



Procedure (S): Terms of reference for project audit	Maintained by: CFO
2019-09-05rev2022-06-09, supersedes previous versions	Approved by: ED

Terms of reference for project audit

2024-12-04

1. Introduction

Samdhana Institute (“the fiscal sponsor/ Partner”) wishes to engage the services of an audit firm for the purpose of auditing the project **Improving Trust and Values to Secure Land and Forest of Indigenous Peoples in Tanah Papua (“the Project”)** funded by the Tenure Facility, as stipulated in the Grant Agreement (“**the Grant**”) between the Partner and the Tenure Facility, dated 15 March 2023, amended on xx-12-2024 The project audit according to the terms of reference shall cover the period **01-01-2024 to 31-12-2024 (“the Reporting Period”)**.

The project audit shall be carried out in accordance with International Standards on Auditing issued by IAASB¹. If national auditing standards are applied these shall be approved by the Tenure Facility prior to the commencement of the project audit.

In addition to the audit of the project financial statements, the assignment also includes an engagement to perform agreed-upon procedures regarding financial information in accordance with International Standard on Related Services, ISRS 4400, as specified in section 6.

2. Confirmation of receipt

The auditor shall confirm the receipt of these terms of reference for the project audit by providing the requested information in **Appendix 1** “Confirmation of receipt of terms of reference for project audit”. The confirmation shall be signed by the auditor in charge and a scanned copy shall be returned to the Financial Manager at the Partner, [add email address] and the Project Controller at the Tenure Facility, gsa@thetenurefacility.org, prior to the commencement of the project audit and within two weeks of receiving these terms of reference.

3. Qualifications of the auditor

The audit shall be carried out by an external, independent and qualified auditor.

The auditor shall meet at least one of the following conditions:

- a) The auditor and/or the firm is a member of a national accounting or auditing body or institution which in turn is a member of the International Federation of Accountants (IFAC).
- b) The auditor and/or the firm is a member of a national accounting or auditing body or institution. Although this organization is not a member of the IFAC, the auditor commits him/herself to undertake this engagement in accordance with the IFAC standards and ethics.

¹ The International Auditing and Assurances Standards Board (IAASB)



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The auditor shall employ staff with appropriate professional qualifications and suitable experience with IFAC standards and in particular International Standards on Auditing. The auditor shall have experience in performing project audits comparable in size and complexity to the Project.

4. Objectives and scope of the audit

The objective is to audit the project financial statements, as described in section 5, for the period [01 January 2024] to [31 December 2024] and to express an audit opinion according to ISA 800/805 regarding whether:

- a) The project financial statements present fairly, in all material respects, the financial position including the income and expenditures under this Grant
- b) Whether the project financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework and in accordance with section 5 below
- c) The receipts and use of funds are properly accounted for under the accounting principles generally accepted in the relevant national jurisdiction

5. Project financial statements

The project financial statements shall be set up in a way that allows for direct comparison with the latest approved budget, using the same currency (**USD and IDR**) and overall line items. They shall, as a minimum, include:

- c) The accounting principles applied
- d) A specification of funds received under the Grant including all funds forwarded to Sub-grantees specifying the organisation and amount forwarded
- e) Expenses in the Reporting Period and from start of the Project to the end of the Reporting Period
- f) Unused funds as per the end of the Reporting Period (as reconciled with bank statements)
- g) List of assets purchased for the Projects stating type of asset, purchase date and purchase price. Assets charged as expenses and capitalized shall be included.
- h) Clearly state the overheads/indirect costs covered by the Grant
- i) Specification of expenses of the Partner and Sub-grantees
- j) Explanatory notes including description of the accounting policies used and any other explanatory material necessary for transparent financial reporting of the Project
- k) **Include copy of the financial report and status of funds as of 31-12-2024 submitted to TF, identifying discrepancies, if any.**



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6. Additional assignment

The audit should include the following additional assignment, according to agreed-upon procedures ISRS 4400. The agreed-upon procedures should include the Partner and Sub-grantees if not otherwise stated.

- a) Verify that the bank accounts established for the funding under the Grant are signed by two persons jointly.
- b) Verify that monthly cash and bank reconciliations have been completed every month and that they are documented and approved.
- c) Verify that an appropriate accounting- and double-entry bookkeeping system has been used for the Reporting Period and that expenses under this Grant are easily identifiable.
- d) Verify that there is an authorization instruction in place promoting segregation of duties for all financial transactions.
- e) Verify that the annual project budget has been approved by authorized position/function.
- f) Verify that a proper archiving system is in place to ensure that accounting records are kept in accordance with the Grant Agreement (seven years after the finalization of the Grant).
- g) Verify that there are signed agreements with all parties receiving forwarded funds and that the requirements according to the Grant Agreement have been passed on to all subsequent agreements.
- h) Review if outgoing balance for previous period is the same as incoming balance for the current period.
- i) Verify that the Partner are compliant with rules and regulations regarding taxes (e.g. PAYE)² and social security fees and that taxes and fees are paid on time.
- j) Verify that there is an anti-corruption policy and that it has been implemented.
- k) Follow up whether the Partner have adhered to the procurement guidelines annexed to the Grant Agreement by performing sample testing covering 100 percent of purchases above USD 10,000.
- l) Follow up whether there are signed contracts with clear terms of reference for consultants and service providers performing services of a value above USD 10,000.
- m) Follow-up that vehicle logbooks are prepared, documented and signed stating at least the start-end date of the trip, the odometer reading, km travelled, purpose and destination by performing sample testing covering 100 percent of the vehicle expenses charged to the Project.
- n) For the personnel costs credited the Project verify the following:

² Pay As You Earn



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- a. There are signed employment contracts for all staff assigned to the Project, including administrative staff
- b. If an employee works part time with the Project, explain how the time spent on the Project is allocated and based on what information
- c. That salary costs debited to the project are recorded through the duration of the reporting period and on a monthly basis
- d. That salary costs debited to the project are paid through bank transfer
- o) Through interview with management, follow up on weaknesses identified in previous systems audits. Verify that whether there are action plans specifying the planned actions, time frame for implementation and the person responsible for the implementation
- p) Follow up whether the Partner has implemented the recommendations from the previous year’s project audit. The follow-up includes reviewing whether the action points as described in the Management Response that has been submitted to the Tenure Facility has been implemented.
- q) For the funds that have been forwarded to 14 organisation “**Sub-grantee**”) based on Grant Agreements between the Fiscal sponsor/Partner and the Sub-grantee, verify the following:
 - a. Financial report and perform sample testing covering 100 percent of the supporting documents;
 - b. Existence of any non-eligible costs.

7. Reporting

The scope of the audit shall be stated in the report and the methodology used shall be presented. The reporting shall be signed by the responsible auditor (not just the audit firm) specifying the title of the auditor.

Independent Auditor’s Report

The reporting from the auditor shall include an **Independent Auditor’s Report** in accordance with the format in standard ISA 800/805 and the auditor’s opinion shall be clearly stated. **The project financial statements** that was subject to the audit shall be attached to the Independent Auditor’s Report.

Individual Independent Auditor’s Report shall be presented for the Partner and the Sub-grantees.

Report of Factual Findings

The additional assignment according to section 6 above shall be reported in accordance with ISRS 4400, **Report of Factual Findings**, including a description of the purpose and the agreed-upon procedures of the engagement in sufficient detail to enable the reader to understand the nature and extend of the work performed.



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It shall be clearly stated in the Report of Factual Findings which entity the individual procedure refers to. If a procedure refers to several entities the work performed shall clearly indicate which entity it refers to.

Management Letter including Management Response

All audit findings and weaknesses identified during the audit process, including recommendations should be reported in a separate **Management Letter**. The Management Letter should include any relevant findings and weaknesses identified regardless of materiality and should quantify the amount for costs lacking sufficient supporting documentation.

The following information regarding the Partner’s and Sub-recipient’s internal control system shall be included in the Management Letter:

- a) An assessment of the internal control system with equal emphasis on the effectiveness of the system in providing the project management with useful and timely information for the proper management of the project and the general effectiveness of the internal control system in protecting the assets and resources of the project.
- b) A description of any specific internal control weaknesses noted in the financial management of the project. Recommendations to resolve/eliminate the internal control weaknesses noted should be included.

The management letter should also include the following:

- a) Categorization of audit findings by risk severity: high, medium, or low.
- b) Description of possible causes of the audit findings.
- c) Comments as to whether recommendations made in the Management Letter for the previous audit were implemented or, if not, the implementation status.
- d) Management Response

If the auditor assesses that no findings or weaknesses have been identified during the audit that would result in a Management Letter, an explanation of this assessment must be disclosed in the audit reporting.

The Management Letter can be presented in a separate document for each entity individually or in one document for all entities included in the project audit. If one Management Letter for the project audit is provided, the recommendations should be directed to a specific entity so there is no confusion regarding who is responsible for implementation. The response of the entity should be included in the Management Letter, immediately following the recommendation.



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Summary of audit reporting

Report type	Report due date
Independent Auditor's Report including project financial statements	15 May 2025
Report of Factual Findings, ISRS 4400	(the official deadline as per the Grant Agreement is 31 May 2025 but it would be great if we could get the reports earlier)
Management Letter including Management Response	

Appendix 1

Confirmation of receipt of audit instructions including terms of reference for project audit

To [Organisation name] and the Tenure Facility

Send signed and scanned confirmation no later than [day month year]

We acknowledge receipt of your terms of reference for project audit dated [day month year] requesting us to perform the work set out therein on the financial information of [Organisation name] and its Sub-grantees as listed in the terms of reference for project audit for the year ended [day month year].

We also confirm that:

- a) We will be able comply with your instructions and adhere to the reporting due dates. The terms of reference are clear, and we understand them. We will cooperate with you and provide you with access to relevant audit documentation, subject to local laws and regulations.
- b) We understand the scope of work and deliverables that should be reported from the audit.
- c) We understand the ethical requirements of the IFAC Code of Ethics, sufficient to fulfill our responsibilities on the project audit and will comply therewith.
- d) We have been certified by a member of IFAC or by a national branch organisation – [please state name of the national branch organisation] - and hereby disclose the authorization certificate.
- e) We will apply International Standards on Auditing (ISA) when performing the audit (if not, then state which auditing standards that will be applied).
- f) We will inform you immediately about any limitations in the scope of work identified prior to or during the project audit.

The engagement team responsible for the audit is as follows:

Name	Role	Telephone	E-mail
	Engagement leader		
	Manager		

We will inform you of any changes in the above representations during the course of the work on the project audit.

Place and date

Audit firm and name of auditor in charge

Signature of auditor in charge