

Request for Proposal to provide External Audit Services

Background to Faith to Action Network

Faith to Action Network mobilizes faith organizations' support for family health and wellbeing. As a global interfaith network of more than 100 Bahai, Buddhist, Christian, Confucian, Hindu, and Muslim faith organizations, we focus on issues that faith actors are grappling with, including sexual and reproductive health and family planning; gender equality and women's rights; pluralism and understanding.

We combine innovative, evidence- and faith-backed community-based programming with national, regional, and international dialogue and advocacy to influence change at all levels. We meet international standards of quality and accountability and ensure the relevance of our interventions to the everyday lives of faith communities. We promote:

- A strong faith-based voice in policy consultations. We create opportunities to engage in policy discussions at international, regional level, national and sub-national level.
- Communication guided by respect and sensitivity that offers alternative terminology, adapted to different cultural and religious contexts, to increase faith organizations' acceptance of informed content and help faith champions reach millions.
- Needs-based capacity strengthening to support faith organizations' institutional change and action.
- Partnership building to create bridges. We broker partnerships and alliances between unlikely parties – interfaith, intra-faith, donors, governments, secular civil society organizations and private sector.
- Interfaith experience sharing, learning and exchanges among faith organizations to increase exposure to different interpretations, methodologies & approaches. We recognize that faith organizations need a joint space to discuss common values and areas of consensus.
- Research and demonstration projects that generate evidence.
- As a fund manager, we provide faith organizations with access to small grants to finance interfaith interventions.

We would like to engage a reputable audit firm to carry-out the following;

- Statutory audit of Faith to Action Network for the financial year ending December 31, 2021 – *(Turnover for 2020 was Kes 195,544,056- Of this amount Kes 127,062,688 were Partner Grants)*
- Annual Project Audits as per donor audit protocols
 - YWA4A Project - Funded by Dutch Ministry of Foreign Affairs (*Year 1 Budget is EUR 328,531*)
 - JISRA Project Funded by Dutch Ministry of Foreign Affairs (*Year 1 Budget is*

EUR 1,271,890

- F4AJ Project – Funded by Brot für die Welt (*Year One Budget is EUR 37,445*)

The contract will be renewable for a three-year period.

Audit Objective

- The objective of the Faith to Action Network statutory audit is to obtain reasonable assurance that the financial statements reflect a true and fair view of the financial position of the organization. The audit will be performed in accordance with International Financial Reporting Standards ("IFRS") and International Standards of Auditing ("ISA"). The audit report will include an Independent Auditors Report (Opinion) on the financial statements.
- The objective of the audit of the Project financial statements (PFSs) is to enable the auditors to express an independent professional opinion on the financial position of the Project as at (date to be determined); and to ensure that the funds granted to the Project have been used for their intended purposes; the project books of accounts provide the basis for preparation of the PFSs by the project implementing unit and are established to reflect the financial transactions in respect of the project and that the organization maintains adequate internal controls and supporting documentation for transactions.

Scope of work

The successful bidder will be required to perform the annual statutory financial audit for the period, January to December in respect to relevant pre-determined objectives before end of February following the end of the financial year.

The audit will be in conformity with International Financial Reporting Standards ("IFRS") and International Standards of Auditing ("ISA"). The findings and recommendations shall include an action plan for Faith to Action Network organizational and accounting improvements depending on findings and its implications and shall accommodate management comments

The project audits will be carried out in accordance with the Standards specified in the project specific audit protocols and will include such tests and verification procedures as the auditors consider necessary under the circumstances

Key Deliverables

Statutory Audit

- Express a professional opinion on financial statements of Faith to Action Network on whether the statements present, in all material aspects, the financial position at the end of each financial year and were prepared in accordance with recognized accounting principles, standards and all relevant laws and regulations. This will include include tests and verification procedures as the auditors deem necessary.
- Confirm that the books of account provide the basis for preparation of the financial statements
- Verify all funds have been used in accordance with the established rules and regulations of Faith to Action Network and only for the purposes for which the funds were provided.
- Review and give an opinion on the adequacy and effectiveness of the risk management system, internal controls, financial management practices and supporting documents maintained by Faith to Action Network
- Review and give an opinion on adequacy, transparency and fairness of the procurement processes as employed by Faith to Action Network
- The existence /effectiveness of organizational /personnel policies and procedures designed to ensure the regularity of the rendering of the accounts and to prevent losses of monies and/or property,
- Means of verification of the correct allocation of expenses to projects
- Review and give an opinion on adherence by Faith to Action Network to national laws, its own internal controls and funding partner's agreements
- Verify the costs for personnel in consideration of its allocation to projects, the completeness and accuracy,
- Review of partner/project agreements.
- Provide recommendation for improvements on any inadequate process or practice employed by Faith to Action Network as will be noted during the audit exercise by providing Faith to Action Network with a Management letter
- Provide necessary assurances to Faith to Action Network's external parties seeking to authenticate either the process or output of the audit undertaking.
- Conduct entry and exit meeting with the Country Director of Faith to Action Network.
- Conduct interim audits under the request of Faith to Action network on a needs basis.
- The audit period should cover visits to sampled project sites from which a report is submitted with key findings and recommendations.

Project Audits

- Follow up whether salary costs debited to the project 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.
- 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 donors for the period.
- Based on materiality and risk the auditor shall examine whether there is supporting documentation related to incurred costs. Regardless of materiality of the findings the auditor shall quantify the amount for costs lacking sufficient supporting documentation.
- Examine whether foreign exchange gains/losses are disclosed as a separate item in the financial report as well as disclosed in accordance with what is stipulated in the agreement including appendices and generally accepted accounting principles.
- Faith to Action Network's compliance with the applicable tax legislation with regard to taxes and social security fees.
- Follow up whether Faith to Action Network's has adhered to the procurement guidelines annexed or referred to in the agreement.
- Review if outgoing balance for previous period is the same as incoming balance for the current period.
- Verify the unspent balance at the end of the financial year against accounting records and its supporting documentation.
- Verify the unspent balance that shall be repaid to donors in the final report of the last agreement year (only applicable in the final report of the last agreement)

Reporting

- **Statutory Audit:** As per the constitution, the Steering Council is responsible for the recruitment of auditors and the Audit Firm will report directly to the Steering Council.
- **Project Audits:** The auditors will report directly to the donors as guided by the donors' audit protocols.

Eligibility Criteria

Eligible Audit firm should meet the following criteria:

1. Compliance with legal requirements of registration
2. Be registered with the Institute of Certified Public Accountants of Kenya (ICPAK) and its partners must hold current practicing certificates. A Quality Assurance

- Review by ICPAK is added advantage
3. Experience of the audit firm with audit reporting under International Financial Reporting standards (IFRS) and International Standards on Auditing (ISA)
 4. References for similar audits performed within the last three years (From 2018 and above)
 5. Provide Audit Methodology, Proposed Work-plan, Curriculum Vitae for the partner, manager and key staff proposed for the audit team
 6. Audit firm and staff must be independent of Faith to Action Network and affirm their independence in the engagement letter.
 7. Any actual or potential conflict of interest in taking up this role should be highlighted.
 8. The firm should demonstrate capacity, capability and experience required to undertake the audit within 14-20 days.
 9. The firm should hold a valid Tax compliance certificate.
 10. Experience with Audits with International NGOs
 11. The firm should have been in practice for a period of not less than 5 years.

Note: *A detailed evaluation criteria is presented in Appendix 1 below.*

Technical requirements

In the bids, the tenderers are expected to:

- Provide an exposition of their technical expertise in audit and advisory services
- the audit firms could include in their proposals /quotations their standard structure of an audit report as reference
- Demonstrate experience of auditing international non-governmental organizations;
- Provide a brief description of approach to the assignment
- Provide references of recent experiences in performing external audit services, which should be a sample list of past clients, which should include the name of the organization, contact person, designation, contact number and email, nature of the service and period of the appointment.
- Provide any value addition services you would be able to provide besides the contracted service.

Structure of the Audit report

For means of standardizing the audit reports, we request that the Auditors use the following structure:

- Audit Assignment
- General background information of the foundation
- Scope, type and extent of audit
- Statements and explanations regarding the financial system and procedure, consisting of the accounting and the annual financial statement and project-cost-center reports
- Audit results
- Appendices
- Statement of financial position (standardized)
- Statement of Income and Expenditure (standardized)
- Statement of cash flows (standardized).
- Cost Center Report (standardized)
- Fixed Asset Schedule.
- Development and explanation of project reserve funds (standardized)
- Statements made about the accounting should include whether it is carried out in a complete, timely and orderly manner.
- The chart of accounts is to be audited on whether it is suitable to properly record business transactions
- The notes regarding the balance should explain, upon which basis the verification, the statement and evaluation of the assets and losses have been made.
- The standards for calculating currency exchange rates should also be detailed.

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:

- Comments and observations on the accounting records, systems and controls that were examined during the course of the audit;
- specific deficiencies or areas of weakness identified in systems and controls, and
- recommendations for their improvement;
- Report on the degree of compliance of each of the financial covenants in the financing
- agreement and comments, if any, on internal and external matters affecting such compliance;
- Matters identified during the audit, which might have a significant impact on the implementation of the projects;
- Comments on the extent to which outstanding issues /qualifications have been addressed;
- Comments on previous audits' recommendations that have not been satisfactorily implemented; and

- Bring to Faith to Action Network's attention any other matters that the auditor considers pertinent, including ineligible expenditures.
- Recommendations to resolve/eliminate the internal control weaknesses noted .
- Management comments /response to audit findings and recommendations.

The Key Team will comprise of at least:

- An Engagement Partner with over 10 years' auditing experience, with sound knowledge of donor financed projects;
- An Audit Manager with over 5 years of experience in auditing and with sound knowledge of donor financed projects;
- An Audit Team Leader with at least 3 years' experience in auditing with sound knowledge of donor financed projects
- Sufficient Assistant Auditors with adequate experience, professional qualifications, with sound knowledge of donor financed projects.

Proposals will be evaluated on;

- The technical expertise/ability
- The organizational capacity
- Experience in similar work
- Value addition services besides contracted work
- Favorable references
- Financial proposal

Submission of Bids

- Please indicate the validity period of your proposal. We expect your proposal to remain valid for a period of 90 days within which a decision is made on the successful tender. We purpose to finalize the tendering process within a period of one month. If the proposal validity period is exceeded, bidders have the option to withdraw their tenders or extend their validity for continued consideration.
- Interested audit firms that meet the above requirements should send both Technical and Financial Proposals as one attachment to: RFA@faithtoactionnetwork.org on or before **15th September 2021**
- Please indicate **"F2A/RFA/002/2021 - External Auditing Services"** in the subject line of your email application.
- The financial proposal shall be in a separate folder from the technical proposal. The financial proposal should be broken down into the various

costed items /activities.

- This tender shall be considered competitively.
- The final decision of the selection of the firm to conduct the audit will be made by the Steering Council. The final agreement will be in the form of a written contract.
- Faith to Action Network reserves the right to reject any or all the submissions received and will not be bound to accept the lowest bidder.

All questions and correspondence should be directed to the undersigned.

*Chief Executive Officer
Faith to Action Network
Hatheru Court \ Hatheru Road (Lavington) \ Nairobi
P. O Box 2438 - 00202
Nairobi.*

Appendix 1: Evaluation Criteria

| A. Mandatory Requirements | | | | |
|---|--|--------------|------------------|----------------------|
| No. | Particulars | Marks | Compliant | Non-compliant |
| 1. | Copy of Certificate of Incorporation/Certificate of Registration | 1 or 0 | | |
| 2. | Copy of valid Tax Compliance certificate | 1 or 0 | | |
| 3. | Copy of PIN Certificate | 1 or 0 | | |
| 4. | Must submit 2 years certified copies of audited financial report (2018/2019, 2019/2020) | 1 or 0 | | |
| <i>Only those that meet the mandatory requirements in Section A will move to next stage of the evaluation.</i> | | | | |
| B. Expertise of firm / organization submitting proposal | | | | |
| | | Score | Max. | |
| 5. | Impartiality, Independence and Perceived Conflict of Interest of the Firm | | 5 | |
| 6 | Ability to conduct audit in for projects present in the following countries: Kenya, Ethiopia, Uganda, Egypt, Palestine, Indonesia, South Sudan, Tanzania, South Africa a (1 mark per country) | | 16 | |
| 7. | General Organizational Capability which is likely to affect delivery i.e. <ul style="list-style-type: none"> loose consortium (3 marks); | | 10 | |

| | | | | |
|---|---|--|-----------|--|
| | <ul style="list-style-type: none"> • holding company (5 marks); • One firm (10 marks) | | | |
| 8. | <p>Extent to which any work would be subcontracted</p> <p>(Subcontracting carries additional risks which may affect project implementation, but properly done it offers a chance to access specialized skills).</p> <ul style="list-style-type: none"> • Non-subcontracting (5 marks) • Sub-contracting (0 marks) | | 5 | |
| 9. | <p>Experience in reviewing various projects funded by various donors:</p> <ul style="list-style-type: none"> • Dutch Ministry of Foreign Affairs (2 marks) • European Union (2 marks) • DFID (2 marks), • Brot für die Welt (2 marks) • Any other (2 marks) | | 10 | |
| 10. | <ul style="list-style-type: none"> • Value add in addition to Audit | | 8 | |
| | Sub-total | | 54 | |
| C. Proposed Work Plan and Approach | | | | |
| 11. | Is the scope of task well defined and does it correspond to | | 5 | |

| | | | | |
|---|---|--|------------|--|
| | the TOR? | | | |
| 12. | Is the audit methodology adopted appropriate for the task? | | 5 | |
| 13. | Is the presentation clear and is the sequence of activities and the planning logical, realistic and promise efficient implementation to the project? | | 10 | |
| | Sub-total | | 20 | |
| D. Team Members Experience & Expertise | | | | |
| 14. | General Qualification of the: <ul style="list-style-type: none"> Team Leader/Partner – Degree and Accountancy Professional Qualification (2 marks) Managers - Degree and Accountancy Professional Qualification (3 marks) Senior Auditors - Degree and Accountancy Professional Qualification (4 marks) Audit Assistants – Degree (1 marks) | | 10 | |
| 15 | Professional Experience in the area of specialization and the region: <ul style="list-style-type: none"> Team Leader – 10 years and above (3 marks) Managers – 8 years (5 marks) Senior Auditors – 5 years (5 marks) Audit Assistants – 2-year (3 marks) s | | 16 | |
| | Sub-total | | 26 | |
| | Total | | 100 | |