



Terms of Reference for Field Office Auditors

The purpose of these Terms of Reference is set out the basis on which you are to act as auditors to clarify your expected responsibilities.

Objectives of the audit

The objective of the audit Islamic Relief Field Office to express an opinion whether the financial reports and project accounts are prepared in all material respect, in accordance with an identified international financial reporting standard (IFRS). The phrases used to express the auditor opinion are given a true and fair view in accounting (specifically auditing) means that a financial statement is free from material misstatements and faithfully represents the financial performance and positioning of an entity, which are equivalent terms.

Audit Methodology

The audit methodology and the audit techniques to be used are those which accord with international auditing standards (ISAs).

Audit procedures encompassing the following should be applied:

- Perform analytical procedures.
- Test the internal controls
- Inspection of original support documentation.
- Inspection of inventory print-outs and physical inspection of assets and
- (Where necessary) inspection of computer systems.

Expectations/output

Through the audit exercise, the auditor will give an independent audit opinion as to the truth and fairness of the financial statements prepared. Islamic relief management will get, as a by product, a management letter which will help the management to improve its efficiency. The audit report will also help to submit a return under any local regulatory authorities and taxation legislation and deposit the tax.

1.1 It is expected that the audit is undertaken in accordance with International Standards on Auditing (ISA's), and in the absence of local charity legalisation have regard to the Statement of Recommended Accounting and Reporting by Charities for the time being applicable and published by the Charity Commissioners for England and Wales.

1.2 The auditors are expected to undertake the audit in accordance with the highest professional standards which will include tests of transactions, and of the existence, ownership and valuation of assets and liabilities.

1.3 Ascertain the accounting system in order to assess its adequacy as a basis for the preparation of financial reports.

- 1.4 Report on any significant weaknesses in, or observations on, the field office's systems.
- 1.5 Undertake an appropriate risk assessment of the field office.
- 1.6 The audit should include site visits to project areas and an assessment of these respective projects.
- 1.7 Where the field office is in undertaking projects funded by institutional donors, the audit should include the verification of the expenditure on the project and the income received for the project, including the existence, ownership of any assets purchased for the project.
- 1.8 A report is required to be sent to Islamic Relief International Headquarters stating whether, in your opinion, the financial statements of the field office, which have been audited by your firm, give a true and fair view of the state of the field office's affairs at the period end, and of its income and application of resources for the period then ended.
- 1.9 The basic fundamentals for prospective auditors are:
 - Honesty
 - Innovation
 - Independence
 - Empathy
 - Familiarity

Audit Scope

The audit must involve obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error.

This includes an assessment of: whether the accounting policies are appropriate to the IRW and the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

The scope of the audit should also cover the accuracy and completeness of the IRW consolidation schedule

1. Legal & organisational aspects

- Legal positions of (Field Office).
- Adherence to legal requirements & constitution. For example, the keeping of minutes
- Right of disposal & decision-making levels.
- Attention paid to taxation laws.
- Adherence to laws of employment including termination benefit entitlement

2. Accounting System

- Detailed bookkeeping.
- Supporting vouchers & other documents, including legal requirements in this regard.
- Income and Expenditure Account
- Balance Sheet.
- The use of all Bank Accounts and the regular reconciliation of bank & cash balances.
- Debtors
- Creditors
- Stock (In Kind Donations)
- Fixed Assets (fixed assets register with special reference to the additions, and disposals during the accounting period)

3. Management Reporting

- The auditors are expected to formally report on control weaknesses found during the course of the audit to local country management.
- This audited accounts with the audit opinion and the management letter should be directly sent to

Head of International Finance and Services
Islamic Relief Worldwide
19 Rea Street South
Birmingham B5 6LB
United Kingdom

- Assessment of the system of internal control & the arrangement of the bank account signatories.
- Businesslike & economic use of the resources.
- Assessment of the accounting system
- Assessment of the management & the administration.
- Adherence to Islamic Relief Financial Guidelines (copy available at Islamic Relief Field Office).
- Assessment of compliance with staff contracts – e.g. are staff benefits and entitlements as stated in contract adequately provided for.

4. Audit Opinion

The opinion on the financial statements should give a true and fair view of the state of the Islamic Relief Country's affairs as at 31 December (2021) and of the incoming resources and application of resources, including the countries income and expenditure and cash flows, for the year then ended;

The opinion should also confirm that the financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRC) and.

4. IRW Consolidation

1. In order to consolidate and compare local country accounts, IRW finance has prepared a consolidation template. Appendix II sets out the template and provides guidance on how this template should be completed.

The IRW consolidation template must be signed by the following to confirm its accuracy and consistency with the audited trail balance:

1. Country Director
2. Country Auditor
3. Country Finance Manager

5. Audit report

- Audit Opinion in terms of a management and board letter (such a letter should include recommendations)
- Audit Opinion on the Financial Statements

It is expected that Auditors maintained an open communication approach with the respective field office Finance Manager and Country Director and ensure that there is no surprises at the end of the audit.

Reporting

The Audited Financial Statements and the Management and Board Letter should be sent as soon as possible on completion to:

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A copy should be given to the Field Office Finance Manager and Country Director and discussed with them before and during as well as on completion of the audit.

Requirements for Proposals from prospective auditors

The prospective auditor is required to submit its understanding about the audit scope, methodology, client resource base and professional fee.

The attached Audit Tender document should be completed and sent to prospective auditors.

Audit Tender

1 Introduction

Afghanistan remains one of the world's most complex humanitarian emergencies, driven by conflict, poor economic situation, natural disasters and recently compounded by COVID-19 and more now the latest political instability. Each year, freezing winter temperatures, especially in high altitude locations drive the need for the provision of life-saving winter assistance as the majority of the affected persons do not have the financial capability to purchase items to support them during the harsh winter season.

Islamic Relief has been working in Afghanistan for more than 18 years, providing emergency relief and implementing life-changing development projects for some of the most vulnerable people in the country. Islamic Relief set up its Afghanistan field office in 1999.

We have worked in 35 districts across the country, and in sectors as diverse as sustainable livelihoods, education, health, child protection, water, sanitation and hygiene, and emergency response.

Organisational Structure

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3 Finances

The last 2 years' accounts are included in the tender pack.

4 Auditors

Amongst the essential qualities Islamic Relief will consider are as follows:

Technical competency

Islamic Relief expects the auditors to have expertise in its area of charitable activity and being able to provide advice in specialist areas such as taxes, Payroll, NGO accounting and risk management.

Cultural fit

Islamic Relief expects the auditors that are appointed to understand and sympathise with the purpose, values and methodology of Islamic Relief.

Expertise and experience in the NGO sector

Islamic Relief is an International Relief and Development NGO, thus it expects its auditors to have NGO sector specialists within its audit team and an experience and portfolio of clients in the NGO sector.

Value for money

Islamic Relief expects its appointed auditors to be proactive in the relationship, sharing experience, knowledge and ideas so that the audit adds more value than just meeting statutory requirements.

Islamic Relief expects the audit to be cost competitive and balanced with a quality professional service. Islamic Relief will expect an open and clear approach to audit costs but will be considering overall value for money of the service provided in making its decision.

Partner and manager time

Islamic Relief expects in the proposal a realistic commitment of partner and manager time and consideration of how you will maintain consistent staffing levels.

Communication

Islamic Relief places strong emphasis on personal relationship and good communication. We hope that we can develop a free and open two way conversation including such areas as changes in accounting standards, fees, deliverables, timing of audit visits, staffing changes.

Risk based approach

We are also seeking to appoint auditors that take a risk based approach to financial audit and have an understanding of risk in a broader context than financial risks of sector.

5 Terms of Reference for Auditors

Refer to attached Terms of Reference.

6 The financial and accounting year

Below are key dates in the accounting year for the preparation of accounts and audit reporting, we anticipate a similar pattern to each year in the future.

	Islamic Relief
Financial year end	01 Jan 2021 – 31 Dec 2021
Draft accounts available for audit	Financial Report/ Fund Report (year 2021) Ledger Cash Book Trial Balance Financial Position for 2021
Timing of the audit	1 January 2021
Sign off to draft accounts required from auditors	February 25, 2021
Approval by Trustees	March 9, 2021

7 The tender proposal

Please provide the following information in the proposal, in the order identified in this section of the tender pack.

i) Details of your firm

Your proposal should:

- **Outline your structure, size and capabilities as relevant to us**
- **Identify your firm's major NGO clients**
- **Describe your audit philosophy and methods**
- **Provide two references of other NGO's that are your audit clients that can be taken up as required**

ii) Staffing

Your proposal should identify:

- **The partner and manager who will be assigned to the audit, including details of their relevant experience and qualifications**
- **The time which the partner and manager identified above will devote to the audit**
- **How you manage succession planning and staff continuity**

iii) Audit approach

Your proposal should identify how you:

- **Determine audit strategy and undertake audit planning**
- **Address matters of audit scope and materiality**
- **Identify and respond to critical audit issues**
- **Control and co-ordinate the audit process**
- **Ensure appropriate responsibility for decisions on the audit**
- **Conduct the reporting arrangements**
- **Approach the first year of the audit**

iv) Fees

Your proposal should include separate estimates of your total audit fees for reporting on:

- **The NGO accounts**

A three-year fee schedule based on the document attached as Appendix 1 should be completed and submitted as part of this section of the proposal.

In addition, in your written proposal you should:

- **Provide an analysis of hours by grade of staff that will be involved on the audit together with details of your hourly charge out rates**
- **Indicate the basis of charging expenses**
- **Provide your proposed billing schedule**
- **Outline your proposals for setting and agreeing fees in future years**

Your proposal should also contain details of other additional relevant services that your firm would propose to provide but are not a necessary and integral part of the statutory audit, and where appropriate include these in the 'additional services' section in the three-year fee schedule.

8 Timetable for the tender process

Below is outlined the timetable for the audit tender process.

	Activity	Deadline
1.	Invitation to tender despatched	
2.	Confirmation of interest received	
3.	Information gathering meetings with Country Director and Finance Manager	
4.	Tender document received	11-Dec-2021

5.	Selection panel review proposals & shortlist	12-Dec-2021
6.	Firms informed of results of short-listing exercise	13-Dec-2021
7.	Oral presentations / Selection panel agrees recommendation	15-Dec-2021
8.	IRW approval is sought	16-Dec-2021
9.	Firms are informed of IRW's decision	19-Dec-2021

Appendix 1

As part of your written submission, you are asked to submit your proposed fees schedule for the next three years.

Audit review

	<i>Year ended 31 December</i>		
	2021	2022	2023
	£	£	£
Islamic Relief			

Other optional work (eg Taxes, PAYE review – please specify on project by project basis)

	<i>Year ended 31 December</i>		
	2021	2022	2023
	£	£	£
Project A			
Project B			
Project C			

NB: The fees quoted should include all chargeable time, out of pocket expenses (e.g. travel) and be all-inclusive fee only.