



TERMS OF REFERENCE FOR ANNUAL INSTITUTIONAL AUDIT FOR CEPAD FY24

1.0 Background.

Community Empowerment for Peace and Development West Nile (CEPAD-WN) is a voluntary non-profit-making organization that works to resist violence, transform conflicts, and build peace in communities. Founded in 2014 by Ugandan women who have worked in conflict zones for more than a decade and are scholars of peace and conflict management. CEPAD-WN is registered with the National Bureau for NGOs with REG No 5623, a member of the West Nile Civil Society Network, the West Nile Humanitarian platform and the charter4change. The organization since its inception has worked with civil society organizations, particularly the youth, women, faith-based, refugee population and traditional structures in West Nile to transform conflicts, and to promote nonviolent and democratic principles. Based in Arua, Uganda, CEPAD-WN works with vulnerable groups and partners across the country to support individuals and organizations to enhance the skills needed to transform violent conflicts and build bridges across ethnic, religious, and political divides.

Our Vision:

A nonviolent and peaceful society where every person has access to basic rights and a life in dignity.

Mission

Empowering Communities for sustainable Peace and Development through training and Research and Advocacy.

Core Values:

1. Social Justice
2. Integrity
3. Voluntarism
4. Inclusiveness
5. Accountability



2.0 Objective of the Audit

The primary objectives of the audit are as follows:

1. **Assess the accuracy and reliability of the organization's financial statements.** The external audit will thoroughly examine the organization's financial statements, including balance sheets, income statements, cash flow statements, and accompanying notes. The auditor will verify that these statements are prepared in accordance with applicable accounting standards (e.g., IFRS, GAAP) and reflect a true and fair view of the organization's financial position.
2. **Evaluate the effectiveness of internal controls and risk management processes.** The audit will assess the design and implementation of the organization's internal control systems to ensure they are adequate to safeguard assets, prevent fraud, and ensure the accuracy of financial reporting.
3. **Verify compliance with applicable laws, regulations, and organizational policies.** The audit will review the organization's adherence to relevant legal, regulatory, and internal policy requirements.
4. **Identify areas for improvement in operational efficiency and governance structures.** The audit will analyze the organization's operational processes and governance frameworks to identify inefficiencies and areas for improvement.
5. **Provide actionable recommendations to enhance accountability, transparency, and performance.** The audit will conclude with practical and actionable recommendations to address identified issues and improve the organization's overall performance.

3.0 Scope of the Audit

The scope of the audit includes a comprehensive review of the entity, or the portion of the entity, that is subject to audit. The audit will focus on ensuring compliance with applicable laws, regulations, and organizational policies, while assessing the accuracy, reliability, and integrity of financial and operational systems. The Auditor shall undertake this engagement in accordance with these Terms of Reference and the following guidelines:

3.1 Compliance with Standards and Frameworks

The audit will be conducted in accordance with International Standards on Auditing (ISA) as promulgated by the International Federation of Accountants (IFAC).

- The Auditor shall adhere to the Code of Ethics for Professional Accountants issued by IFAC, including independence requirements, to ensure objectivity and integrity throughout the audit process.



- The audit will also align with CEPAD WN’s Guidelines for Project Audits and any applicable Ugandan laws and regulations, including the Public Finance Management Act and Uganda National Audit Office (UNRA) standards.

3.2 Financial and Operational Scope

The audit will cover the following key areas:

Financial Management and Reporting

- Verify that all funds allocated to selected projects have been used in accordance with CEPAD WN’s established rules and regulations, and only for the intended purposes.
- Confirm that financial statements have been prepared by CEPAD WN management in accordance with applicable accounting standards (e.g., International Financial Reporting Standards (IFRS) or Uganda Financial Reporting Standards (UFRS)) and present a true and fair view of the financial position of the selected projects.
- Test and verify the accuracy, completeness, and reliability of financial records, including books of accounts, ledgers, and supporting documentation.
- Ensure clear linkages exist between the books of accounts and the financial statements presented.

Procurement and Contract Management

- Assess whether goods, works, and services financed by CEPAD WN have been procured in accordance with the organization’s established rules and procedures.
- Review procurement processes for compliance with Uganda’s Public Procurement and Disposal of Public Assets (PPDA) Act and CEPAD WN’s internal procurement policies.
- Evaluate the transparency, competitiveness, and fairness of procurement activities.

Internal Controls and Risk Management

- Conduct a comprehensive assessment of the adequacy and effectiveness of the accounting and overall internal control systems, including controls over expenditures, revenue collection, and other financial transactions.
- Identify weaknesses or gaps in internal controls that could lead to fraud, mismanagement, or inefficiencies.
- Provide recommendations to strengthen internal controls and mitigate risks.

Asset and Fleet Management

- Review the asset management system, including the maintenance of an up-to-date asset register, asset maintenance cost management, and disposal procedures.
- Assess the fleet management system, including fuel usage reporting, cost management, and vehicle maintenance.
- Verify the existence, condition, and valuation of assets as reported in the financial statements.



Stock and Inventory Management

- Evaluate the stock management system, including storage, distribution, accountability, and reporting.
- Verify the accuracy of stock records and assess whether physical stock counts align with recorded balances.
- Identify any discrepancies or inefficiencies in stock management processes.

Compliance and Governance

- Verify compliance with applicable laws, regulations, and organizational policies, including tax laws, labor laws, and donor requirements.
- Assess the effectiveness of governance structures, including the roles and responsibilities of the board, management, and committees.
- Evaluate the implementation of previous audit recommendations and the organization's progress in addressing identified issues.

3.3 Audit Procedures

The audit will include tests and verification procedures as deemed necessary by the auditors, such as sampling, analytical reviews, and substantive testing.

The auditors will conduct entry and exit meetings with the management of CEPAD WN to discuss the audit plan, preliminary findings, and final results.

3.4 Deliverables

In addition to the audit report, the auditors will prepare a Management Letter that includes:

1. Comments and observations on the accounting records, procedures, systems, and controls examined during the audit.
2. Identification of specific deficiencies and areas of weakness in systems and controls, along with actionable recommendations for improvement.
3. A report on the implementation status of recommendations from previous audit reports.
4. Communication of any matters that may have a significant impact on the sustainability of the organization.
5. Any other pertinent matters that the auditors consider necessary to bring to the attention of the Executive Director.

3.5 Timeline and Coverage

The audit will cover the financial and operational activities of CEPAD WN for the period ending 31st Dec 2024.

The audit process will be completed within 1 month, with regular progress updates provided to the organization's management.



4.0 Standards

The audit will be conducted in accordance with the highest professional standards to ensure accuracy, reliability, and compliance with both international and local requirements. The following standards and frameworks will guide the audit process:

4.1 International Standards on Auditing (ISA)

- The audit will adhere to the **International Standards on Auditing (ISA)** as issued by the International Auditing and Assurance Standards Board (IAASB) under the International Federation of Accountants (IFAC).
- These standards provide a framework for conducting high-quality audits with consistency, objectivity, and professionalism.
- Key ISA principles to be applied include:
 - **ISA 200:** Overall objectives of the independent auditor and the conduct of an audit in accordance with ISAs.
 - **ISA 240:** The auditor's responsibilities relating to fraud in an audit of financial statements.
 - **ISA 315:** Identifying and assessing the risks of material misstatement through understanding the entity and its environment.
 - **ISA 700:** Forming an opinion and reporting on financial statements.

4.2 Code of Ethics for Professional Accountants

- The audit will comply with the **Code of Ethics for Professional Accountants** issued by IFAC, which emphasizes integrity, objectivity, professional competence, confidentiality, and professional behavior.
- The auditor will maintain independence throughout the engagement, ensuring no conflicts of interest that could compromise the audit's objectivity.
- Ethical considerations will guide all interactions with CEPAD WN's management, staff, and stakeholders.



4.3 International Financial Reporting Standards (IFRS)

- The financial statements will be assessed for compliance with **International Financial Reporting Standards (IFRS)** or **Uganda Financial Reporting Standards (UFRS)**, as applicable.
- This includes ensuring that financial statements provide a true and fair view of the organization's financial position, performance, and cash flows.

4.4 Ugandan Legal and Regulatory Framework

- The audit will ensure compliance with Ugandan laws and regulations, including but not limited to:
 - **The Public Finance Management Act:** Governing the management of public funds and financial accountability.
 - **The Public Procurement and Disposal of Public Assets (PPDA) Act:** Regulating procurement processes and ensuring transparency and fairness.
 - **The Tax Procedures Code Act:** Ensuring compliance with tax obligations, including PAYE, withholding tax, and VAT.
 - **The Anti-Money Laundering Act:** Preventing and detecting financial crimes such as money laundering and fraud.

4.5 CEPAD WN's Internal Policies and Guidelines

- The audit will align with CEPAD WN's internal policies, procedures, and guidelines, including:
 - Financial management and accounting policies.
 - Procurement and contract management procedures.
 - Asset and inventory management guidelines.
 - Risk management and internal control frameworks.

4.6 International Standards on Related Services (ISRS)

- Where applicable, the audit will follow **International Standards on Related Services (ISRS)**, particularly **ISRS 4400** for agreed-upon procedures engagements.



- This standard ensures that the auditor performs specific procedures agreed upon with the client and reports factual findings without providing an opinion or assurance.

4.7 Quality Control Standards

- The audit firm will adhere to **International Standard on Quality Control (ISQC) 1**, which establishes quality control policies and procedures for audit engagements.
- This includes maintaining a system of quality control to ensure that the audit is conducted in accordance with professional standards and regulatory requirements.

4.8 Donor and Funding Partner Requirements

- Where CEPAD WN receives funding from external donors or partners, the audit will ensure compliance with specific donor requirements, such as:
 - Financial reporting formats and timelines.
 - Procurement and disbursement guidelines.
 - Monitoring and evaluation frameworks.

4.9 Continuous Professional Development (CPD)

- The audit team will consist of professionals who have undergone **Continuous Professional Development (CPD)** as required by the **Institute of Certified Public Accountants of Uganda (ICPAU)**.
- This ensures that the auditors are up-to-date with the latest developments in auditing standards, regulations, and best practices.

5.0 Planning, Procedures, Documentation, and Evidence

The Auditor shall plan and execute the audit in a manner that ensures effectiveness, efficiency, and compliance with professional standards. The planning and execution will be guided by CEPAD WN's Guidelines on Annual Audits, these Terms of Reference (ToR), and applicable auditing standards. The following principles will govern this phase of the audit:

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5.1 Planning

- The Auditor will develop a detailed audit plan that outlines the scope, objectives, timeline, and resources required to conduct the audit effectively.
- The plan will include a risk-based approach to identify areas of higher risk or material significance that require focused attention.
- The Auditor will coordinate with CEPAD WN's management to ensure access to necessary documents, records, and personnel during the audit process.

5.2 Procedures

- The Auditor will perform the procedures specified in **CEPAD WN's Guidelines on Annual Audits**, ensuring that all relevant financial, operational, and compliance areas are thoroughly examined.
- Audit procedures will include, but are not limited to:
 - **Risk assessment:** Identifying and evaluating risks that could impact the accuracy and reliability of financial statements or compliance with regulations.
 - **Substantive testing:** Verifying the accuracy and completeness of financial transactions through sampling, reconciliations, and analytical reviews.
 - **Compliance testing:** Assessing adherence to CEPAD WN's policies, donor requirements, and applicable laws and regulations.
 - **Internal control evaluation:** Reviewing the design and effectiveness of internal controls to prevent and detect errors or fraud.

5.3 Documentation

- The Auditor will maintain comprehensive documentation of all audit procedures performed, evidence obtained, and conclusions reached.
- Documentation will include:
 - Audit working papers that provide a clear trail of the work performed.
 - Records of interviews, observations, and discussions with CEPAD WN's management and staff.
 - Copies of relevant documents, such as financial statements, invoices, contracts, and procurement records.



- The documentation will serve as evidence that the audit was conducted in accordance with CEPAD WN’s Guidelines, these ToR, and applicable auditing standards.

5.4 Evidence

- The Auditor will obtain sufficient and appropriate audit evidence to support the factual findings reported.
- Evidence will be gathered through a combination of methods, including:
 - **Inspection:** Reviewing physical and electronic records, such as financial statements, ledgers, and supporting documents.
 - **Observation:** Monitoring processes and activities to verify their alignment with policies and procedures.
 - **Inquiry:** Conducting interviews with CEPAD WN’s management, staff, and other stakeholders to gather insights and clarify information.
 - **Confirmation:** Seeking third-party verification of transactions, balances, or other relevant information.
- The evidence obtained will be evaluated for reliability, relevance, and sufficiency to form the basis for the audit findings and conclusions.

5.5 Reporting of Factual Findings

- The Auditor will use the evidence gathered as the foundation for the report of factual findings.
- The report will clearly present the findings, supported by documented evidence, and will include:
 - A description of the procedures performed.
 - The factual results of those procedures.
 - Any identified exceptions, discrepancies, or areas of non-compliance.
- The report will not include opinions or assurances but will provide a factual basis for CEPAD WN’s management to take corrective actions or make informed decisions.



5.6 Compliance with CEPAD WN Guidelines and ToR

- The Auditor will ensure that all work is carried out in strict compliance with CEPAD WN's Guidelines on Annual Audits and these Terms of Reference.
- Any deviations from the planned procedures or scope will be documented and communicated to CEPAD WN's management for approval.

6. Deliverables

The Auditor shall provide the following deliverables as part of the audit engagement. These deliverables will ensure transparency, accountability, and compliance with CEPAD WN's requirements and applicable auditing standards.

6.1 Audit Report

The audit report will clearly state the Auditor's opinion on the financial statements of the project(s) and include the following minimum requirements:

a. Combined Delivery Report (CDR) and Financial Statements

- The **Combined Delivery Report (CDR)** will serve as the official statement of expenses subject to audit.
- The audit will also cover, as appropriate:
 - The **statement of assets and equipment** as of 31 December 2024 (or another date prescribed by CEPAD WN).
 - The **statement of cash position** as of 31 December 2024.
 - The **list of inventory** as of 31 December 2024.
- These statements will be audited based on CEPAD WN's specific requirements and the scope defined in these Terms of Reference.

b. Nature of the Audit Report

- The audit report will be a **special-purpose report** intended solely for the use of CEPAD WN and its designated stakeholders.
- The report will be treated as **confidential** and will not be disclosed to third parties without prior written consent from CEPAD WN.

c. Period Covered by the Audit



- The audit opinion and the statement of expenses will cover the period from **1 January 2024 to 31 December 2024**, unless otherwise specified by CEPAD WN.

d. Summary of Audited Amounts

- The report will provide a detailed breakdown of the total amounts audited, including:
 - **Expenses** incurred during the audit period.
 - **Assets** held as of the reporting date.
 - **Cash balances** as of the reporting date.
 - **Inventory** held as of the reporting date.
- These amounts will be reported separately for each project implemented by CEPAD WN.

e. Scope Limitations (if any)

- The report will disclose any **scope limitations** encountered during the audit, such as restricted access to certain records or transactions that are the responsibility of CEPAD WN.
- The impact of these limitations on the audit opinion will be clearly explained.

f. Understanding of Internal Controls

- The Auditor will obtain an understanding of CEPAD WN's internal controls relevant to the audit to design appropriate audit procedures.
- This understanding will not be used to express an opinion on the effectiveness of the organization's internal controls but will inform the audit approach and risk assessment.

g. Evaluation of Accounting Policies and Estimates

- The Auditor will evaluate the **appropriateness of accounting policies** used by CEPAD WN and the **reasonableness of accounting estimates** made by management.
- The report will include an assessment of whether the financial statements comply with applicable accounting standards and provide adequate disclosures.

6.2 Management Letter

In addition to the audit report, the Auditor will prepare a **Management Letter** that includes:

- **Comments and Observations:** Detailed comments on the accounting records, procedures, systems, and controls examined during the audit.
- **Deficiencies and Weaknesses:** Identification of specific deficiencies or areas of weakness in systems and controls, along with actionable recommendations for improvement.



- **Implementation Status:** A report on the implementation status of recommendations from previous audit reports, highlighting progress and areas requiring further attention.
- **Sustainability Matters:** Communication of any issues identified during the audit that may have a significant impact on the sustainability of the organization.
- **Other Pertinent Matters:** Any additional matters the Auditor considers relevant for the attention of the Executive Director.

6.3 Presentation of Findings

- The Auditor will conduct an **exit meeting** with CEPAD WN’s management to present the audit findings, discuss the implications, and clarify any questions.
- A formal presentation of the audit report and Management Letter will be made to the Executive Director and other key stakeholders.

6.4 Timeline for Deliverables

- **Draft Audit Report:** The Auditor will submit a draft audit report to CEPAD WN for review and feedback within 2 weeks after completing fieldwork.
- **Final Audit Report:** The final audit report, incorporating feedback from CEPAD WN, will be submitted within 1 week after receiving comments on the draft report.

7. Roles and Responsibilities

The success of the audit depends on the clear definition and execution of roles and responsibilities by all parties involved. Below is a detailed breakdown of the roles and responsibilities of the Auditor, CEPAD WN’s management, and other stakeholders:

7.1 Responsibilities of the Auditor

The Auditor shall:

1. Plan and Execute the Audit:

- ○ Develop a detailed audit plan, including scope, objectives, timeline, and methodology, in consultation with CEPAD WN’s management.



- Conduct the audit in accordance with **International Standards on Auditing (ISA)**, CEPAD WN's Guidelines on Annual Audits, and these Terms of Reference (ToR).

2. Maintain Independence and Objectivity:

- Ensure independence and impartiality throughout the audit process, avoiding any conflicts of interest.
- Exercise professional skepticism and judgment in evaluating audit evidence.

3. Perform Audit Procedures:

- Conduct risk assessments, substantive testing, compliance testing, and internal control evaluations as outlined in the audit plan.
- Gather sufficient and appropriate audit evidence to support findings and conclusions.

4. Document Findings and Prepare Reports:

- Maintain comprehensive working papers documenting all audit procedures, evidence, and conclusions.
- Prepare and submit the **Audit Report** and **Management Letter** within the agreed timelines.

5. Communicate with Stakeholders:

- Conduct **entry and exit meetings** with CEPAD WN's management to discuss the audit plan, preliminary findings, and final results.
- Provide regular updates on the progress of the audit and any significant issues encountered.

6. Ensure Confidentiality:

- Treat all information obtained during the audit as confidential and use it solely for the purpose of the engagement.

7. Provide Recommendations:

- Identify areas for improvement in financial management, internal controls, and governance.
- Offer practical and actionable recommendations to address deficiencies and enhance organizational performance.



7.2 Responsibilities of CEPAD WN's Management

CEPAD WN's management shall:

1. Facilitate Access to Information:

- Provide the Auditor with unrestricted access to all relevant records, documents, and personnel necessary for the audit.
- Ensure timely availability of financial statements, procurement records, asset registers, and other supporting documentation.

2. Appoint a Focal Point:

- Designate a senior staff member as the primary contact person to coordinate with the Auditor and address any queries or issues during the audit process.

3. Provide Necessary Resources:

- Allocate adequate resources, including workspace, IT systems, and administrative support, to enable the Auditor to perform their duties effectively.

4. Review and Respond to Findings:

- Review the draft audit report and provide feedback within the agreed timeframe.
- Develop and implement an action plan to address the recommendations outlined in the final audit report and Management Letter.

5. Ensure Compliance:

- Cooperate fully with the Auditor to ensure compliance with audit procedures and requirements.
- Disclose any known instances of non-compliance, fraud, or mismanagement that may impact the audit.

7.3 Responsibilities of Other Stakeholders

1. Board of Directors/Audit Committee:

- Oversee the audit process and ensure that management provides the necessary support to the Auditor.
- Review the final audit report and Management Letter, and monitor the implementation of audit recommendations.

2. Donors/Funding Partners:



- Provide any specific requirements or guidelines for the audit, particularly regarding the use of funds and compliance with donor agreements.
- Receive and review the audit report as part of their oversight and accountability mechanisms.

3. Staff and Project Teams:

- Cooperate with the Auditor by providing accurate and complete information during interviews, surveys, and site visits.
- Assist in clarifying processes, procedures, and transactions as requested by the Auditor.

7.4 Key Principles for Collaboration

- **Transparency:** All parties will maintain open and honest communication throughout the audit process.
- **Timeliness:** Deadlines for providing information, reviewing reports, and implementing recommendations will be strictly adhered to.
- **Accountability:** Each party will take responsibility for their respective roles and ensure the audit is conducted efficiently and effectively.

8. Management Letter

The Management Letter is a critical deliverable of the audit process, providing detailed observations, recommendations, and insights to support CEPAD WN's operational and financial improvement. It complements the formal audit report by focusing on specific areas for enhancement and actionable steps for addressing identified issues. Below is a detailed outline of the content and structure of the Management Letter:

8.1 Content of the Management Letter

The Management Letter will include the following sections:

1. Executive Summary

- A concise overview of the key findings, observations, and recommendations.
- A summary of the overall effectiveness of CEPAD WN's financial and operational systems.



2. Observations and Findings

- Detailed comments on the accounting records, systems, procedures, and controls examined during the audit.
- Specific deficiencies or weaknesses identified, categorized by area (e.g., financial management, procurement, asset management).

3. Recommendations

- Practical and actionable recommendations to address the identified issues.
- Recommendations will be prioritized based on their significance and potential impact on CEPAD WN's operations.

4. Implementation Status of Previous Recommendations

- A review of the implementation status of recommendations from previous audit reports.
- An assessment of progress made and any outstanding actions required.

5. Sustainability and Strategic Matters

- Observations on matters that may have a significant impact on the long-term sustainability of CEPAD WN.
- Suggestions for improving governance, risk management, and strategic planning.

6. Other Pertinent Matters

Any additional issues or observations that the Auditor considers relevant for the attention of the Executive Director.

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9. Data Protection Policy:

The audit process will involve the collection, handling, and storage of sensitive financial, operational, and personal data. To ensure the confidentiality, integrity, and security of this data, the following Data Protection Policy will be strictly adhered to by all parties involved in the audit. This policy aligns with international data protection standards and applicable Ugandan laws, including the Data Protection and Privacy Act, 2019.



4. Knowledge of Standards and Regulations

- The firm must demonstrate a strong understanding of **International Standards on Auditing (ISA), International Financial Reporting Standards (IFRS),** and Ugandan regulatory requirements, including the **Public Finance Management Act** and **Public Procurement and Disposal of Public Assets (PPDA) Act.**

5. Independence and Integrity

- The firm must provide a declaration of independence, confirming that it has no conflicts of interest with CEPAD WN or its stakeholders.
- The firm must have a clean track record, with no history of professional misconduct or sanctions by regulatory bodies.

How to apply

Any interested firm or individual should send a Technical and financial proposal to the email address: rfq@cepadwestnile.org, or hand deliver to the office at the address above note later than February 14th, 2025.

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