



**Naymote Partners for Democratic Development**  
**Carver Mission Community, Paynesville City-Liberia, West Africa**  
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## **Standard Terms of Reference (TOR) for Annual Audit of Democracy Advancement Program (DAP) / Program Support including ISRS 4400**

### **I. Introduction:**

Naymote Partners for Democratic Development, hereafter referred to as the “Cooperation Partner” wishes to engage the services of an audit firm for the purpose of auditing the institution Democracy Advancement Program (DAP), as stipulated in the agreement between the Cooperation Partner and SIDA. The audit shall be carried out in accordance with International audit standards (ISA) issued by the International Auditing and Assurances Standard Board (IAASB). In addition, an assignment according to International Standards on Related Services (ISRS) 4400 shall be carried out. An external, independent, and qualified auditor shall carry out the audit and the additional assignment.

### **II. Objectives and Scope of the Audit:**

The objective is to audit the institution financial report for the period (2022 September 1 – 2023 August 31) as subject to SIDA and to express an audit opinion according to ISA, applying ISA 800/ISA 805, on whether the financial report of the Democracy Advancement Program (DAP) is in accordance with the Cooperation partner’s accounting records and SIDA’s requirements for financial reporting as stipulated in the agreement including appendices between SIDA and Cooperation partner (Agreement).

### **III. Qualification of the Audit Firm:**

Auditing firms need to meet certain criteria to be considered qualified for this role. Here are some key qualifications and considerations:

- **Professional Accreditation and Licensing:** The auditing firm should be legally registered and licensed to perform auditing services in Liberia, be in good standing with the Liberia Institute of Certified Public Accounts (LICPA) and member of other recognized professional accounting body and complying with their standards and regulations.

- **Relevant Experience:** The auditing firm should have at least four years experience in performing independent audit of entities within the nonprofit sector and public sector, and in accordance with International Standards on Auditing (ISAs).
- **Independence and Objectivity:** The auditing firm should demonstrate independence and objectivity in its auditing process. This means it should not have any financial or personal interest in the institution, which could compromise its ability to provide an unbiased assessment of the organization's financial statements.
- **Skilled Audit Team:** The auditing firm should assign skilled and experienced staff to the carryout the institution audit. This team should have the expertise with ISA or INTOSAI standards to assess the NGO's financial statements, internal controls, and compliance with relevant regulations.
- **Ethical Standards and Code of Conduct:** The auditing firm should adhere to strict ethical standards and a code of conduct. This ensures that the firm's actions align with professional ethics and that its staff maintains the highest level of integrity.

**IV. Additional assignment; according to agreed-upon procedures ISRS 4400, review the following areas in accordance with the Terms of Reference below:**

Mandatory procedures that must be included:

1. Observe whether the financial report is structured in a way that allows comparison with the lasted approved budget<sup>1</sup>.
2. Observe and inspect whether the financial report provides information regarding:
  - a) Financial outcome per budget line (both incomes and costs) for the reporting period and columns for cumulative information regarding earlier periods under the current agreement.
  - b) When applicable, compare if the opening fund balance<sup>2</sup> for the reporting period matches with what was stated as the closing fund balance in the previous reporting period.
  - c) A disclosure of exchange gains/losses. Inquire and confirm whether the disclosure includes the entire chain of currency exchange from SIDA's disbursement to the handling of the project/ program within the organization in local currency/ies, if applicable.

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<sup>1</sup> The Budget is attached to the agreement with SIDA as an annex and any update should be supported by a written approval by SIDA.

<sup>2</sup> i.e. funds remaining from disbursement made during previous reporting period/s.

- d) Explanatory notes (such as for instance, accounting principles applied for the financial report).
  - e) Amount of funds that has been forwarded to implementing partners, when applicable.
3. a) Inquire and inspect with what frequency salary costs during the reporting period are debited to the project /program.  
*Choose a sample of three individuals for three different months and:*
- b) Inquire and inspect whether there are supporting documentation<sup>3</sup> for debited salary costs.
- c) Inquire and inspect whether actual time worked is documented and verified by a manager. Inquire and inspect within which frequency reconciliations between debited time and actual work time is performed.
- d) Inspect whether the Cooperation partner complies with applicable tax legislation with regard to personal income taxes (PAYE)<sup>4</sup> and social security fees (contributions).
4. a) Inspect and confirm that the unspent fund balance (according to the financial report) at the end of the financial year is in line with the information provided in the accounting system and/ or bank account.
- b) **Applicable in the final year:** Inspect and confirm the unspent fund balance (including exchange gains) in the financial report and confirm the amount that shall be repaid to SIDA.

## V. The reporting:

The report shall be signed by the responsible auditor (not just the audit firm<sup>5</sup>) and shall include the title of the responsible auditor. The auditor must submit a minimum of six copies of the signed report to Naymote Partners for Democratic Development.

### ***Reporting from the ISA assignment***

The reporting from the auditor shall include an independent auditor's report in accordance with the format in standard ISA 800/805 and the auditor's opinion

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<sup>3</sup> Debited salary costs should be verified by supporting documentation such as employment contracts.

<sup>4</sup> Pay As You Earn

<sup>5</sup> If the audit firm is obliged to sign, refer to relevant legislation. SIDA still needs to know who has been responsible for the audit assignment.

shall be clearly stated. The financial report that has been the subject of the audit shall be attached to the audit report.

The reporting shall also include a Management letter that discloses all audit findings, as well as weaknesses identified during the audit process. The auditor shall make recommendations to address the identified findings and weaknesses. The recommendations shall be presented in priority order and with a risk classification.

Measures taken by the Cooperation partner to address weaknesses identified in previous audits shall also be presented in the Management Letter. If the previous audit did not have any findings or weaknesses to be followed up on, a clarification of this must be disclosed in the audit reporting.

If the auditor assesses that no findings or weaknesses have been identified during the audit that would result in a Management letter, an explanation of this assessment must be disclosed in the audit reporting.

#### ***Reporting from the ISRS 4400 assignment***

The additional assignment according to agree-upon procedures ISRS 4400 under section II, shall be reported separately in an “Agree-upon procedure report”. Performed procedures should be described and the findings should be reported in accordance with the requirements in the International Standard on Related Services 4400.

When applicable, the sample size shall be stated in the report.

#### **VI. Confidentiality and Security:**

All information shared with the audit firm must be treated with the utmost confidentiality and stored securely. The audit process will be conducted in compliance with the institution’s standards and data protection regulations.

#### **VII. Audit Cost**

The audit will be affordable in price and will cover all costs associated with the work. The payment term shall be agreed upon between the Cooperation Partner (NAYMOTE) and the audit firm. However, payment will be given in two payments, with the ultimate sum becoming payable following the assignment's successful completion and the submission of the final report in accordance with the TOR detailed in the contract.

### **VIII. Application Requirements:**

- Most recent business registration certificate
- Most recent tax clearance
- Article of incorporation
- Curriculum vitae of the head of the firm of auditors responsible for signing the opinion.
- Curriculum vitae of key personnel proposed as part of the audit team
- Provide three (3) references of previous audits conducted by the auditing firm and proposed staff

### **NOTE:**

All interested auditing firms are encouraged to submit their complete applications/ proposals with certified copies, and requested documents through the following e-mail address: [info@naynote.com](mailto:info@naynote.com) or [info@yplsa.org](mailto:info@yplsa.org).

**DEADLINE FOR SUBMISSION: AUGUST 18, 2023 @ 5:00 P.M.**