

## **Terms of Reference for Procurement of External Audit Service for the Period 2021**

### **Introduction**

MIET AFRICA was established as a non-profit education organization in 1996. Initially rooted in the province of KwaZulu-Natal in South Africa, over the years the organization's work has expanded to other provinces, into the Southern African Development Community (SADC) and further into Africa. MIET AFRICA's main focus is on supporting education development, as well as health and socioeconomic development where they impact on education. As an African NGO the organization is well placed to address the numerous challenges faced by vulnerable children and youth in the SADC Region. In this regard it has pioneered many models and programmes, and its influence extends across Africa and beyond.

The Cooperation partner wishes to engage the services of an audit firm for the purpose of auditing the FoRCESA - Frontiers of Resistance – Championing Children's Rights across ESA Project, as stipulated in the agreement between MIET AFRICA and Save the Children International (SCI). The audit shall be carried out in accordance with international audit standards issued by IAASB<sup>1</sup>. The audit shall be carried out by an external, independent and qualified auditor. In addition to auditing the financial report, the assignment also includes an assessment in accordance with a special agreement described under section II.

SCI audits are required for all sub awards where:

- the amount spent by the partner on the sub award is more than SEK 284,000 during 2021
- or the award ends during 2021 and the total spend over the life of the award exceeds SEK 284,000. An audit of the total amount shown in the final financial report from the partner should be carried out at the end of the sub award agreement.

In 2021, MIET AFRICA received a grant of R1 539 248 from **Save the Children International**.

### **I. Objectives and scope of the audit**

The objective is to audit the financial report for the period 1<sup>st</sup> January 2021 to 31<sup>st</sup> December 2021 and to express an audit opinion according to ISA 800/805 on whether the financial report of the FoRCESA Project is in accordance with SCI requirements for financial reporting as stipulated in the agreement including appendix between SCI and MIET AFRICA.

SCI emphasizes the importance that the auditor, as part of the assignment, reviews whether MIET AFRICA has complied with applicable contractual provisions regarding payments to all subsequent partners<sup>2</sup>.

---

<sup>1</sup> The International Auditing and Assurance Standards Board (IAASB)

<sup>2</sup> Only applicable for the auditor of MIET AFRICA



Regardless of which material amount the auditor chooses and works on the basis of, all discrepancies detected by the auditor and unadjusted by MIET AFRICA regarding funds disbursed to partners (either direct and/or subsequent partners) shall be stated in the report.

- II. **Additional assignment; according to agreed upon procedures ISRS 4400, review the following areas in accordance with the Terms of reference below<sup>3</sup>**
1. Follow up whether salary costs debited to the project/programme are recorded throughout the duration of the year in a systemized way and examine whether the salary costs can be verified by sufficient supporting documentation.<sup>4</sup>
  2. Examine whether the financial report includes a comparison, for every budget item, between the actual costs/expenditures of activities and the budgeted costs/expenditures as approved by SCI for the period.
  3. Based on materiality and risk the auditor shall examine whether there is supporting documentation related to incurred costs.
  4. Follow up whether the cooperation partner complies with the applicable tax legislation with regard to taxes (e.g. Pay As You Earn (PAYE)) and social security fees.
  5. Follow up whether the cooperation partner has adhered to the procurement guidelines annexed or referred to in the agreement.
  6. Review if outgoing balance for previous period is the same as incoming balance for the current period.
  7. If the cooperation partner applies modified cash basis as accounting principle, the auditor shall describe whether the chosen accounting principle is acceptable for the established financial report.
  8. Verify the unspent balance at the end of the financial year.
  9. Regardless of materiality of the findings, the auditor shall quantify the amount for costs lacking sufficient supporting documentation.
  10. Review whether the cooperation partner has signed agreements with its subsequent partner organisations.
  11. Review whether the audit requirements in agreements with the cooperation partner as well as subsequent partner organisations are in accordance with the audit requirements as stipulated in MIET AFRICA agreement with SCI.
  12. Review whether there is an unbroken chain of audited financial reports according to the requirements as stipulated in the agreement between the MIET AFRICA and SCI, for funds disbursed the previous year. The review shall include whether the cooperation partner makes documented assessments of the audited financial reports submitted to the cooperation partner and whether these reports are followed-up by the cooperation partner. The review shall include verification of contributions equivalent of a minimum of 40% of the total of disbursed funds as well as 40% of the number of contributions.<sup>5</sup> The review shall also include any observations from auditors that SCI should be informed about.
  13. Review whether the same requirements for reporting exchange rate gains and exchange rate losses as stipulated in the agreement between MIET AFRICA and SCI is included in the agreements between the Cooperation partner and its subsequent partner organisations.

---

<sup>3</sup> Assignments 1-9 shall apply to Cooperation partners that do not sub-grant funds, and assignments 1-13 shall apply to Cooperation partners that sub-grant funds.

<sup>4</sup> If the budget contains salary costs to be charged to the project, the auditor should always review these costs as stipulated here.

<sup>5</sup> The size of the selection in relation to sub-granting funds shall be determined in consultation with the cooperation partner and the auditor, and shall be stated in the ToR or at the latest in the assignment letter between the auditor and the cooperation partner.



### III. **The reporting**

The reporting shall be signed by the responsible auditor (not just the audit firm) and shall include the title of the responsible auditor.

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 shall be clearly stated. The independent auditor's report shall clearly stipulate that the audit has been conducted in accordance with ISA 800/805.

The reporting shall also include a **Management Letter** that discloses all audit findings and weaknesses identified during the audit process. The Management Letter shall include both significant and other findings. The auditor shall also make recommendations to address the identified findings and weaknesses. The recommendations shall be presented in priority order. The financial report that has been subject of the audit shall be attached to 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.

Measures taken by the organisation to address weaknesses identified in previous audits shall also be presented in the Management Letter.

The additional assignment according to agreed upon procedures ISRS 4400 under section II, shall be reported separately in a **Report of Factual Findings**. The size of the sample of reviewed audit reporting from subsequent partners (if applicable) shall be stated in the report.

If the auditor performs additional assignments and finds that the observations described in the Report of Factual Findings contain the information that would have been stated in the Management Letter, a Management Letter does not need to be issued. In such cases, it must be stated in the Report of Factual Findings that a Management Letter has not been issued for this reason.

The organisation shall produce a **Management Response including an Action Plan** to the findings in the Management Letter and/or Report of Factual Findings.

#### **Timeline**

A draft report to be submitted to MIET AFRICA by 25th February 2022 for MIET AFRICA to respond by 28th February 2022. The signed reports needs to be submitted to SCI by the latest 13th March 2022.

#### **Quotes**

Please submit your quote for this procurement to Matthew Fortuin on [matthew@miet.co.za](mailto:matthew@miet.co.za) to reach us no later than 14 January 2022.