



STRATEGIES FOR NORTHERN DEVELOPMENT (SND)

CALL FOR PROPOSALS – EXTERNAL AUDIT SERVICES

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REF: [SND / 27 / 2022](#)

TERMS OF REFERENCE (EXTERNAL AUDIT)

1. INTRODUCTION

SND seeks a professional audit firm to provide annual external auditing services for the four financial years ending 31st December 2022 to 31st December 2024 and project-specific auditing services.

2. BACKGROUND

The Strategies for Northern Development (SND) is a local non-governmental organisation working with nomadic pastoralist communities in Northern Kenya and Southern Ethiopia. SND was registered in Kenya with the NGO coordination board as a fully-fledged NGO on December 6, 2007, and the Agency for Civil Society organisation in the Federal Democratic Republic of Ethiopia on October 21, 2019.

The Organization is driven by a vision to see a society where all pastoralist communities are resilient and live a dignified life and a mission to empower and transform pastoralist communities to be self-resilient in life. SND projects are based on five thematic areas:

- a) Child Protection and Education
- b) Peacebuilding and Governance
- c) Food Security, Sustainable Livelihoods, and Resilience
- d) Water, Sanitation, and Health
- e) Humanitarian assistance

3. OBJECTIVE OF THE EXTERNAL AUDIT

The objective of the external audit is to express a professional audit opinion per International Standards on Auditing on whether: -

- a. The organisational financial statements of SND, in all material respects, conform with the applicable International Financial Reporting Standards and the Financial Management Policy of SND; and,
- b. The financial statements of the SND_BMZ project: (Child Protection through Capacity Building, Transformation of Social Norms and Strengthening of Protection Mechanism in Northern Kenya.), in all material respects, conform with the applicable Financial Management Policy of SND and applicable BMZ financing agreements.
- c. The organisation's books of accounts provide the basis for the preparation of those financial statements and are established to reflect the financial transactions in respect of the Management and that it maintains adequate internal controls and supporting

documentation for transactions.

4. AUDITING STANDARDS

The external audit is carried out per the International Financial Reporting Standards (“IFRS”) and International Standards of Auditing (“ISA”) and includes such tests and auditing procedures as the auditor considers necessary for the assignment.

Furthermore, for the BMZ-funded project, the auditor will perform the specific procedures set out in the respective audit terms of reference.

5. SCOPE OF EXTERNAL AUDIT

The external audit should include the following auditing and control measures.

- a) Verifying accounting records for correctness and completeness.
- b) Verifying the financial report in which all project-related revenues and expenditures must be shown and for which it must be confirmed that receipts are provided for all revenues and expenses.
- c) Verifying how the provided project funds have been managed. This includes:
 - Project funds transferred to the project partner in the current budget year or during the project term
 - Interest earned in the current budget year or during the project term from project funds transferred to the project partner
 - Other revenues from the project activity.
 - Verifying to what extent the funds have been used appropriately to carry out the planned project objectives and activities.
- d) Verifying the cost-effectiveness of expenditure concerning financial resources (to be used economically and as effectively as possible).
- e) Verifying the personnel costs and social security contributions to ensure that they are in line with local standards, legal in the respective project country, and, above all, that they comply with contracts and that the contributions required by law are being withheld.
- f) Verifying that the cost plan is being adhered to by comparing objectives and effects (based on the most recent valid budget).
- g) Verifying the economical use of project equipment.
- h) Verifying the procured inventory, where it is being held, and whether it has been/is being used appropriately to carry out the planned project objectives and activities
- i) Verifying and confirming that project-relevant documentation is complete and correct.

- j) Verifying that all agreements fundamental to the project are being adhered to (contracts, German private executing agency guidelines, BMZ funding requirements, BNBest-P/private executing agencies and BMZ contract award guidelines).

6. AUDIT REPORT

The auditor is expected to present two reports: An opinion on the Financial Statements prepared by the Management and a Management Letter.

The opinion on the Financial Statements shall contain the following:

- a) A professional opinion on the financial statements and supporting schedules as regards their true and fair view;
- b) Accounting standards and SND Financial Rules and Regulations that have been applied indicating the effect of any deviations from them;
- c) The International Audit standards that were applied;
- d) Include all other requirements of donors as stated in the various donor agreements.

The Management Letter, among others, shall contain the following:

- a) Comments and observations on the accounting records, systems and controls that were examined during the course of the audit;
- b) Specific deficiencies and areas of weakness in systems and controls and make recommendations for improvement;
- c) The degree of compliance of each of the donor funding agreements and give comments, if any, on internal and external matters affecting such compliance;
- d) Matters that have come to their attention during the audit which might have a significant impact on the implementation and sustainability of the funding;
- e) Report on the implementation status of recommendations of previous period audit reports;
- f) Areas of risk that need to be flagged out to management;
- g) Any other matters the auditors consider pertinent to be brought to the Management's attention.

Ideally, the Management Letter will include reactions/comments from SND Management on the weaknesses noted by the auditors.

7. DOCUMENTS OF REFERENCE

The following documents and matters are to be considered by the auditor as primary references for performing the financial audit:

- a) Legislation: National law
- b) Project Cooperation agreement relative to the project or SND
- c) Project Document / TOR,
- d) Budgets, financing plans, programs of project activities;
- e) Project management procedures;
- f) Any other documents concerning the project/program.
- g) Accounting: Accounting documents subject to the financial audit;
- h) Financial and operational reports concerning the project/program.
- i) Auditor: Prior internal and external audit reports of the partner;
- j) Any other information requested from the partner by the auditor.

8. PROJECT & DURATION OF AUDIT

The appointed auditor shall audit:

- i. The statements for the financial year ended 31st December 2022 with the possibility of re-appointment for a subsequent two years, subject to approval by the Board of Directors.
- ii. The BMZ Project as per the details provided below:

Donor: BMZ (Federal Ministry for Economic Cooperation and Development)

Project Name: Child Protection through Capacity Building, Transformation of Social Norms and Strengthening of Protection Mechanism in Northern Kenya

Implementing Partner: Strategies for Northern Development - SND

Start Date: 1st November 2022

End Date: 31st December 2022

The financial audit will be conducted in Moyale, Kenya, at the SND Office premises.

8. QUALIFICATION OF THE AUDIT FIRM

- a) The auditor must be completely impartial and independent from all aspects of management or financial interests of the organisation;
- b) The auditor shall not, during the period covered by the audit nor during the undertaking of the audit, be employed by, serve as an adviser or mentor for, or have any financial or business relationships with the organisation; and
- c) The auditor shall be registered with the (Institute of Certified Public Accountants of Kenya (ICPAK) and must demonstrate that they possess appropriate professional qualifications and suitable experience in accounting and auditing the accounts of entities comparable in size and complexity to the entity being audited;
- d) Curriculum Vitae (CVs) must be provided to SND by the Partner of the firm of auditors, who shall

be responsible for signing the opinion, together with the CVs of key personnel proposed as part of the audit team. The CVs shall include details of audits carried out by the concerned staff, including ongoing assignments indicating capability and capacity to undertake the audit.

SND absolute priority is protecting children, vulnerable communities, and our staff. We have zero tolerance for violence or abuse against children and other people in the communities we serve, committed by our staff or others connected to our work. Successful applicants must sign and adhere to our safeguarding, child protection, and Prevention of Sexual Exploitation and Abuse (PSEA) code of conduct and policies.

9. AUDIT FEES

The audit fees will be fixed and determined through a competitive bidding process.

10. LETTER OF ENGAGEMENT

A formal letter of engagement specifying the scope of the audit shall be prepared and signed between the Management and the auditor before the beginning of the assignment. The letter of engagement shall also clearly spell out the responsibilities of the two parties.

11. APPLICATION PROCESS

Expressions of Interest should be sent by email to procurement@sndafrica.org and copy info@sndafrica.org attaching the following:

- a) Concept note outlining understanding of the task and methodology.
- b) Current CV of partner, key staff, and Audit Firm profile demonstrating experience in similar tasks.
- c) Proof of being in operation for not less than five years.
- d) Proof of doing a similar assignment in auditing at least three non-governmental organisations.
- e) List at least three referees with official email, addresses, and telephone contacts.

Indicate on the subject line of the application email **“Provision of Audit Services - Name of Company”** to reach SND on or before **5:00 PM on Friday, February 10, 2023.**