



Terms of Reference for external Annual Audit

This document defines the terms of reference for the Annual Audit, by an independent audit company. Tdh is seeking for a qualified, reputed audit firm to conduct audit of Tdh projects.

1. Projects Information

Title(s):	Tdh Annual Audit AFG-2024
Period:	01/01/2024- 31/12/2024
Contract Project Budget(s):	3m/- CHF
Financing Partner(s)/funding donor:	Multi donors
Implementing Project Partner:	Terre des hommes:
Location(s) of Projects:	Afghanistan
Reporting Currency	CHF, EUR, USD, and AFN



2. Objective of verification

The objective of the audit is to ascertain that the funds provided by donors were used in accordance with the projects agreement (including their stated objectives) and national regulations and to verify whether financial systems of the Terre des hommes respond to general accepted practices. projects period was from 01/01/2024 until 31/12/2024.

A. Applicable auditing standards

Local auditor teams are required to apply the scope of work in accordance with the International Standards on Auditing (ISA) and local GAAPs.

B. Client expectations / Communication

Terre des hommes (Tdh) Annual statutory audit:

The audit opinion should provide reasonable assurance, that the financial statements are presented fairly, in all material respects, and/or give a true and fair view in accordance with the financial reporting framework

We request auditors to provide an opinion whether financial statements are stated in accordance with international accounting standards.

We also request local auditors to comply with the Ethical and Independence requirements.

The annual statutory audit must be based on Tdh accounting system SAGA. In accordance with the accounting practices, only the transactions made by the Delegation (transactions found under accounting books) should be taken in consideration for the audit purpose.

The annual statutory audit does not apply to the detailed transactions made by subcontracted partners (transactions found under extra accounting books). Nevertheless, the subcontracted partner organization must at any moment justify the open position recorded under Tdh accounting books. Detailed financial documentations (signed financial reports + justificative documentations shared by the sub-contracted partner based on the MoU signed with Tdh) must be accessible and available at the delegation level in case of auditor request.

The final audit report should be shared with the delegation upon completion of the service from the local auditor.

Swiss Development and Cooperation (SDC) Annual statutory audit (program contribution):

In the frame of the annual global contribution received by SDC, separate audit report is requested to the delegation. Such audit (the SDC annual statutory audit) must be based on Tdh accounting system SAGA. The report needs to comply with the International Standards on Auditing ISA 805 The SDC final audit report should be shared with the delegation upon completion of the service from the local auditor.



C. Audit instructions

Tdh Annual statutory audit:

The Local Auditor teams are required to apply the below set of audit instructions specifying requested tasks and controls to be performed to deliver the final audit report/s. These instructions contain.

- 1.1 Company certification.
- 1.2 Applicable auditing standards.
- 1.3 Ethical requirements, including independence.
- 1.4 Client expectations / communication.
- 1.5 General information.
- 1.6 Financial reporting framework.
- 1.7 Key Accounting principles and disclosure requirements.
- 1.8 Key controls to undertake.
- 1.9 Audit planning.
- 1.10 Audit deliverables.

1.1 Company Certification

The Audit shall be carried out by an independent auditor, which has the required professional competence and experience, e.g. licensed by a national audit oversight authority, with experience in auditing International NGOs with an extended number of projects funded by institutional donors like EU, USAID, etc.

1.2 Applicable Auditing Standards

Local auditors are required to apply the scope of work in accordance with the International Standards of Auditing (ISA) and local GAAP.

1.3 Ethical requirements including independence

Local auditors are responsible for forming a conclusion on compliance with the Ethical and Independence requirements and confirm to Tdh that, in respect of the engagement, the auditor is independent in accordance with the independence requirements of the International Ethics Standards Board for Accountants (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code).

1.4 Client expectations / communication

Tdh HQ management and Tdh Foundation Council expect local auditors and Tdh country management to comply strictly with the annual audit deadline. Therefore, HQ Accounting Unit requests that all finalized signed documentations (meeting legal and other management expectations) are shared with HQ within the set deadline of 28/02.

Should the auditor anticipate any problems in meeting the deadline, Tdh country management should be contacted and consequently will liaise with HQ Accounting



Unit (Finance Director, Head of Accounting and Head of Field Accounting Unit). Draft documents, including highly significant issues (i.e. a material financial impact and/or involving high risk for the delegation) should be shared by the local auditor with the Tdh country management team in advance for discussions and corrections prior to receiving the final signed documentations. Tdh management expect from local auditors to refer to the previous year audit opinion / management letter points to have a clear picture of possible existing accounting and auditing issues.

1.5 General information

Accounting system in place: Tdh uses SAGA software in all implementing countries. SAGA is primarily a financial software developed to follow up the NGO business model (and ease donor financial reporting) while an indirect double entry system where the contra entry account can be identified via usage of different books and accounts.

Delegations follow a cash basis modified accounting (cash based during monthly closures including some accrued expenditures on payment of insurances while applying annually accrued/regularization during year-end for regularization of prepaid incomes and expenditures).

The monthly exchange rates are recorded in SAGA (multi-currency software) using OANDA rates (first day of each month rates of CHF against other currencies found at www.oanda.com, website).

3. Scope of work

The audit services to be provided include the following aspects:

- 3.1 The audit shall be carried out at the main office of Tdh where the bookkeeping is located.
- 3.2 The audit shall contain the verification of all financial documents or a relevant sample, processes as well as other information pertaining to the project in accordance with international standards. The audit shall examine internal control systems related to the financial statements, compliance with national accounting laws and employment regulations, and compliance with all contractual conditions.

4. Methodology and Standards

In his work the auditor has to comply with the International Federation of Accountants (IFAC) "Code of Ethics for professional Accountants". The verification shall be performed in accordance with national legislation and the relevant International Standards. In this regard the auditor is requested to

- 4.1 express opinion regarding historical financial information (ISA 805).

5. Qualification of the auditor

To conduct the audit, the auditor shall fulfil the following criteria:

- 5.1 The Auditor and/or the auditing firm is a member of a national association or organization of accountants or auditors, which in turn is member of the



International Federation of Accountants (International Federation of Accountants, IFAC).

6. Deliverable

Audit report

The reporting language is English. The reporting currency is both local currency (AFN) , (USD) and (CHF). The written report of the auditor has to be approved by all contracting parties. The audit report shall consist of the following information:

6.1 Details on the nature and scope of the audit, time period and place of the audit, standards applied and findings.

6.3 The following documents shall be included in the audit report:

- a. Audited financial report with variance analysis (in %) between budget and expenditure per budget position.
- b. Overview of receipts and expenditures following the approved budget structure (budget structure see project agreement).
- c. Updated inventory list of the assets procured in the course of the project.
- d. Project staff list of the implementing organization, including a confirmation of conformity of salaries with local standards.
- e. At the end of the project period, a consolidated audited financial report including a presentation of all income and expenditure, a variance analysis between the budget and the expenses per budget position and any remaining balance for the entire project period must be presented.
- f. Management letter:
 The auditor shall issue a separate management letter, in which he draws attention to identified weaknesses, makes recommendations for their elimination and furthermore reports on the implementation of recommendations of previous audits, if any. In the audit report the following standard wording shall be included: "For additional information and recommendations, please refer to the management letter."

7. Timeframe for Deliverables

Time planning should consider the following dates:

Deliverables	Dates
Submission of offer	28.11.2024
Audit Commencement	15.01.2025
Completion of the audit	15.02.2025



Submission of the draft audit report (the draft report has to be approved By the Tdh)	20.02.2025
Submission of the final audit report	23.02.2025

8. Application Procedure

Interested candidates shall submit their offer including the following information:

- a. Presentation of audit firm, mentioning qualifications and experience of auditors conducting the audit and experience of auditing project funds.
- b. Proof of registration Valid Business License as a certified public accountant/ chartered accountant (*see also 5. Qualification of the auditor*)
- c. Membership in the IFAC or membership of a national association that itself is registered with IFAC (registration and annual license)
- d. Company profile, including past similar experience
- e. Tax clearance support document
- f. Confirmation of TORs, audit methodology and standards
- g. proposal in separate sealed envelope
- h. Quotation incl. tax and all expenses
- i. Currency of quotation/audit fee to be specified
- j. Proposed time schedule (work plan)

A signed original official proposal must be delivered via sealed envelope to Tdh Kabul office the latest by 28.11.2024.03: 00p.m

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