



KELIN/FAO/RFP/7/2019

**KENYA LEGAL AND ETHICAL ISSUES NETWORK
ON HIV&AIDS**

EXTERNAL AUDIT OF KELIN's FINANCIAL STATEMENTS

TERMS OF REFERENCE

TABLE OF CONTENTS

Contents

A.	Background.....	3
B.	Objective of the Audit	3
C.	Preparation of Annual Financial Statements	4
D.	Audit Scope.....	4
E.	The Audit Report and Management Letter	5
F.	Auditor Independence and Qualification.....	6
G.	Access to Facilities and Documents.....	6
H.	Auditor Experience & Qualification.....	7

A. Background

KELIN is an independent, Kenyan, non-governmental organization that was established to tackle legal and ethical issues relating to HIV. While originally created to protect and promote HIV-related human rights, our scope has expanded to include all aspects of health rights. Our work spans the following thematic areas: HIV & TB; Sexual and Reproductive Health & Rights; Key Populations; and Women, Land and Property Rights.

Our goal is to advocate for a holistic and rights-based system of service delivery in health, and for the full enjoyment of the right to health by all, including the vulnerable, marginalized, and excluded populations in these four thematic areas.

We do this by: advocating for the integration of constitutional and other human rights in policies, laws and operational frameworks/regulations relating to the right to health and the application of the constitutional values and principles and the rights based approaches in the implementation of health services; developing the capacities of Public Benefit Organizations and Community Based Organizations working on health and human rights issues; facilitating access to justice in respect of violations of health related human rights; initiating and participating in strategic partnerships at the national, sub-regional and regional and global levels for the strengthening of the rights based approach in the delivery of health services; and building an organization that operates in an effective, efficient, professional and accountable manner.

In the implementation of our programs and related activities, we utilize a rights-based approach, prioritizing the key principles of people-centeredness, accountability, equality, and non-discrimination. By taking this approach we ensure the involvement of both the rights holders who are not experiencing full rights, and the duty bearers who are duty bound to protect the holders' rights.

B. Objective of the Audit

The objective of the audit of the Financial Statements (FSs) is to enable the auditor to express a professional opinion(s) on the financial position of KELIN at the end of each fiscal year and on funds received and expenditures incurred for the relevant accounting period.

C. Preparation of Annual Financial Statements

KELIN has the responsibility to prepare financial statements, including adequate disclosure. KELIN is also responsible for the selection and application of accounting policies, and preparation of the FSs in accordance with International Financial Reporting Standards (IFRS).

The auditor is responsible for forming and expressing opinions on the financial statements. The auditor will carry out the audit in accordance with the International Standards on Auditing (ISA), as promulgated by the International Federation of Accountants (IFAC). As part of the audit process, the auditor may request from the KELIN a written confirmation concerning representations made in connection with the audit.

D. Audit Scope

These terms of reference address requirement for an audit of KELIN's financial statements covering the period 1st January – 31st December of each year for the next three years unless otherwise advised.

A draft audit report should be submitted by 1st March and a final signed audit report with certified statements by 15th March each year. The financial statements for the financial year will be made available no later than 15th February following the end of the financial year.

The audits should be carried out in accordance with International Standards of Auditing (ISA) and International Financial Reporting Standard (IFRS). In complying with International Standards on Auditing, the auditor is expected to pay particular attention to the following matters:

- a) **Fraud and Corruption:** Consider the risks of material misstatements in the financial statements due to fraud as required by **ISA 240: The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements**. The auditor is required to identify and assess these risks (of material misstatement of the financial statements) due to fraud, obtain sufficient appropriate audit evidence about the assessed risks; and obtain an appropriate response to identified or suspected fraud;
- b) **Laws and Regulations:** In designing and performing audit procedures, evaluating and reporting the results, consider any noncompliance by KELIN with laws and regulations that may materially affect the financial statements as required by **ISA 250: Consideration of Laws and Regulations in an Audit of Financial Statements**;
- c) **Governance:** Communicate governance matters of interest arising from the audit of financial statements with those charged with governance of KELIN as required by **International Standards on Auditing 260: Communication of Audit Matters with those Charged with Governance**, and
- d) **Risks:** In order to reduce audit risk to an acceptable low level, determine the overall responses to assessed risks at the financial statement level, and design and perform further audit procedures to respond to assessed risks as required by

Internal Standard on Auditing 330: the Auditor's Procedures in Response to Assessed Risks.

Sufficient audit evidence should be gathered to substantiate all material with respect to the accuracy of the financial statements.

The audit report of the auditors should state if the audit was not in conformity with any of the above standards and any funds have been provided and used in accordance with the relevant financing agreements, national laws and regulations have been complied with, and that the financial and accounting procedures approved for KELIN (e.g. operational manual, financial procedures manual, etc.) were followed and used.

E. The Audit Report and Management Letter

a) Audit Report

The audit report should clearly indicate the auditor's opinion. This would include at least the following:

- The title, addressees, and an opening or introductory paragraph containing identification of the financial information audited including the period covered; and
- Statement of the responsibility of the entity's management and the responsibility of the auditor.
- A scope and methodology paragraph describing the nature of the audit, referencing the accounting standards that have been applied and indicate the effect of any deviations from those standards; the audit standards that were applied; and the work the auditor performed.
- An opinion paragraph disclosing:
 - Whether the financial statements and supporting schedules fairly present the cash receipts and expenditure in all material respects
 - Whether the financial transactions reflected in the statements are in accord with financial regulations and procedures, budgetary provisions and other applicable directives.
- The auditor may expand the report to include other information and explanations not intended as a reservation.

The audit report will be provided in English.

b) Management Letter

The auditor should submit a letter to the management at the completion of the audit. The topics/issues to be covered in the letter should include:

- Give comments and observations on the accounting records, systems and controls that were examined during the course of the audit;
- Identify specific deficiencies or areas of weakness in systems and controls, and make recommendations for their improvement;

- Report on the degree of compliance of each of the financial covenants in the financing agreement and give comments, if any, on internal and external matters affecting such compliance;
- Communicate matters identified during the audit, which might have a significant impact on the implementation of the project;
- Give comments on the extent to which outstanding issues/qualifications have been addressed;
- Give comments on previous audits' recommendations that have not been satisfactorily implemented; and
- Bring to KELIN's attention any other matters that the auditor considers pertinent, including ineligible expenditures.
- Recommendations to resolve/eliminate the internal control weaknesses noted should be included.
- Management comments/response to audit findings and recommendations.

F. Auditor Independence and Qualification

The auditor must be completely impartial and independent from all aspects of management or financial interests in KELIN. The auditor should not, during the period covered by the audit nor during the undertaking of the audit, be employed by, serve as director for, or have any financial or close business relationships with any senior participant in the management of KELIN. The auditor should disclose any relationship that might possibly compromise his/her independence.

The auditor should be experienced in applying ISA and IFRS. The auditor must employ adequate staff with appropriate professional qualifications and suitable experience with ISA including experience in auditing the accounts of entities comparable in size and complexity to KELIN.

Curriculum vitae (CVs) should be provided to KELIN by the principal of the audit institution who would be responsible for signing the opinion, together with the CVs of managers, supervisors and key personnel proposed as part of the audit team. CVs should include details of audits carried out by the applicable staff, including ongoing assignments, clearly indicating capability and capacity to undertake the audit as well as experience in auditing financial statements compliant with the International Financial Reporting Standards.

G. Access to Facilities and Documents

The auditor will have full and complete access at any time to all records and documents (including books of account, legal agreements, minutes of board meetings, bank records, invoices and contracts etc.) and all employees of KELIN. The auditor will have a right of access to banks and depositories, consultants, contractors and other persons or firms engaged by KELIN's management over the period under the audit review.

H. Auditor Experience & Qualification

- The Audit Firm should be registered, and have a practicing license from Institute of Certified Public Accountant. The firm should have relevant experience in accounting & auditing of membership organizations and projects, especially donor funded operations. The audit firm should have at least three full time partners, not less than 10 employees and should have been in existence for not less than eight (8) years.
- The Key Team will comprise of at least:
 - a) An Engagement Partner with over 10 years' auditing experience, with sound knowledge of donor financed projects;
 - b) An Audit Manager with over 5 years of experience in auditing and with sound knowledge of donor financed projects;
 - c) An Audit Team Leader with at least 3 years' experience in auditing; and
 - d) Sufficient Assistant Auditors with adequate experience & professional qualifications.

The technical proposal and financial proposal quoting the above Reference number should be emailed to info@kelinkkenya.org with a copy to procurement@kelinkkenya.org on or before 31 October 2019 at 1600hours.

KELIN Kenya reserves the right to reject any or all the submissions received and will not be bound to accept the lowest bidder.