

Family Planning Association of Nepal

Terms of Reference (TOR) to Internal Auditor for FY 2025-2027

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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 requirement of funding agreement, strengthen the internal control system, FPAN is required to appoint a firm of repute to conduct internal audit for the financial year **2025 to 2027** and provide the required reports thereon.

2 **Internal 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), former superseding the latter;
- 2.2 Various applicable laws and regulations prevailing in Nepal as on date;
- 2.3 Constitution, Central Committee (CEC) Decisions, Policies and Rules of FPAN and IPPF's Policies & Principles applicable to member associates;
- 2.4 Funding Agreements;
- 2.5 Income Tax Act 2058 and regulations thereon.

3 Objective of Assignment

- 3.1 To evaluate and improve the efficiency and effectiveness of governance;
- 3.2 To evaluate and improve the efficiency and effectiveness of internal control system (Control Environment, Risk Management, Control Activities and Monitoring) at all level (Entity level and Process Level) and Management Overriding Controls;
- 3.3 To assess and check the propriety of expenditures (cost benefit analysis) i.e. faithfulness and economy. It should not only verify that an expenditure incurred is duly sanctioned by an appropriate authority but also the justifications and the necessity for it;
- 3.4 To assess and check the compliance with internal audit frameworks;
- 3.5 To make recommendations to strengthen FPAN's management & governance based on the above.

4 Scope of Work & Reporting

4.1 The scope of work are as follows:

- (i) All the functions of Governance as laid down under the Constitution of FPAN;
- (ii) All the functions of Management of FPAN including but not limited to:
 - a) Financial Functions
 - Annual Budgetary Control
 - Grants & Funding
 - Clinical Income
 - Funds and Bank Balance
 - Bank reconciliation
 - Accounts payable
 - Accounts receivable
 - Disbursements
 - Petty cash transactions
 - Loans & Advances
 - Assets
 - b) HR Functions
 - c) Program Functions
- (iii) To cover the entire operations of FPAN including its Head Office, Branch Offices, Project Offices, Community clinics, family health centers and the offices/ catchment areas of the associate organizations. The Auditor should ensure that every location (i.e. Head office, branch offices and associated organizations) is visited preferably once every three years;
- (iv) To identify the key risks the organization faces and to examine and evaluate the adequacy and effectiveness of the system of risk mitigation and internal control as operated by the organization;
- (v) To prioritize audit strategy and plan based on categorization of risks into high, medium and low, based on their severity & impact on the organization;
- (vi) To review the adequacy and effectiveness of the structures, systems (including those under development) and procedures of the Governance and management (including financial management, asset management, procurement management, human resource management, inventory management, risk management, information management, etc.) of FPAN to ensure that controls offer adequate protection against error, fraud and loss of all kinds, and that the process aligns with the organization's strategic goals;
- (vii) To review the extent of compliance with policies, standards, plans and procedures established by the Central Executive Committee, Laws of the land, regulations and contractual requirements laid out by the legal bodies, regulatory bodies and donors;
- (viii) To review the extent to which the assets and other interests have been acquired economically, used efficiently, accounted for and safeguarded from losses of all kinds arising from waste, extravagance, inefficient administration, poor value for money, fraud or other causes and that adequate business continuity plan exists;
- (ix) To review the suitability, accuracy, reliability and integrity of financial and other information management systems including the means used to identify, measure, classify and report such information;
- (x) To follow up action taken to remedy weakness identified by the Internal Audit review, ensuring that good practice is identified and communicated widely Internal Auditor shall have full and complete access at all

- times to all records and documents (including books of account, legal agreements, minutes of committee meetings, bank records, invoices and contracts etc.) and seek explanations and justification from all the concerned employees/ volunteers of the Association and/ or its associates;
- (xi) To provide Statement of Internal Control (SIC) as per the IPPF External Audit Manual (Issued June 1992 & Revised October 2010).

The auditor, shall give due consideration to the relevant standards and policies of IPPF and other donors, wherever applicable, in connection with conducting audit and reporting.

4.2 Reporting

Internal Auditor shall regularly report on the results of its work to CC through the Audit Committee. The Internal Auditor shall function under the administrative control of Executive Director and is accountable to the CC through Audit Committee to:

- (i) Annual audit plan and methodology to be adopted based on an understanding of the significant risk to which the organization is exposed;
- (ii) A quarterly report on activities undertaken, i.e. the areas covered under audit (including a summary of values and volumes of transactions audited) during the period, key issues identified, actions required to be taken and follow up on recommended actions from the previous report. This will include inter alia:
 - Assessment of the adequacy and effectiveness of the organization's structures, system and processes including in the areas of risk management and internal control.
 - Significant control issues and potential for improving risk management and control processes.
 - A summary of any important matters arising from the audit that require FPAN Governance/ Management attention, including any financial irregularities detected.
- (iii) Action Taken Reports;
- (iv) Annual Statement of Internal Control (SIC) to be shared by Executive Director to IPPF SARO.

In this regard the auditor shall provide access to/ evidence of all issues/ observations identified during the Audit.

The audit report should include the total donation received by FPAN and expenses of last three years to give more understanding about volume of FPAN transactions.

5 Auditor Independence, Qualification and Team

The auditor must be completely impartial and independent from all aspects of management or financial interests of the entity (in this case FPAN) being audited or those of its implementing/supervising agency or directly related entities. 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 of the senior management/ Governance team (either at HO or at any of its branches) of the FPAN or any of its associates. The auditor is required to disclose any kind of existing relation that will impair his/her independence.

At any given instance, the audit firm should, in its own capacity, make specific efforts to mitigate problems encountered while performing the task, with help and support of entities / authorities involved. However, any major change in the audit work plan or impediment experienced shall immediately be reported to FPAN Management, who will exercise their judgment in taking remedial measures in case of any serious occurrence jeopardizing the assignment, and to mitigate such problems.

6 Management's Responsibility

- 6.1 It shall be responsible for the preparation and maintenance of books of accounts
- 6.2 Fair presentation of financial statements in accordance with applicable audit frameworks. However, in conjunction with the audit;
- 6.3 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;
- 6.4 Selecting and applying appropriate accounting principles;
- 6.5 Making accounting estimates that are reasonable in the circumstances;
- 6.6 Make available all the relevant information for the purpose of audit.

7 Auditors' Responsibility

The responsibility of internal auditor shall be to provide an independent, objective assurance and recommendation to add value and improve FPAN's operations and helps FPAN accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, policies and governance processes.

This includes:

- 7.1 Reviewing systems and operations and appraising the adequacy of controls including their ability to detect and prevent fraud;
- 7.2 Recommending improvements to systems and procedures;
- 7.3 Advising on appropriate systems of control and other operational matters;
- 7.4 Appraising the extent of compliance with established policies, procedures and plans;
- 7.5 Assessing the accuracy of management information;
- 7.6 Maintaining a periodic review of the income and expenditure;
- 7.7 Being involved in the design, implementation and testing of planned controls when major changes are made to various administrative systems but shall not be responsible for the detailed implementation of such systems.

8 Deliverables

The deliverables shall be as follows:

- 8.1 Internal Audit Report (IAR) on quarterly basis having;
 - Risk Assessments & Risk Profiling
 - Memorandum of Observations
 - Management comments against the observations
 - Recommendations against the observations
- 8.2 Action Taken Report (ATR) on previous Internal Audit Reports;
- 8.3 Fixed Asset Register (FAR) and Memorandum Fixed Asset Register (MFAR);
- 8.4 Annual Statement of Internal Control as per EAM.

9 Field Visits

FPAN has 28 branches & one central office and consolidated books of accounts of is maintained at Central Office. As a part of assignment internal auditor is required to visit branches. The key branches will be identified after risk assessment, extent of transactions and quantum of funding released. Over the period of 3 FYs, all the branches should be visited at least once. The current structure of the organization may change in coming future.

10 Financial Year & Timeline for submission of Deliverables

10.1 Financial Year

FPAN follows the calendar year (January to December) as financial year.

10.2 Timeline for IARs and FARs

- (i) The internal audit shall be planned and executed on quarterly basis i.e. January to March (Quarter-1), April to June (Quarter-2), July to September (Quarter-3) and October to December (Quarter-4) for each FY;
- (ii) It should commence within one month from the end of each quarter and shall be completed within 45 days;
- (iii) IAR of each quarter should be submitted to Audit Committee before the starts of next quarter;
- (iv) ATR on previous IAR shall accompany each next IAR submitted;
- (v) FAR and MFAR shall be submitted on quarterly basis along with IAR.

11 Minimum Eligibility Criteria for Internal 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 will 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:

- (i) 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:
- (ii) Must be registered with ICAN;
- (iii) Must be a firm of qualified chartered accountants;
- (iv) Must not be debarred by ICAN or any other authority in Nepal during last 5 FYs (A self-declaration on this will suffice);
- (v) Must have experience of at least 5 years of conducting statutory audits & tax audits of NGOs/INGOs having similar functions as of FPAN;
- (vi) Must have sound proficiency in internal audit functions in accordance with the specified frameworks;
- (vii) Must have a team of qualified chartered accountants with one member having at least 7 years of experience in NGOs/INGOs.

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.

12 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.

13 How to Apply

13.1 An interested firm/agency can submit their proposals demonstrating their ability to deliver ton 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.

- 13.2 The firm/agency shall prepare both the “Technical” and “Financial” proposal. In the cover letter of proposal, the agency/ firm must have to mention “Internal 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: “Internal Audit .”
- 13.3 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.
- 13.4 Any proposals delivered and/or received by the FPAN after the deadline shall not be considered and shall be returned unopened to the agency/ firm and marked as disqualified. FPAN reserves the right reject any or all the proposals received.
- 13.5 The technical proposal, inter alia, should contain proposed team structure, qualifications and their resume.
- 13.6 Certificate of affiliation with foreign firms shall mandatorily be submitted.
- 13.7 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.

14 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.

15 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.

16 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
Source:	