

TERMS OF REFERENCE

For the 2nd Annual Financial Audit
for the period from 01 April 2025 to 31 March 2026
for

Eco-Leaders: Youth Empowerment Initiative on Environment, Climate and Renewable Energy for Bangladesh

1. **Title:** Annual Financial Audit of the Eco-Leaders: Youth Empowerment Initiative on Environment, Climate and Renewable Energy for Bangladesh

2. **Overall Objective of the Audit**

The overall objective of this audit is to assure Foreign, Commonwealth & Development Office (FCDO) that the fund paid by FCDO to The Earth Society for the Eco-Leaders project is properly accounted for, used for the purposes intended by the UK Government and provides value for money.

The specific objectives of the Audit are as follows:

- a. To give an independent audit opinion on the financial statements of the project, in particular, whether it gives a true and fair view of revenue and expenditure in accordance with the conditions laid down in the accountable grant arrangement (AG) and International Financial Reporting Standards (IFRS);
- b. To evaluate the internal control system of the project, identify the risk and provide recommendations, inclusive of any material weaknesses in internal control;
- c. To make observations in order to determine whether the project has satisfied in all material respects the objectives/conditions laid down in the AG. All material matters which do not meet the said conditions and all illegal acts must be identified. Such observations will also include the requirements relating to any contribution to be made by the project;
- d. In addition to the above, any observations the auditors might want to bring to the attention of the management.

3. **Scope of Work**

The audit will cover accounts and supporting documentation of the project in the following office: The Earth Society Head Office at House No. 147, Road No. 1, Baridhara DOHS, , Dhaka-1206 who delivered the services for the period 01 April 2025 to 31 March 2026 (audit period).

The audit work should include the review of work plans, progress reports, project resources, project budgets, project expenditure, project delivery, recruitment,

procurement, operational and financial closing of projects and disposal or transfer of assets regarding the Eco-Leaders project implemented by The Earth Society. The approximate expense of the period (01 April 2025 to 31 March 2026) is GBP 75000.

A local Audit Firm enlisted by the NGO Affairs Bureau of the Government of Bangladesh shall perform the audit work in accordance with International Standards on Auditing adopted in Bangladesh and generally accepted international best practices. Audit testing will be performed on a sample basis with at least 80% expenditure coverage of the audit period. The auditor will ensure that the expenditure coverage rate for each expenditure subheading in the Financial Report is at least 10% to determine whether expenditures are charged/ utilised in accordance with the terms of the Accountable Grant and budget and as per other applicable programme documents, laws, regulations, binding policies and procedures.

The auditors will be given access to all accounting records and supporting documents. In addition, FCDO project managers will have dedicated meeting/s with the audit firm and provide copies of other records relating to the project as requested by the auditors for the purposes of the audit. The audit will:

- a) Determine whether the project accounts present a true and fair view of the receipts and payments incurred for the reporting year in accordance with generally accepted accounting principles and the terms of the agreement.
- b) The audit firm will design tests and procedures to obtain sufficient and appropriate evidence to:
 - i. Establish whether proper accounting records have been maintained;
 - ii. Review the accounting and internal control systems, and existing internal control arrangements exercised by the project;
 - iii. Assess the adequacy of the systems and controls to inform programme progress reports to FCDO;
 - iv. Physically verify a sample of assets purchased;
 - v. Confirm the effectiveness of the systems for data capture and summary of financial progress against the activities in the work plan; and
 - vi. Confirm that financial transactions and procurement processes are in compliance with financial policy and procurement policy respectively and maintained clear separation of duties as per delegated authority while ensuring value for money.
- c) Specific assurance should be given to confirm whether:
 - i. The budget fully reflects the annual plan and annual procurement plan and is profiled appropriately;
 - ii. Funds have been paid to the defined valid recipients, the receipts and payments (checking bank accounts/statements) have been properly accounted for, records

of transactions include accurate information regarding any variations in currency exchange rates, where relevant, the expenditure has been used for the purposes defined in the AG and hence for the purposes intended by the UK Government; and whether the expenditure is in line with the quarterly financial reports and reconcile the Financial Statements with all available system generated reports, annual procurement plans reflect fully the essential needs of the programme, the inventory of items purchased partly or entirely using the funds made available by FCDO are maintained effectively and properly as per the fixed asset guidance. The procedures for receipt, storage, and disposal shall also be reviewed;

- iii. Review employees' individual files including timesheet and ensure each employee has a valid employment contract with the Earth Society in compliance with the local labour law;
- iv. Compliance with local tax and VAT laws has been maintained during the period;
- v. Fraud allegation and fraud cases are being handled against fraud/corruption policy;
- vi. An adequate budgetary control system is in place to monitor actual expenditure against budget lines on a regular basis and to take effective remedial action as necessary;
- vii. The existence and implementation of adequate segregation of duties in the maintenance and review of accounts, the performance of reconciliations and the processing of transactions;
- viii. Expenditure of FCDO funds managed by the contractor has been disbursed on a timely basis and used in accordance with the AG, with due attention to economy, effectiveness and efficiency, and only for the purposes for which the funds were provided;
- ix. Inventories and asset registers are completed, and ownership of assets and stock is regularly (at least once a year) verified by physical checks to ensure that they exist and are being used for the intended purposes of the programme;
- x. All necessary supporting documents, records, and accounts have been kept in respect of all programme activities. Clear linkages should exist between the books of account and invoices presented to FCDO;
- xi. The auditor should identify weaknesses in control, whether in system design or operation. Detailed tests should be carried out to investigate whether there is evidence of losses of any kind;
- xii. The recommendations from the previous audit has been implemented properly

4. Activities: The following steps should be considered in developing the audit exercise. They are not considered as all-inclusive or restrictive in nature and do not constitute relief from exercising due professional care and judgement.

- a. The auditors should familiarise themselves with the overall governance arrangements, accounting and auditing arrangements established by The Earth Society;
- b. The auditors shall hold a meeting(s) with senior management of the project;
- c. The Earth Society to establish the purpose and process that will be applied for the audit;
- d. The auditors will provide feedback on progress of the audit to the project management so that issues identified can be resolved in a timely manner;
- e. The auditors shall hold an exit meeting with the Head/ Management of The Earth Society . A draft of the auditor's report shall be made available to the Head of the project in reasonable time in advance of the exit meeting;
- f. The services of the auditors will include, but not be limited to the following:
 - Review of relevant documentation at the project office;
 - Obtaining explanations from the project management team on spending from donor fund;
 - Review of the papers related directly to the above services.

Report to the Management: You shall report to the management on the following matters that came to the notice during the course of audit:

- Material changes in accounting principles;
- Inadequacy in Programme's accounting;
- Material weakness in internal control;
- Material change in scope of operation;
- Any other key observations from the audit.

Audit Report: Draft and Final Management Reports and audited accounts are to be submitted to The Earth Society Management and to Tasneem Rahman, FCDO Programme Manager by 30 June 2026.

Exit Meeting: You should arrange an exit meeting with The Earth S

ociety management and with the FCDO Programme Manager on the draft audit report by 15 June 2026.

Timeline of the Final audit Report : The Final Report should be submitted on or before 31 July 2026.

Audit Fees: Audit Fee should be up to £3,000 including VAT & TAX as per the applicable law.

Audit Location: The Earth Society Head Office, 147 Baridhara DOHS, Dhaka.

Submission Instructions:

Interested audit firms are requested to submit the following documents:

1. Technical proposal, including detailed audit approach, methodology, and timeline
2. Financial proposal, including a detailed budget plan (within the stated audit fee limit)
3. Organizational profile and legal documents, including firm registration, NGO Affairs Bureau enlistment certificate, BIN and TIN, and relevant experience documents

All proposals must be submitted via the designated tender email address: tender@theearthbd.org addressed to the Procurement Committee'. The subject line of the email must clearly mention: "Submission of Proposal for External Audit of Eco-Leaders Project"

"Only shortlisted firms will be contacted for further communication".

Submission Deadline: 22 April 2026, by 5:00 PM.