



FSD Ethiopia

Terms of Reference (TOR)

Procurement of External Auditor

1. Background:

Financial Sector Deepening Ethiopia (FSD Ethiopia), registered as an International non-profit organization and accorded legal personality with registry number 6081, in February 2022, as per the Civil Societies Proclamation No. 1113/2019, aims to support the development of accessible, inclusive, and sustainable financial markets for economic growth and development in Ethiopia.

FSD Africa is the parent organization that established FSD Ethiopia as a foreign NGO under Ethiopian law with funding from different donors. Being the parent organization of FSD Ethiopia, FSD Africa has fiduciary responsibility on FSD Ethiopia.

The founding members and funders of FSD Ethiopia are the UK's Foreign, Commonwealth & Development Office (FCDO) and the Bill & Melinda Gates Foundation (Gates Foundation) (collectively referred to as "Funders") whose representatives are members of FSD Ethiopia Board with an observer role.

For the foreseeable period, FSD Africa will receive funds from the Funders and will manage these funds in such a way that it is able to account to the Funders separately for amounts received and disbursed and to the Board of FSD Ethiopia. FSD Africa will report to the Funders in line with the reporting obligations under their respective grant agreements.

We are now on our second year of operation, and, as required by the Charities proclamation, FSD Ethiopia wishes to engage a suitably qualified auditor to undertake a financial audit covering the period from April 01, 2023, to March 31, 2024.

2. Objective of the Audit:

- A) The objective of the audit of FSD Ethiopia's financial statements is to enable the auditors to express an independent professional opinion on the financial position of FSD Ethiopia and to ensure that the funds utilized to FSD Ethiopia's activities have been used for their intended purposes.
- B) The books of accounts of FSD Ethiopia provide the basis for preparation of the FSD Ethiopia's Financial Statements. Proper books of accounts as required by law have been maintained by FSD Ethiopia and also maintain adequate internal controls and supporting documentation for the transactions.

3. Scope of the Audit

The scope of the audit is limited to the amount of Funds transferred from FSDA to FSDE and their utilization in accordance with the established rules and regulations of FSD Ethiopia and only for the purposes for which the funds were provided. More specifically,

- A. The audit will be carried out in accordance with the International Auditing Standards and will include tests and verification procedures as the auditors deem necessary.

- B. Verify all funds have been used in accordance with the established rules and regulations of FSD Ethiopia and only for the purposes for which the funds were provided.
- C. Appropriate supporting documents, records and books of accounts relating to all activities have been kept. Clear linkages should exist between the books of accounts and the financial statements presented.
- D. Verify the records of fixed assets, check physical existence of the assets.
- E. The financial statements have been prepared by FSD Ethiopia management in accordance with applicable accounting standards (International Public Service Accounting Standards) and give a true and fair view of the financial position of FSDE and of its receipts and expenditures for the period ended on that date.
- F. Comprehensive assessment of the adequacy and effectiveness of the accounting and overall internal control system to monitor expenditures and other financial transactions.
- G. Express an opinion as to reasonableness of the financial statements in all material respects.
- H. Include in their reports opinion on compliance with procedures designed to provide reasonable assurance of detecting misstatements due to errors or fraud that are material in the financial statements.
- I. Conduct entry and exit meeting with the assigned responsible person.
- J. In addition to the audit report, the auditors will prepare a Management Letter on the following:
 - I. Give comments and observations on the accounting records, procedures, systems and controls that were examined during the course of the audit.
 - II. Identify specific deficiencies and areas of weakness in systems and controls and make recommendations for improvement.
 - III. Communicate matters that have come to their attention during the audit which might have a significant impact on the sustainability of the organization.
 - IV. Bring to the management attention any other matters that the auditors consider pertinent.

4. Audit Duration:

The timetable for the audit services is shown below:

Activity	Due Date
Contract of Signing	Fourth week of March 2024
Commencement of audit work	By 25 th of April 2024 (the selected auditor shall do a physical verification for cash count and other cutoff activities on 29 th March 2024)
First draft report for discussion with management	By 20 th of May 2024
Management comments on the draft audit report.	By 30 th of May 2024
Final signed report (after receiving comments)	By 10 th of June 2024

5. Deliverables:

- A. The Auditors on completion of the audit work will submit 5 (five) original copies of the Audit Report appended to the Financial Statements along with the reports to the attention of the Chief Executive Officer.
- B. Management letter in accordance with the scope of work described here before.



6. Qualification of the Audit Firm:

- A. The expert auditor must be a chartered Certified Accountant and an audit company registered in AABE.
- B. The auditor must have at least five years' experience in auditing of INGOs
- C. The auditor must have a sound knowledge of the financial requirements of the Charity and the country laws applicable on FSD Ethiopia.

7. Terms of payment:

The payment will be made upon satisfactory completion of the audit work, and acceptance by FSD Ethiopia of the final audit report submitted by the consultant.