

TERMS OF REFERENCE

AUDIT OF PROJECT FINANCIAL STATEMENTS

7000 -URAIA TRUST

1. Introduction

These Terms of References (ToR) cover the annual audit of the financial statements for the Uraia-Danida project – Empowered Youth Generation in Governance (EYGG) Project in Kenya. The audit includes both the financial audit as well as the compliance and performance audit of the project.

The audit will cover the financial statements for the period 1st-April-2023 to 31st-December-2023 presented as per the financial statements template applicable to Uraia-Danida projects.

2. Background

This program seeks to address the sub-national structural and governance malfunctions that have placed the youths in the periphery. These malfunctions include the lack of policy accountability, political accountability, performance accountability, youth participation in sub-national level governance processes and policy contribution by the youths. The element of accountability and youth participation will be the significant fulcrum guiding program intervention.

3. Objective

The overall objective of this audit is to provide an independent opinion of the financial statements presented by The Oslo Center for the Uraia-Danida Project. By providing an opinion on the financial statements, and by reporting findings and observations, the audit company provides part of the basis on which Uraia-Danida will assess the compliance of relevant legislative and regulatory requirements.

The objective of the financial audit is to check:

1. Whether the financial statements regarding funds granted through Uraia are free from material misstatements.
2. Whether the proceeds of the grant were used for the intended purpose.
3. Whether transactions covered by the financial statements comply with the appropriations granted, statutes, other regulations, agreements, and usual practice.

4. Whether the systems, processes, or transactions examined support the exercise of sound financial management in the administration of the funds granted through Uraia.

4. Accounting Standards

The financial statements will be prepared on an accrual basis of accounting in accordance with the International Financial Reporting Standards, International Auditing and Assurance Standards Board, or equivalent national accounting standards.

5. Deliverables

5.1 The Independent Audit Report

Conclusions of the financial audit must be presented in the independent auditor's opinion. The independent auditor's opinion should be in accordance with applicable ISA and must refer to these ToR. The auditor's opinion shall include the following elements:

- The auditor's opinion on the financial statements and whether these are prepared in all material respect in accordance with financial provisions applicable.
- Identification of the financial statements audited, including title of the activity and the financial period.
- Reference to the applied accounting policies used in preparing the financial statements.
- Reference to these terms of reference for the audit.

Any qualifications should be clear and stated with correct headlines in accordance with relevant ISAs.

5.2 The Management Letter

Findings or observations that are not material to financial statements as a whole but considered to be of relevance to either management or Uraia, must be reported in a management letter. Such findings or observations may include, but are not limited to:

- Weaknesses and issues in accounting and internal control systems, including irregularities in the use of grant funds, ineligibility of expenditures, and procurement-related weaknesses and issues.
- Auditor's assessment of the causes, and recommendations to improve or rectify the identified weaknesses and issues.

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- The Oslo Center's responses to the weaknesses and issues including explanations of the causes, proposed action plan to address the concerns, and the timeline for completion.
- Status of weaknesses and issues identified and reported in prior periods.
- Any continuing or persistent issues and weaknesses, and follow-up actions taken.
- Any matters the auditor considers pertinent or significant as to impact implementation.

The management letter shall, for each finding or observation, include:

- A description of the finding or observation with indication of severity or risk level
- Description of the effect or risk derived from the finding or observation.
- Recommendations to address the finding or observation.
- Management's comments on the effect or risk as well as the recommendations.

5.3 The Auditors Report

Conclusions on the compliance and performance audit must be presented in the audit report. The audit report should be prepared in accordance with applicable International Audit and Assurance Standards Board (IAASB) and must refer to these ToR. The audit report shall include the following elements:

- Conclusions in relevance to specific audit questions or procedures
- Identification of the financial statements audited, including title of the activity and the financial period.
- Description of scope of the audit (and possible limitations), including key procedures performed.

6. Scope

The scope of the audit includes a financial audit as well as a compliance and performance audit.

The financial audit must be carried out in accordance with International Standards on Auditing (ISAs). Other frameworks of auditing than ISAs are accepted as a basis for the audit provided these frameworks result in an audit equivalent to an audit planned and performed according to the ISAs and International Federation of Accountants (IFAC). This will require the audit company to plan and perform procedures based on risk assessment and materiality. Therefore, the audit company must:

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- Identify and assess risks of material misstatements of the financial statements, whether due to fraud or error. Based on the risks identified, the auditor must design and perform relevant audit procedures to obtain sufficient and appropriate audit evidence to serve as the basis for the auditor's opinion.
- Obtain an understanding of the internal controls relevant to the audit, in order to design appropriate audit procedures. The purpose is not to express an opinion on the effectiveness of the internal controls, but whether these controls pertain to the project costs.
- Evaluate the appropriateness of the accounting policies used in the financial statements, including the reasonableness of estimates and related disclosures. In relation to funds granted through Uraia, this is particularly relevant for accounting policies regarding project costs.

7. Auditor's Qualifications.

The auditor must satisfy the following minimum requirements:

- A legal entity in Kenya with business license granted by appropriate authority.
- A member of a professional body affiliated with the International Federation of Accountants (IFAC) and Institute of Certified Public Accountants of Kenya (ICPAK).
- Have adequate relevant professional and educational qualifications, or able to provide audit staff with adequate qualifications, experience, and competence.
- Technically competent and able to conduct audit in line with the auditing standards.
- Objective and independent from the project, its staff, and activities, and from all aspects of management or financial interests of The Oslo Center.
- Possesses proven track record in financial audit of INGO projects, or audits of similar nature, type, and complexity, or donor-funded projects.

Application procedure

Interested candidates/institutions should submit a technical and financial proposal.

Applications should be submitted to ock@oslocenter.no with the subject line:

PROGRAM AUDIT – 7000-PROJECT on or before 8th December 2023.