

TERMS OF REFERENCE FOR EXTERNAL INSTITUTIONAL AUDIT OF

LWF, WS, KENYA –SOMALIA AND SOUTH SUDAN PROGRAMS

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A: Background Information

The Lutheran World Federation (LWF) was established in 1947 as a federation of Lutheran churches to respond together to human suffering in the aftermath of the Second World War. Today, The LWF is a global communion of 148 churches in the Lutheran tradition, representing over 75.5 million Christians in 99 countries with a mission to strive to put faith into action within and beyond the communion and seek the guidance of God's Word and Spirit in their actions. The LWF has a Department of World Service, which is the humanitarian arm of the organisation that has been carrying out humanitarian and development work as mandated by the LWF member churches since 1947 and acts as their key actor in international Diakonia (service to others) to assist all those in need without discrimination of any kind. LWF World Service is widely recognised as an international faith-based organisation working in 25 countries, with its headquarters based in Geneva, Switzerland.

In South Sudan, then known as the Southern part of Sudan, LWF's presence dates back to 1970, and it was operational until 1983 when its operations were closed by the then Sudan government. LWF continued to support humanitarian work in Southern Sudan through related agencies such as SEC and later CEAS until 1998, when LWF returned to direct operation working as the LWF Kenya-Sudan program and from 2004 as the LWF Uganda-Sudan program. LWF was registered in South Sudan as LWF South Sudan in 2008 and has continued operating as such to this day. Currently, the LWF South Sudan Program operates in 5 of the 10 South Sudan states, including Jonglei, Central Equatoria, Upper Nile, Unity, and Eastern Equatoria.

The LWF Kenya Somalia program has been active in northwest Kenya in the Kakuma Refugee Camp since the camp was established in 1992. The program has been implementing host community projects in Turkana West Sub County since December 1999. In 2008, the UNHCR invited the program to start operations in Dadaab Refugee Camps. In 2017, the program opened an office in Kismayu, Somalia, responding to the drought and supporting internally displaced local populations and Somali refugees returning home.

B: Objectives and expected results

The **objectives** of this audit are to:

- Audit the balance sheet, the income and expenditure statement, the cash flow statement and notes to the financial statements;
- Confirm whether funds were used for the intended purposes
- Verify transactions covering at least a sufficient percentage of disbursements ensuring supplies/ services received and utilized for the program complying LWF procurement policies & procedures supported by required documents.
- Verify a sample test of the human resources recruitment process, salaries and benefits payments supported by required documents, and payroll, including compliance with tax regulations as per Kenya, Somalia, and South Sudan laws.

- Verify assets owned by the program are recorded and are used for the intended purpose of program operation.
- Verify whether the financial statements are prepared, in all material respects, in accordance with LWF accounting policies
- Field visits (implementing areas/ Somalia and Juba, considering security situation) ensuring completion of activities mainly related to construction & in-kinds distribution activities.

Evaluate the internal financial control system.

These terms of reference address the requirement for external audit of financial statements of LWF/WS, South Sudan Program

C: Audit Scope:

The Lutheran World Federation's South Sudan Country Program and the Kenya-Somalia Country Program each require their own separate annual institutional audit covering the period from January to December each year. The total funds to be administered are approximately 10 million EUR for the South Sudan Program and 14 million EUR for the Kenya-Somalia Program in 2024.

For each Country Program, a draft annual audit report must be submitted by 28th February, with the final signed audit report, including certified financial statements and a management letter, due by 15th March each year.

These terms of reference also include separate project audits required by specific donors, which may have their own distinct terms of reference. Separate audits, such as those potentially required for ACT appeals, may be necessary, and additional fees may be provided for each audit based on the amount of funds involved.

For the Kenya-Somalia Program, an additional audit report will be required in Kenya Shillings following the completion of the initial audit. Additionally, the auditor will be responsible for filing tax returns for the audit period.

D: The Audit Report and Management Letter

1. 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 in the financial statements have been prepared in accordance with and comply with the financial regulations and the accounting principles of the LWF, South Sudan country program. The accounting policies have been based in part on the general principles of the International Financial Reporting Standards
- are in accordance with financial regulations and procedures, budgetary provisions and other applicable directives; and

- summary assessment of the efficiency of the management and internal control system.

The auditor may expand the report to include other information and explanations not intended as a reservation. Audit reports will be provided in English.

2. 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:

- An assessment of the efficiency of the administration, management and internal control system of LWF.
- A description of any specific internal control weaknesses noted in the financial management. Recommendations to resolve/eliminate the internal control weaknesses noted should be included.
- Management comments/response to audit findings and recommendations.

E: Auditor Independence and Qualification

The auditor must be completely impartial and independent from all aspects of management or financial interests in the entity being audited. 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 LWF. The auditor should disclose any relationship that might possibly compromise his/her independence.

The auditor should be experienced in applying International Standards on Auditing (ISA) as this standard is required for the audit. The auditor must employ adequate staff with appropriate professional qualifications and suitable experience with ISA standards, including experience in auditing the accounts of entities comparable in size and complexity to LWF. Curriculum vitae (CVs) should be provided to LWF 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 on audits carried out by the applicable staff, including ongoing assignments indicating capability and capacity to undertake the audit and experience in auditing financial statements compliant with the International Public Sector Accounting Standards. The auditor should at least have done annual audit engagements or similar engagements to other INGOs.

F: Access to Facilities and Documents

LWF Accounting software is online Sage. All financial records are kept at the head offices (Juba and Nairobi). The auditor will have full and complete access at any time to all records and documents (including books of account, legal agreements, minutes of committee meetings, bank records, invoices and contracts etc.) and all employees of the entity. The auditor will have a right of access to banks and depositories, consultants, contractors and other persons or firms engaged by the program management over the period under the audit review.

G: Geneva Global Audit instructions

The auditor should follow the audit instructions for the organisational audit that LWF Geneva set out to country programs. The instructions detailed the requirements from PricewaterhouseCoopers for the overall consolidated audit in Geneva. The reporting packages, audit timelines, and reporting formats are mentioned in the instructions and must be strictly followed.

H: Application Process

1. Please submit the following documents with “Reference **NRB/FINANCE/6360/2024**.”
 - a. **Technical proposals should include:**
 - i. Provide an exposition of their technical expertise in audit and advisory services;
 - ii. Demonstrate experience of auditing International Non-Governmental Organizations;
 - iii. A qualification certificate of a recognized independent auditing authority as confirmed by a relevant institution in the country Program (for example, a chamber of commerce, national association of auditors or another relevant organization),

- iv. Provide references of recent experiences in performing project audit services which should be a sample list of past clients including name of organization, contact person, contact number and email address, designation, nature and value of service and period of the appointment;

b. Financial Proposal

A financial proposal (EUR), including VAT, any/all fees, and withholding tax, if applicable.

- i. Audit Fee for each Country Program (Kenya-Somalia, and South Sudan)
 - ii. Detailed Cost of Disbursements (travel expenses, accommodation, Printing and Photocopying, Communication etc). Break these down in units of application rather than lumpsum amounts.
2. The selection of the auditor will be conducted jointly by both Country Programs
 3. The audit agreement will be signed separately for each Country Program.

Location

The audit will be conducted at the LWF offices along Gitanga Road, Nairobi. and NCA Compound, Buluk, Juba South Sudan. Visits to the implementation areas are also expected.

Submission.

The technical and financial proposals should be sent to The Procurement Committee at procurement.nairobi@luthernaworld.org and procurement.southsudan@lutheranworld.org received by **23rd September 2024**. Any additional clarification required on the TOR should be addressed to the Procurement Committee via the same emails.

LWF reserves the right to accept or reject any or all of the applications without assigning reasons for its decisions thereof.