

Family Planning Association of Nepal

Terms of Reference (TOR) to External Auditor

(First Date of Publication: 3 September 2024)

1 Background:

Family Planning Association of Nepal (FPAN), established in 1959, is the first and foremost NGO to work for advocacy of, increasing awareness on and increasing access to family planning (FP) and sexual and reproductive health (SRH) in Nepal. It has started FP and SRH programs even before the Nepal government launched its own Family Planning and Maternal and Child Health Project in 1969. FPAN has been a member association of the International Planned Parenthood Federation (IPPF), since 1969. This has made FPAN a locally owned, globally connected civil society, enabling it to advocate for, to increase awareness on, and to provide a wide range of SRH service and rights (SRHR) to everyone without any discrimination by gender, age and socioeconomic status. As a member association of IPPF, we share a common vision that all people are free to make choices about their sexuality and wellbeing, in a world without any discrimination. FPAN works in 28 districts, focusing on the poor, marginalized, socially excluded, and underserved (PMSEU) populations, which include female sex workers, people living with HIV (PLHIV), LGBTIQ people, people who inject drugs (PWID), men who have sex with men (MSM), migrant workers, people with disabilities, survivors of sexual gender-based violence (SGBV), urban slum dwellers and people affected by disaster and crisis.

To comply with various laws & regulations prevailing in Nepal, IPPF Guidelines and requirement of funding agreement, FPAN is required to appoint a firm of repute to conduct statutory audit including tax audit for the financial years 2024 to 2026 and provide the required reports thereon.

2. Audit Framework

The applicable framework of audit shall be as follows:

- 2.1 Generally Accepted Accounting Principle prevailing in Nepal including Accounting Standards issued by the Institute of Chartered Accountant of Nepal (ICAN) and International Accounting Standards (IAS);
- 2.2 Various applicable laws and regulations prevailing in Nepal;
- 2.3 IPPF External Audit Manual (Issued June 1992 & Revised October 2010) (hereinafter referred as "EAM");
- 2.4 Constitution, Central Committee (CC) Decisions and Policies of FPAN;
- 2.5 Funding Agreements;
- 2.6 Income Tax Act 2058 and tax regulations.

3. Scope of Work

3.1 The scope of work are as follows:

- (i) To give an *independent opinion* on true & fair presentation of the financial statements in accordance applicable audit framework and provide the audit report thereof (including projects);
- (ii) To provide independent assurance on FPAN's compliance with the financial accreditation standards of IPPF and provide Financial Accreditation Control Evaluation (FACE) as per IPPF's FACE methodology set out in Section K of EAM;
- (iii) To provide independent assurance on FPAN's compliance with funding agreement of various donors;
- (iv) To conduct tax audit as per the provisions of Income Tax Act 2058 and tax regulations.

3.2 Specific matters covered within the scope with regard to EAM

In order to express an opinion on the true and fair view of the financial statements of FPAN as on 31st December 2024 and ensuing FYs the auditors shall with regard to compliance of EAM:

- 3.2.1 Plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Accordingly, the audit will include the examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements, and an assessment of the accounting principles used and significant estimates made, as well as an evaluation of the overall financial statement presentation.
- 3.2.2 Include but not be limited to the specific procedures outlined below and which may be undertaken during the course of this audit:
- (i) Ascertaining that the Association's activities have been conducted in conformity with the IPPF Funding Agreement, as well as Agreements entered into with other grantors, and establishing that both direct and indirect costs have been apportioned to projects in accordance with these Agreements;
 - (ii) Visits to branches/clinics of the Association, as considered necessary, to enable assessment of the adequacy of internal control systems and procedures, and the accuracy of inventory counts;
 - (iii) Review and evaluate key accounting controls and procedure and surrounding significant accounting functions and applications;
 - (iv) Review the adequacy of insurance cover on the Association's assets and third party and employment risks;
 - (v) Review the minutes of meetings of the Governing Body and subsidiary committees to ensure that operations have been carried out in accordance with approved resolutions;
 - (vi) Review the Association's designated and restricted reserves to ascertain that they conform to both IPPF policies and local customary or legal practice in terms of their adequacy and use;
 - (vii) Review post balance sheet date operations and events and the evaluation of their possible impact on the Association's financial statements. including but not limited to:
 - a) Confirmation of bank balances and investment directly with banks and custodians;
 - b) Confirmation of grants and other receivables directly with donors and other third parties;
 - c) Attendance at and observation of physical inventories (as above);
 - d) Physical identification of fixed assets, particularly major acquisitions during the year;
 - (viii) Verify and validate the compliance of prevailing Tax and other regulatory requirements in the country, including but not limited to:
 - a) Filing of all statutory returns with the Government;
 - b) Deduction of taxes at source (for employees, vendors, consultants, etc) and their timely deposits into the Government treasury;
 - c) Deduction and deposit of NLK, PF and Gratuity.
 - (ix) Conduct Labor Audit in pursuant to Section 100 of Labor Act, as prescribed as to whether or not acts and actions are being performed by the Association in accordance with the applicable labor law and prepare a report thereof.

The above specified scope of work (Section 3.1 & 3.2) is collectively referred to as "Audit Package".

4. Management's Responsibility

- 4.1 It shall be responsible for the preparation and maintenance of books of accounts;
- 4.2 True & fair presentation of financial statements in accordance with applicable audit frameworks. However, in conjunction with the audit, the auditors shall provide assistance to FPAN in preparing the financial statements and notes thereto in accordance with the applicable frameworks;
- 4.3 This responsibility includes, inter alia, designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that free from any material misstatements, whether due to fraud or errors;
- 4.4 Selecting and applying appropriate accounting principles;
- 4.5 Making accounting estimates that are reasonable in the circumstances;
- 4.6 Make available all the relevant information for the purpose of audit.

FPAN has 28 branches & one central office and consolidated books of accounts of is maintained at Central Office. The field visit shall be done as per requirement of the audits. The current organization structure may change in coming future.

5. Auditors' Responsibility

- 5.1 To express opinion on the true & fair nature of financial statements based on audit procedures;
- 5.2 To provide reasonable assurance that financial statements are free any material misstatement whether due to error or fraud;
- 5.3 To evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management;
- 5.4 To provide the score of FACE to IPPF;
- 5.5 To report on other statutory matters;
- 5.6 To conduct tax audit in accordance with provisions of the Income Tax Act 2058 and Income Tax Rules 2059.

6. Deliverables

The deliverables shall be as follows:

- 6.1 Independent Audit Report in appropriate format and Audited Financial Statements;
- 6.2 Independent Audit Report in required formats in compliance to EAM including projects if required;
- 6.3 Memorandum of Audit Observations/Management Letter;
- 6.4 Income tax return and assessment of income tax in accordance with Chapter 19 of the Income Tax Act 2058 and rules thereon and Reports thereon;
- 6.5 FACE report along with Score thereof;
- 6.6 A statement of compliance with terms and conditions as contained in the funding agreements and financial statement wherever required by donors;
- 6.7 Labour Audit Report as per Section 100 of Labour Act 2074.

7. Financial Year & Timeline for submission of Deliverables

7.1 Financial Year

FPAN follows the calendar year (January to December) as financial year for statutory annual audit. However, for the purpose of tax audit, Financial Year shall mean Nepalese Financial Year as defined under Section 2(i) of Income Tax Act 2058 as reproduced below:

"Income year" means a period from the first day of Shrawan (tentatively 15 July) of any year to the last day of Ashad (tentatively 14 July) of the next year" (emphasis supplied).

7.2 Timeline for Statutory Annual Audit

The statutory annual audit of the financial statements shall be completed by 31st of March from the end of financial year (Referred in Section in 7.1).

7.3 Timeline for Tax Audit

Tax Audit Report, Income Tax Return and Income Tax Assessment shall be provided within two months from the end of relevant FYs (Referred in Section 7.1).

7.4 Timeline for Compliance Report on Funding Agreement

The statement of compliance should be submitted as required. Usually for IPPF, such report is required along with audit reports. For other donors, the statement of compliance should be submitted within the deadline specified in the funding agreements.

8. Minimum Eligibility Criteria for External Auditors

Before conducting the technical and financial evaluation of the proposals received, the FPAN's evaluation committee will perform a preliminary examination of these proposals to determine whether they are complete, whether any computational errors have been made and whether the documents have been properly signed. A two-stage procedure (combined scoring method) is utilized in evaluating the proposals, with evaluation of the technical proposal being completed prior to any price proposal being opened and compared. The technical proposal is evaluated on the basis of its responsiveness to the ToR. The evaluation committee will evaluate the technical merits of all the proposals which have passed the preliminary examination of proposals. The evaluation of the proposal will be based on Combined Scoring method – where the technical evaluation is given 70% weightage (which pass the minimum technical score of 60%) and financial offer with be given 30% weightage. The contract will be awarded to the firm scoring the highest combined scores. An evaluation committee in FPAN Head Office will evaluate the technical and financial proposal based on ToR, other eligibility criteria and the following considerations:

FPAN seeks to engage a reputed & experienced firm of chartered accountants to deliver the specified audit service. Following minimum criteria (eligibility criteria) need to be fulfilled by the prospective bidder:

- 8.1 Must be registered with ICAN;
- 8.2 Must be a firm of qualified chartered accountants;
- 8.3 Must not be debarred by ICAN or any other authority in Nepal during last 5 FYs (A self-declaration on this will suffice);
- 8.4 Must have experience of at least 5 years of conducting statutory audits & tax audits of NGOs/INGOs having similar functions as of FPAN;
- 8.5 Must have sound proficiency in specified "Audit Package" in accordance with the specified frameworks;
- 8.6 Must have a team of qualified chartered accountants with one member having at least 7 years of experience in NGOs/INGOs;
- 8.7 Must be accredited by IPPF and should have foreign affiliation or international presence (Annexure-I).

Technical Evaluation:

The following selection criteria will be used for technical evaluation of the proposals.

Description	Score
International Membership & Global Ranking of the Firm	10
Total Years of Establishment	10
Strength of the Firm	10
Number of Chartered Accountants in the Firm	10
Number of Partners in the Firm	5
Timeline proposed for the assignment	5
Relevant Experience of the Firm	10

Quality Assurance Review & Peer Review of the Firm	10
Experience of the team Leader	10
CISA or DISA Qualified Partner	5
IFRS Qualified Partner	5
Approach and Methodology	10
TOTAL	100

Financial Evaluation:

The submission that passed the minimum technical score of 60% of the obtainable score of 100 points in the evaluation of the technical proposals. In the second stage, the financial proposal of all agency/ firm, who have attained minimum 60% score in the technical evaluation, will be evaluated. The financial proposal carries a total score of 30 points. In evaluating the financial proposal, the FPAN shall determine for each sealed proposal, the evaluated financial proposal by adjusting any corrections for errors. The financial proposal shall be checked by the FPAN for any arithmetic errors.

9. Duration of Appointment

The firm/agency shall be engaged for a period of 1 year and engagement letter shall be issued for each FY separately. FPAN may renew the contract each year for total period of 3 FYs based on performance.

10. How to Apply

10.1 An interested firm/agency can submit their proposals demonstrating their ability to deliver on this assignment based on the meeting the minimum eligibility criteria and the same should be delivered either personally or by courier to the registered office address of FPAN by 17-September-2024 on or before 17:00 hours. The financial proposal should be covered by sealed.

10.2 The firm/agency shall prepare both the "Technical" and "Financial" proposal. In the cover letter of proposal, the firm/ agency must have to mention "External Audit ". The firm/agency firm shall seal the proposal in one outer and two inner envelopes (1. Technical proposal and 2. Financial proposal). The outer envelope should mention - FPAN, Pulchowk and, marked as: "External Audit"

10.3 All the proposals should be addressed to:

Executive Director,
 FPAN, Center Office,
 Harihar Bhawan, Pulchowk,
 PO Box No. 486,
 Lalitpur, Nepal.
 Phone: 977-1-5010240, 977-1-5010104.

10.4 Any proposals delivered and/or received by the FPAN after the deadline shall not be considered and shall be returned unopened to the firm/ agency and marked as disqualified. FPAN reserves the right reject any or all the proposals received.

- 10.5 The technical proposal, inter alia, should contain proposed team structure, qualifications and their resume.
- 10.6 Certificate of affiliation with foreign firms shall mandatorily be submitted.
- 10.7 The financial proposal shall clearly mention the assignment fees and out of pocket expense for Statutory Audit, FACE and Tax Audit respectively. The financial proposal should show detailed breakdown of costs professional fee and other expenses. The cost estimates should be in local currency. Note: Travel to field and accommodation will be provided by FPAN. Per diems will be based on FPAN standard per diems. Fees must be quoted in local currency (NPR). Please indicate daily rate and number of days' work. Fees should exclude VAT. Where indicated, VAT should be shown separately.

11. Accountability to Participants:

The firm/agency and its members are expected to support all efforts towards accountability, specifically to our participants and to international standards guiding international relief and development work, while actively engaging participant communities as equal partners in the design, monitoring and evaluation of our field projects.

12. Ethics and Integrity:

The firm/agency will be expected to sign and adhere to FPAN's code of conduct and safeguarding on signing the contract. FPAN has zero tolerance to any form of fraud, corruption, abuse, harassment or exploitation. Any breach of our policies or misconduct will lead to disciplinary action or may lead to termination of the contract. Ethical Clearance is not required for this assignment.

13. Queries & Clarifications

For any query and clarification, please contact, Finance Director, Finance Division of FPAN.

Note:

FPAN reserves the rights to accept or reject all or any of the application. Failure to abide by the ToR may lead to termination of the contract. The terms not explicitly mentioned herein may be mutually agreed at the time of contracting.

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Annexure-I

List of 20 Audit Firms accredited by IPPF.

1	Deloitte Touche Tohmatsu
2	PwC
3	EY
4	KPMG International
5	BDO
6	RSM
7	Grant Thornton International
8	Nexia International
9	Crowe Global
10	Baker Tilly International
11	Moore Global Network
12	Mazars
13	PKF International
14	HLB International
15	Kreston Global
16	ETL Global
17	ECOVIS International
18	MGI Worldwide
19	SFAI
20	Russell Bedford International