



## Terms of Reference

### Hiring of External Auditor

#### Background

Khwendo Kor stands for “A home for Sisters” in Pashto-the local language of the Khyber Pakhtunkhwa established in 1993, Khwendo Kor is Non-partisan, Non-profit and non-governmental organization working for women education, women health and economic well-being and for their children’s as well. The Khwendo kor is based in Peshawar with other offices in different districts of KP, in NMDs and previously in sindh. Khwendo kor has expanded its development working in more than 300 villages with a staff of crew of 343 members.

#### Purpose

The purpose of soliciting the annual external audit consultancy is to proceed the section 7, 8, 9 of khwendo Kor’s by laws. The Annual Financial Statements of Khwendo Kor is required to be audited in conformity with the International Standards on Auditing (ISA) by a reputed QCR rated Chartered Accountant Firm.

The Consolidated Financial Statements of KK for the next three calendar Years ending **Dec 31st, 2022, 2023 and 2024** shall be audited by a reputed firm.

#### Services Required

The objectives of financial audit are to enable the auditor to express an opinion on whether:

- Financial Reports presents fairly, in all material respects, the actual expenditures incurred and revenue receipts for the audit period in conformity with the applicable contractual conditions;
- The KK funds provided by national and international donors and philanthropists have, in all material respects, been used in conformity with the applicable contractual conditions;

The objective of system audit (design and operating effectiveness of the internal control system) is to enable the auditor to express an opinion on whether Internal Control System setup and operated by KK for the purpose of managing risks to the achievement of the objective of the projects, was suitably design and operated effectively during the period.

### **Existing Accounting system**

The Accounts of the KK both for its Development and Operational Budgets are maintained on Accruals Basis of Accounting i.e transactions are realized in the Financial Statements when actually occurred.

### **Books of Accounts**

KK maintains books of accounts which include, but not limited to, the following:

1. Banks ledger
2. Income ledger
3. Expenditure Ledger
4. Grants and Funds Ledger
5. Advances ledger
6. Loan ledger
7. TA/DA Ledger
8. Electricity Ledger
9. Gas/ Water ledger
10. Telephone/Internet/ Fax Ledger
11. Fixed Assets Ledger
12. Liabilities Ledger
13. Programme Ledgers

### **Preparation of Financial Statements**

Khwendo Kor finance section in the Head Office is required to prepare annual financial statements for the audit period from the accounting record and the draft statements shall approved by the chief executive before the external audit assignment.

### **Scope of Audit**

The Audit shall be carried out in accordance with The International Financial reporting Standards (IFRS) and consistent with local accounting standard as per guide line provided by the Institute of Chartered Accountants of Pakistan (ICAP) and shall also include such tests and Controls, as the auditor considers necessary under the circumstances. In conducting the audit, special attention should be paid to the following;

- a) All external funds have been used in accordance with the terms and condition of the relevant financing agreements, with due attention to economy and efficiency, and only for the purposes for which the financing was provided.
- b) Goods and services have been procured in accordance with KK policies & Procedures.
- c) All the necessary supporting documents, records and accounts have been kept in respect of all project ventures including expenditures reported via Statement of Expenditures (SOE). Clear linkages exist between the books of accounts and the reports presented to donors.

## **Financial Statements**

The compilation of Financial Statements and their Audit for the specific period should include;

1. Statement of Asset and liability
2. Statement of Revenue and Expenditure
3. Statement of Cash Flow
4. Statement of changes in funds and reserve
5. Fixed Asset Schedule
6. Donor wise Fund Accountability Statement

## **Taxation services**

The audit firm shall also provide the services for submission of annual tax return, for its BoD members, 4 key staff members and for the organization as well.

## **Deliverables**

1. The Audit Firm shall compile and deliver audited financial statements separately for the fiscal year for audit period assigned in the engagement letter.
2. To ensure his availability/presence to appear in every BOD meeting and audit and finance committee called by Khwendo Kor.

## **Audit Opinion**

The Audit firm shall give its opinion on the Financial Statements of Khwendo kor with regard to the maintenance of accounting record in accordance with the International Accounting Standards (IAS). The annual Audit report of the Khwendo kor Accounts should include an opinion commenting on accuracy and propriety of expenditure incurred together with the internal controls involved.

## **Management Letter**

In addition to the Financial Statements together with the Audit opinion thereon, the auditor shall prepare a Management letter (to be provided along with Audit report) which shall cover the shortcomings, weaknesses and allied observations that come across during conduct of audit assignment, keeping positive approach for improvement of the systems and procedures, including but not limited to the following:

- a. Give comments and observations on the accounting records, systems and procedures that were examined during the course of audit:
- b. Identify specify deficiencies and areas of weaknesses in systems and control and make recommendations for their improvement.
- c. report on the degree of the compliance each of the financial covenants on the financing agreements and give comments on the external and internal matters affecting such compliance;
- d. Communicate matters that have come to attention during audit which might have significant impact on the implementations of the KK projects; and
- e. Bring to Khwendo kor's attention any other matter that the Auditors considers pertinent, the Auditors Findings should be summarized to show the value of:

## Ineligible Expenditure

1. Fraud & Corruption
2. Misprocurements etc

## Time Schedule

1. The Audit assignment shall be completed within the strict time frame of one month (30 working days) from the start of first year assignment.
2. The report along with management letter and certified accounts shall be sent to the chief executive within (15 working days) after completion of audit.

## General

The Auditors shall have full and complete access at any time to all records and documents (including books of accounts, legal documents, minutes of the board meetings, bank records, invoices and contracts etc), correspondence, and all employees of KK at head office and regional offices. The auditor will have right of access to banks, consultant's suppliers and any other persons or firms engaged by the KK management.

This TORs will remain effective for future years unless it is terminated, amended or superseded.

## Others Terms & Conditions

For their services to be considered, the offeror shall provide a detailed financial proposal which shall conform to the following terms and conditions:

1. Payment will be made through cross check;
2. WHT Tax will be deducted at source.
3. The payment prices should be inclusive of all applicable taxes;
4. The working language of the proposal is English. Other languages will not be accepted;
5. KK Audit and Finance Committee reserves the right to cancel/reject any or all proposals without assigning any reason;
6. Proposals shall be made in writing calculated in PKR only and clearly stated on the firm's letterhead.
7. Firms are required to provide all the proofs of registration and other legal standings in Pakistan. These documents may include renewed registration with relevant authorities or;
8. Any other documents that Khwendo Kor requests to provide.

This procurement is through a request for quotation process. Individuals / Firms will be judged against the information provided by them in the selection criteria provided in **annex 1**. Failure to provide satisfactory responses in mandatory fields will result in exclusion. Firms are requested to provide responses in preferential fields as this will result in a score being applied. ***The weightage of preferential scoring and price will be 70% and 30% respectively.***

KK reserves the right to award under this solicitation without further negotiations. The offers' are encouraged to offer their best terms and prices with the original submission. The complete terms and conditions will be outlines in the agreement with the selected company/firm.

## **Preventing Fraud Corruption**

KK maintains a zero-tolerance policy towards fraud, corruption and bribery or any similar unethical practices. It is KK policy that no gifts, gratitude's of any kind and of any value be exchanged between bidders and KK personnel before, during the bidding and selection processes and currency of contract. Discovery of the same at any stage will be grounds for disqualification of the bidder from participation in any KK service procurements/consultancies and may result in disciplinary actions against KK personnel involved in such discovered transactions as well as recoveries of any amounts paid or due to be paid to the bidder. The selected bidders must comply with KK policies and procedures. The bidder has the right to ask for the 'Fraud reporting and handling procedure' and other relevant KK policies and procedures by writing to Chief Executive officer or Director Operations KK.

## **Selection Criteria**

QCR rated qualified chartered accounts / firm of chartered accountants can apply only. The selection committee formed and nominated as per the KK operations Manual will make the recommendations for selection as per the following selection criteria.

1. Selection of a Chartered Accountants firm for conducting the audit assignment shall be based on "**Qualification Base Selection (QBS)**" process.
2. Bidder shall submit through courier **SEALED QUOTATIONS TECHNICAL BID** along with the **AUDIT WORK PLAN** and **PRICE BID** in separate inner envelopes and enclosed in a single outer envelope.
3. Minimum qualification of individual/key management team members of registered firm should be 10 years evidenced by brief profile/CVs of the individual/key management team members.
4. Reference /experience letters by at least 3 CSO/Non-profit Organizations.
5. Demonstrated knowledge and experience of producing 'policy briefs' or 'position papers' or 'budget commentary' on or related matters.
6. Active tax payer on the date of submission of bid

## **Disqualification**

1. In case the Audit Firm does not have three registered coordinators, lead auditors each having at least 2 years of auditing experience.
2. Firm failing to provide documentary evidence/regional partner holding practice license to carry out audit.
3. Audit partner firm or any of its affiliated entity is declares blacklisted by the Government of Pakistan or any other organization in any origin. An affidavit to this effect should be provided when asked.
4. Submission of proposals by hand instead through courier services.

## **CONTRACT TERM**

Three years with expected start date of January, 01, 2023

## **Mode of Payment**

Payment shall be made within 30 days after the acceptance of Final Audit Report by the management, financial statements and management letter (includes suggestion and discussion with the top management of KK on improving internal controls and financial system of KK) by the audit firm.

### **How to apply**

Interested candidates can submit their technical and financial proposals to Khwendo Kor (KK). All sealed Bids/Proposal should accomplish the above requirements may shall reached through courier service to below address not later than **28-10-2022**.

### **Addressing to KK Internal Auditor**

Khwendo Kor Office: Faisal Town, Opposite Police Colony, Nasir Bagh Road, Peshawar  
Phone: 091-5710351-2. | [www.khwendokor.org](http://www.khwendokor.org)

---