicle is invoiced.

**Conclusion**

The draft Audit shall be submitted via email to the **procurement committee** for feedback. Comments have to be included and the audit report shall only be finalized after agreement on the final version.

The auditor will submit 4 hard copies and a soft copy to the Head of Finance.

The Head of Finance will then submit 3 hardcopies by courier and 1 soft copy of the final audit report to the Regional Office.

Interested and eligible audit firm must submit the technical and financial proposal before 5:00 PM 26th March 2023 to : -

The physical office of the SOS Children Villages, South Sudan. Physical Address: SOS Children’s Village, Located at the Falcon Company, Yei Road (500 meters from South Sudan HIV/Aids Commission) Juba-South Sudan.

***E-Mail:*** Taban.Gabriel@sos-southsudan.org and Isaac.James@sos-southsudan.org with a copy to bismark.watts@sos-southsudan.org