



External Audit Terms of Reference

1.0 Objective

WaterAid Malawi is seeking proposals for external audit services for the accounts covering the year 1 April 2022–31 March 2023. The intention is to appoint for a three years period, with annual reviews of performance by both sides.

2.0 Introduction

2.1 Type of organisation – Global level

WaterAid is a UK charity operating as an International Non-Governmental Organisation (NGO). It was established in 1981 with a mission to transform the lives of the poorest and most marginalised people by improving access to safe water, sanitation and hygiene. It was incorporated in the United Kingdom (UK) in 1984 as a company limited by guarantee (Company No.1787329) and was registered with the charity commission in the same year (Charity Registration No.288701). WaterAid has become one of the most respected international NGOs dealing with water, sanitation and hygiene issues.

WaterAid's vision is a world where everyone, everywhere has safe water, sanitation and hygiene.

WaterAid's strategic approach uses a package of service delivery, capacity development and influencing activities, delivered in partnerships, at all levels from community to national levels.

2.2 Type of organisation – National level

In Malawi, WaterAid is mandated to operate through a Memorandum of Understanding (MOU) signed with the Malawi Government in 1999. In addition to the MOU with Government, WaterAid in Malawi is a member of the Council for Non- Governmental Organisations in Malawi (Registration No. C110/2000) and is registered with the Malawi NGO Board. Continuous membership to these two bodies is through annual subscriptions.

WaterAid in Malawi operates from one Country Programme offices located in Area 47 Sector 5 in Lilongwe. Current districts of implementation are Kasungu, Nkhosakota, Ntchisi, Salima, Lilongwe, Mchinji, Dedza, Ntcheu, Machinga and Zomba but also works at national level with its influencing work. The country programme has a total funded and forecast budget of MWK3.95 billion in the current financial year.

3.0 Scope

3.1 Period of appointment

The financial statements will cover 12 months from 1st April to 31st March. The External auditor will be retained for a period of three years starting with the 2022/23 financial statements. This is subject to annual review between the two parties. After three years, the services will be advertised and the auditor appointed this year will be eligible to retender.

3.2 Roles and responsibilities

It is the responsibility of the Senior Management Team of WaterAid Malawi to prepare the Financial Statements and make them ready for the purpose of external audit, in line with the agreed timetable. The Country Director and the Head of Finance &IT will sign the Financial Statements on behalf of the Senior Management Team.

It is the responsibility of the Auditor to report on whether, in their opinion, the Financial Statements prepared give a true and fair view of the state of the country programme's financial affairs at the balance sheet date and its income and expenditure account for the year ended is in accordance with WaterAid financial reporting guidelines and applicable local standards.

The Auditor must also provide a management letter, addressed to the Country Director, detailing any system weaknesses that they have found in the course of their audit. External audit reports will be submitted to WaterAid head office in London, UK and filed with NGO Regulatory Authority of Malawi and other relevant authorities and partners.

3.3 Audit dates

The accounts must be signed by the Country Director and the Auditor and submitted to WaterAid UK by 30th June. Before this date the audit findings should have been presented to the Country Director for comments. Audit visits are expected to be completed during May, to allow time for completion and resolution of any issues. The exact timetable will be agreed at the start of each year end cycle.

3.4 Responsibility of the Auditor regarding WaterAid Malawi Partners

Appendix I shows the partners WaterAid Malawi is working with in the current year.

The Auditor should perform appropriate audit testing of the transactions and records of partner organisations to enable them to reach an opinion on the truth and fairness of the Country Programme's financial statements. The Auditor's recommendations will also help WaterAid to support the partner to address the identified gaps and improve their financial management.

The partners to be visited must be chosen by the external auditor based on a risk profile, bearing in mind the level of risk for each partner. The basis for selection should

be shared with WaterAid, and should not be based purely on geographical convenience.

4.0 Outputs

The following outputs among others are expected at the end of the audit exercise:

- Published accounts including Balance Sheet and Income and Expenditure Accounts. This will include the Independent Auditor's report with an opinion on the truth and fairness of the Financial Statements.
- Separate auditor's certificate confirming total income and expenditure for those grants whose agreements so stipulate (to be confirmed annually).
- Management letter with issues ranked as High, Medium and Low risk and comprehensive recommendations to address them. This should include comments on progress against prior year findings.

5.0 Invitation for proposals

Interested audit firms should submit combined technical and financial proposals comprising the following:

- Profile of the auditing firm
- Comments on the terms of reference
- Proposed approach (methodology) to the assignment. Must include approach to auditing tax liabilities
- Details of selected relevant assignments completed in the past three years (Top five) two of which must be with international organisations implementing grant funded projects
- Staffing level clearly indicating number of partners, managers, supervisors, audit seniors and other audit staff at the time of preparing the proposal
- Abridged CVs of partners, managers and supervisors that would be assigned the WaterAid audit
- Financial Proposal, indicating the basis of determining audit fees and the estimated audit fees for the first year, plus expectations for years two and three. This should include estimates for expenses including travel, accommodation, per diems, stationery etc.

The deadline for proposals is **17th February 2023**

Proposals should be delivered to: **The Country Director, WaterAid Malawi, Private Bag 364, Lilongwe 3. WaterAid Offices, Area 47 Sector 5**

For any queries, please contact The Head of People, OD and Administration at lucymlia@wateraid.org

6.0 Selection criteria

Selection of the successful audit firm will be based on the above listed documents, with particular focus on technical proposal, recent experience and fee.

The assignment is open to all audit firms who are eligible to perform audit services in Malawi as certified by the Malawi Accountants Board, and whose partners are practicing members of The Institute of Chartered Accountants in Malawi (ICAM).

Appendix I

List of current partners

- AMREF Health Africa, Lilongwe
- National Initiative for Civic Education (NICE), Lilongwe

Appendix II

WaterAid accounting processes

6.1 Basis of preparation

WaterAid Malawi accounts will be prepared in local currency and on an accruals basis. The data for all income and expenditure items in the audited financial statements will be extracted directly from SUN system, mostly using Vision Excel spreadsheets.

6.2 Offshore expenditure

Offshore expenditure is any cost physically paid by another WaterAid office on behalf of WaterAid Malawi. This is debited to an expenditure heading and credited to the offshore expenditure account. The offshore materials/expenses and salaries can be audited by reference to the offshore reports issued by London office and copies of backing documents as provided by the paying office.

6.3 Accounting for partner organisations

Transfers to partner organisations are debited to the balance sheet account for the advance to the partner. When a return is made by the partner the total expense is credited to the balance sheet and debited to the individual expenditure accounts. The closing balance for each partner can be agreed to the records submitted by them.

6.4 Outstanding loans or advances to staff from WaterAid

Any outstanding staff loan or advance balances will be included in the relevant balance sheet code.

6.5 Fixed assets

Property and equipment are capitalised in the year of purchase and appropriate depreciation charged in with the requirements of International Accounting Standard 16.

6.6 Stock and stores materials

WaterAid in Malawi does not currently hold stocks of significant value. Expenditure on stocks, which usually comprises stationery, are therefore expensed at the time of purchase.

6.7 Provisions, liabilities and accruals

Accruals are only recognised for work that has been completed but not billed at the year end. Provisions and liabilities are recognised in line with local regulations for gratuities, leave, and other costs.