



# Society Empowerment Organization (SEO)

**Term of Reference Financial Annual Audit of the Year 2018**

**SEO: RFQ/A&F-KBL-Feb-2019-01**

## **BACKGROUND:**

SEO is registered as a non-for profit NGO with Ministry of Economy of the Government of Islamic Republic of Afghanistan in 2008 with registration number 1210.

Society Empowerment Organization, SEO came to existence with years of professional, qualified and dedicated Afghans who have served in various capacities to respond the need of communities, particularly youth, which create more than half of Afghanistan population. The youths were the members of Local Youth Councils, a council established by Youth Empowerment Program, funded by USAID and implemented by UN-Habitat.

The program was intended to improve the capacity and knowledge of community regarding Voluntarism, Local Governance, Leadership, Peace-building, Community Development Plan, Gender, Self-Initiative Projects, Networking, Obtaining funding, Theater, Project design and Writing proposals, Project Management, Project evaluation, Monitoring, Media and so many other topic on civic education.

With learning the pointed civic education, the youth capacity improved and got their position and responsibility in the community. Indeed they started many self-initiative projects in Farah province as establishing vocational training projects, Literacy projects with support of Education directorship of Farah province, English language and Computer courses, Peace awareness, Conflict resolution, Gender, consultation, Celebration of national and international days, Advocacy, established Magazine, calligraphy, TV Program named (Youth Toward Empowerment) and many other projects which all based on volunteerism by active youth in Farah province.

## **OBJECTIVE:**

SEO wishes to engage the services of external auditors of international reputation for conducting the annual audit of its financial statements & all financial records in accordance with the statutory requirements, International Financial Reporting Standards (IFRSs) guidelines and International Standards on Auditing (ISA). SEO invites firms to submit technical and financial proposals for this purpose. The objective of the audit is to enable the auditors to express an opinion on the financial position and financial performance of SEO for the year ended December 31, 2018 and on donor financial reports which have been sent by SEO, and ensure compliance with the recent changes in the Income Tax and donors guidelines.

## **SCOPE OF AUDITS:**

The audit will be conducted in accordance with ISAs as published by the International Auditing and Assurance Standards Board of the International Federation of Accountants (IFAC) as a whole besides. The audit will also be based on instructions for the program accounting and in compliance with SEO's finance manual.

To ensure that audit objectives are met at organizational/program/units/geographical level, special attention should be paid to the following:

- Assessment of the adequacy of internal controls over funds received by SEO and subsequently utilized.
- Assessment of the adequacy of the system of internal controls over procurement of supplies, equipment and services, hereunder verify whether SEO's and National Procurement Authority (NPA) procedures and guidelines regarding procurement are followed.
- Verification of income and expenditure and the control of fixed assets management at all levels as specified hereunder (but not limited to):
- Check and/or verify the vouchers and other relevant documents 100 Percent.
- Evaluate the evidence i.e. vouchers and receipts, to determine their reliability and authenticity, and as a basis for the financial statements.
- Assess the usage of the assets by going through the various records.
- Check and control that SEO complies with local laws and regulations, e.g. withholding of any applicable taxes on deliveries from suppliers and that any withheld amount is remitted to the relevant authorities on time.
- Detect any expenditure variances by pegging the budget against the actual expenditure and extract explanation.
- During the year, physical count of assets should be carried out including cash checks/ count, confirmation and reconciliation of bank accounts, direct confirmation of selected accounts receivables and observation and verification of physical inventories and fixed assets where applicable. Examine the accounting records including detailed examination of vouchers will be part of the audit.
- Audit of SEO payroll system to ensure salaries paid to employees are according to the rules and contracts, as per the staff attendance and whether the relevant statutory deductions are made from the staff salaries and remitted to the relevant authorities on time.
- Questionable or Ineligible Expenditure: If the auditor identifies any expenditure that involves; i) purpose other than that of the project; ii) non-compliance with legal agreements; iii) non-compliance with applicable government regulations; and, iv) procurement in violation of applicable guidelines, it should be separately report as questionable or ineligible expenditure in the management letter.
- Reconciliation with the Bank's record: The auditor should verify that receipts from the Bank as shown in the financial statements corresponds with the Bank's disbursement record and the receipts also includes direct payment by the Bank.

## **REPORTING:**

Draft audit reports along with financial statements should be submitted to SEO for its review and comments within one Week completion of the audit executions/detailed examination. Final audit reports along with the management letter shall be issued within 5 days after the receipt of comments from SEO.

The **auditor's report** shall include a reference of financial reporting framework according to which the SEO/Project's financial statements are prepared. The opinion will include reference of compliance with the terms of legal and financing agreements. The auditor opinion will include reference to the application of funds for the purpose intended in the financing agreement.

The head of field audit office will sign the auditor's report that will comply with the requirements of ISSAI 1700 "The Independent Auditor's Report on General Purpose Financial Statements". The auditor's report will include the following elements:

- i. A title
- ii. An addressee
- iii. An introductory paragraph that identifies the financial statements audited
- iv. A description of the responsibility of management for the preparation of the financial statements
- v. A description of the auditor's responsibility to express an opinion on the financial statements and the scope of the audit, that includes, a reference to International Standards on Auditing and the law or regulation and a description of an audit in accordance with those standards.
- vi. An opinion paragraph containing an expression of opinion on the financial statements and a reference to the applicable financial reporting framework used to prepare the financial statements and application of funds for the purpose intended in the financing agreement
- vii. The auditor's signature
- viii. The date of the auditor's report
- ix. The auditor's address.

The auditor will issue a **management letter** that is a report on an organization's internal controls and operating procedures and their effectiveness. It is based on the auditor's reviews during the normal course of an audit. The management letter will include:

- i. summary of outstanding audit observations
- ii. follow-up of previous years outstanding audit observations
- iii. ineligible expenditure (if any)
- iv. current year's audit observations

#### **ABOUT SEO:**

1. **Employees:**

SEO employs 10 permanent Afghan National staff and around 70 project based staff considering the number of the projects.

2. **Financial System:**

Following its finance manual, SEO runs a centralized accounting system in its office Kabul headed by a Finance Director and supported by Executive Director. Finance department is responsible for the financial management of the organization including data entry and financial reporting to donors/management/Board of Directors and providing financial information to different stakeholders. SEO has been using Quick Books accounting software for its financial data record keeping and reporting since 2014.

**3. Closing Year:**

The financial year for auditing purposes is twelve-months period from Jan 1<sup>st</sup> to Dec 31<sup>st</sup> 2018.

**4. Budget &Expenditure:**

Budget & Expenditure of SEO from Jan 1<sup>st</sup> to Dec 31<sup>st</sup> 2018:

Total Budget =	610,000 USD
Total Expense =	573,000 USD

**TIME FRAME:**

The annual audit should begin within one week or ASAP after the contract is signed. The final audit report should be submitted to SEO within one month of starting the audit.

**PROVISION OF INFORMATION BY SEO:**

SEO shall make available all necessary financial documents to the auditors for the purpose of audit.

**DELIVERABLES:**

The company will be responsible for the following deliverables:

1. Methodology, including work plan outlining timeframe for completion of the assignment
2. Share the audit findings with the SEO, with proper recommendations
3. Draft audit report for review by SEO management
4. Audit opinion on SEO's overall financial statements of the year 2018
5. Final Audit Report
6. Management letter in which the auditor will;
  - Give comments and observations on the accounting records, systems, and controls that were examined during the course of the audit;
  - Give comments on Income and Expenditure recognition;
  - Identify specific deficiencies and areas of weakness in systems and controls and make recommendation for their improvement;
  - Report on the lack of compliance of each financial covenant in the relevant financing agreement;

- Communicate matters that have come to their attention during the audit which might have a significant impact on the operations of the organization; and
- Include management's comments in the final management letter.

#### **LOCATION OF AUDIT**

The audit will be carried at SEO office in Kabul Afghanistan.

#### **Submission Guideline**

Request for Quotation (Technical and Financial Applications) must be delivered in a written form to the address below (in person) by **February 28, 2019 at 4:00 PM** Kabul Local Time.

All quotation must be marked clearly **SEO: RFQ/A&F-KBL-Feb-2019-01** on the right and left side of the envelope. All quotation must be sealed and delivered to the address below.

**Attention:** Admin and Finance Unit

**Society Empowerment Organization (SEO)**

**Address:** Khoshal Khan Mina Silo Street, in front of Land Transportation Directorate, Near to Khurshid Plaza, House Number 133, Kabul, Afghanistan.

**Contact Number: 0789768255** (*No personal visits or telephone calls shall be entertained*).