

Terms of Reference (TOR) for the External Auditors

1. BACKGROUND:

Youth Alive! Kenya (herein referred to as Y.A.K.) is a Non-Governmental Organization (NGO) that advocates for and supports youth participation in development processes. The organization was formally registered as a community-based group in April 1999 and a national NGO in December 2003. Y.A.K. is a Youth Serving and Youth-Led organization that has worked in partnership with youth organizations, private sector, and government to advocate for youth responsive policies, legislation, and programs within Kenya in particular and Africa in general. It has promoted and protected youth's rights, and empowered youths and vulnerable groups in the spheres of socio, economic and political development.

Y.A.K. envisions "A society where young people are empowered to realize their full potential". The organization currently works with over ninety-six (96) youth organizations in twelve (12) Counties in Kenya. We also seek to strengthen youth participation in the development agenda in line to the Sustainable Development Goals (SDGs) targets at the county, national, regional and global levels. Y.A.K.'s projects are based on three thematic pillars i.e. Good Governance; Economic Empowerment and Livelihoods; and Social Wellbeing and Equity.

Y.A.K seeks the services of an audit firm with appropriate knowledge, skills, experience, and competency to audit its financial records for financial year starting January 2021 renewable annually subject to approval by the Board of Directors.

2. OBJECTIVE OF THE EXTERNAL AUDIT

The objective of the external audit is to express a professional audit opinion in accordance with International Standards on Auditing on whether:-

- The organizational financial statements of Y.A.K., in all material respects, are in conformity with the applicable International Financial Reporting Standards and the Financial Management Policy of Y.A.K; and
- The financial statements of projects that require separate audit reports¹, in all material respects, are in conformity with the applicable Financial Management Policy of Y.A.K. and applicable donor financing agreements.

The Secretariat books of accounts provide the basis for preparation of those financials statements and are established to reflect the financial transactions in respect of the Secretariat and that it maintains adequate internal controls and supporting documentation for transactions.

¹ Projects financed by LSU and NOREC require separate audit reports.

3. AUDITING STANDARDS

The external audit is carried out in accordance with International Standards on Auditing (ISA) and includes such tests and auditing procedures as the auditor considers necessary for the assignment. Furthermore, for donor funded projects which require separate audit reports, the auditor will perform the specific procedures set out in the respective audit terms of reference.

4. RESPONSIBILITY FOR PREPARATION OF FINANCIAL STATEMENTS

The responsibility for the preparation of Financial Statements lies with the Y.A.K. Secretariat and is also responsible for:

- a) The selection and application of accounting policies. Y.A.K. Secretariat will prepare the Financial Statements in accordance with applicable accounting standards that comply with appropriate international standards in all material respects; and
- b) Implementing accounting, administrative and financial procedures documented in manuals.

The auditors are responsible for the formulation of an opinion on the Financial Statements based on their audit conducted in accordance with ISAs (International Standards on Auditing) promulgated by the IFAC (International Federation of Accountants). In accordance with these standards, the auditors will request the Y.A.K. Secretariat for an Engagement/Confirmation Letter committing the Y.A.K. Secretariat management to the preparation of the Financial Statements and maintenance of proper internal control systems as well as acceptable documentation for all financial transactions.

5. SCOPE OF THE AUDIT

The audit will be carried out in accordance with the standards specified in Section 4 above and will include such tests and verification procedures as the auditors consider necessary under the circumstances. In conducting the audit, special attention should be paid to the following:

- a) Carry out tests of transactions as are necessary, in order to obtain an understanding of the accounting system, to assess its adequacy as a basis for the preparation of the financial statements and to establish whether adequate records have been maintained as required by the Y.A.K. Financial Manual and applicable rules of the donors;
- b) Conduct an in-depth and exhaustive review of the internal control systems to have sufficient knowledge of the procedures underpinning the systems, as contained in the Y.A.K. Financial Manual and the applicable rules of the concerned donors;
- c) Confirm that although responsibility for preventing irregularity and fraud remains with the Secretariat, the audit has been planned so as to have a reasonable expectation of detecting material misstatements in the financial statements;
- d) Confirm that funds have been used in accordance with the applicable rules of the

concerned donors and the Board of Directors with due attention to economy and efficiency, and that they have only been used for the purposes for which they were intended for and in accordance with the conditions under which the funding was provided;

- e) Confirm that Goods and Services financed have been procured in accordance with sound procurement procedures spelled out in the Y.A.K. Procurement Procedures; Finance Manual Regulations and applicable rules of the donors;
- f) Confirm that all necessary supporting documents, records and accounts have been kept in respect of all activities. Clear linkages should exist between the books of accounts and the financial statements presented;
- g) Confirm that the Financial Statements have been prepared in accordance with acceptable accounting practice and give a true and fair view of the financial position of the Secretariat as at the end of the financial year; and
- h) Confirm that where special accounts have been used, they have been maintained in accordance with the provisions of the relevant Memorandum of Understanding and Agreements.
- i) Confirm that the asset register is properly maintained and up to date with all the organizational assets.

The above-defined scope does not in any way restrict the audit procedures or the techniques that the auditor may wish to use in forming an opinion on the Financial Statements being audited.

6. FINANCIAL STATEMENTS

The Financial Statements to be audited, among others, include:

- a) A Statement of Income and Expenditure;
- b) A Statement of Financial Position;
- c) Fund Accountability Statement;
- d) A Statement of Cashflows;
- e) The Accounting Policies Adopted and Explanatory Notes;
- f) Where applicable, a Financial Report compliant with the terms and conditions of agreements with the donors.

7. AUDIT REPORT

The auditor is expected to present two types of reports: An opinion on the Financial Statements prepared by the Secretariat and a Management Letter.

The opinion on the Financial Statements shall contain:

- a) A professional opinion on the financial statements and supporting schedules as regard to their true and fair view;
- b) Accounting standards and Y.A.K. Financial Rules and Regulations that have been applied indicating the effect of any deviations from them;
- c) The International Audit standards that were applied;
- d) Include all other requirements of donors as stated in the various donor agreements.

The Management Letter, among others, shall contain:

- a) Comments and observations on the accounting records, systems and controls that were examined during the course of the audit;
- b) Specific deficiencies and areas of weakness in systems and controls and make recommendations for improvement;
- c) The degree of compliance of each of the donor funding agreement and give comments, if any, on internal and external matters affecting such compliance;
- d) Matters that have come to their attention during the audit which might have a significant impact on the implementation and sustainability of the funding;
- e) Report on the implementation status of recommendations pertaining to previous period audit reports;
- f) Areas of risk that need to be flagged out to management;
- g) Any other matters that the auditors consider pertinent to be brought to the attention of the Secretariat.

Ideally, the Management Letter will include reactions/comments from Y.A.K. Secretariat on the weaknesses noted by the auditors.

8. AUDIT OF PROJECTS

The scope of the audit of projects depends on the agreement signed between the donor and the Secretariat. The audit requirements are stated in the various agreements that govern the funding and for those projects that require separate audit reports, the scope of the audit will be shared with the lead applicant upon engagement. However, some of the general requirements are the following:

- a) That the External Auditors have obtained an understanding of the terms and conditions governing the grant agreement. For example, in the case of USAID funding, the External Auditors should comply with the General Procedures of the Agreement and its annexes;

- b) That the funds received have been used in accordance with the cooperation agreement;
- c) That the accounts kept by Y.A.K. are accurate and up to date;
- d) That the accounts and expenditure relating to the project agreement are easily identifiable and verifiable;
- e) That it is possible to reconcile the information in the Financial Report to Y.A.K.'s accounting system and records;
- f) That the correct exchange rates have been applied;
- g) That any identified bank interests have been properly reflected in the books of accounts;
- h) That the Secretariat has maintained the necessary supporting documents, records and accounts in respect of the project activities; and
- i) That the internal control systems of the organization are comprehensive, sufficient and adequate.

The financial records maintained for projects are usually the following:

- a) Financial ledgers;
- b) Bank Reconciliation Statements;
- c) Payments vouchers substantiated by support documentation; and
- d) Financial reports (wherever applicable).

9. General Information

The auditors shall be given access to all legal documents, correspondence and any other information associated with the Financial Statements to be audited and deemed necessary by them.

10. Audit Duration:

The audit report (on the organizational Y.A.K. accounts and separate project reports) including the financial statements, the management letter including the Y.A.K. Secretariat's responses should be received by Y.A.K. within **three (3) months** after the end of the fiscal year under review.

11. Qualification of the Audit Firm:

- a) The auditor must be completely impartial and independent from all aspects of management or financial interests of the organization;

- b) The auditor shall not, during the period covered by the audit nor during the undertaking of the audit, be employed by, serve as advisers or mentors for, or have any financial or business relationships with the organization; and
- c) The auditor shall be registered with the (Institute of Certified Public Accountants of Kenya (ICPAK) and must demonstrate that they possess appropriate professional qualifications and suitable experience in accounting and auditing the accounts of entities comparable in size and complexity to the entity being audited;
- d) Curriculum Vitae (CVs) must be provided to Y.A.K by the Partner of the firm of auditors who shall be responsible for signing the opinion, together with the CVs of key personnel proposed as part of the audit team. The CVs shall include details of audits carried out by the concerned staff, including ongoing assignments indicating capability and capacity to undertake the audit.

12. Audit Fees

The audit fees will be fixed, determined through a competitive bidding process.

13. Letter of Engagement

A formal letter of engagement specifying the scope of audit shall be prepared and signed between the Secretariat and the auditor prior to the beginning of the assignment. The letter of engagement shall also clearly spell out the responsibilities of the two parties.

14. Application process

Interested and qualified individuals should submit to hr@youthalivekenya.org the following:

- a) Concept note outlining understanding of the task, methodology.
- b) Current CV and Audit Firm profile demonstrating experience in similar tasks.
- c) Proof of having done a similar assignment in auditing non-governmental organizations.
- d) List of at least 3 referees with contacts.

Indicate on the subject line of the application email **EOI number 010/21** to reach Y.A.K on or before **15th November, 2021** by CoB.