GLOBAL ARK
INITIATIVE

TERMS OF REFERENCE (TOR)

EXTERNAL AUDIT SERVICES FOR GLOBAL ARK INITIATIVE (GAI)

1. Background

Global Ark Initiative (GAI) is a Kenyan non-governmental organization committed to promoting sustainable development, climate resilience, environmental conservation, governance, youth empowerment, women's leadership, and community-driven development initiatives. GAI implements donor-funded and locally supported projects across Kenya in collaboration with government agencies, development partners, civil society organizations, and local communities.

To enhance accountability, transparency, and compliance with partner requirements, GAI seeks to engage an independent external audit firm to conduct an annual audit of its financial statements, projects, grants, and internal control systems.

2. Objective of the Audit

The primary objective of the audit is to enable the auditor to express an independent opinion on whether:

- The financial statements present fairly the financial position of Global Ark Initiative.
- Funds received and expenditures incurred have been utilized for their intended purposes.
- Financial records have been maintained in accordance with International Financial Reporting Standards (IFRS), International Standards on Auditing (ISA), donor agreements, and applicable Kenyan laws.
- Internal control systems are adequate and operating effectively.
- Procurement, human resource, asset management, statutory compliance, and grant management procedures comply with organizational policies and donor requirements.

The audit shall be conducted in accordance with **International Standards on Auditing (ISA)** issued by the International Auditing and Assurance Standards Board (IAASB).

3. Scope of Work

The auditor shall examine and report on the following:

A. Financial Audit

Review and audit:

- Statement of Financial Position.
- Statement of Financial Activities.
- Statement of Cash Flows.
- Notes to the Financial Statements.
- Trial Balance and General Ledger.
- Bank Reconciliations.
- Fixed Asset Register.
- Project and donor financial reports.

The auditor shall verify that:

- Financial statements reconcile with accounting records.
- Transactions are properly authorized, supported, and recorded.
- Funds are applied solely to approved project activities.
- Expenditures are reasonable, eligible, and supported by documentation.
- Cash and bank balances are accurately reported.

B. Donor Compliance Audit

Review compliance with donor agreements and grant conditions, including:

- Approved budgets and budget revisions.
- Cost eligibility requirements.
- Reporting obligations.
- Procurement requirements.
- Matching fund requirements (where applicable).
- Asset ownership and management provisions.
- Sub-granting arrangements.
- Environmental and social safeguard obligations.
- Anti-corruption and anti-fraud provisions.

The auditor shall identify and quantify any ineligible expenditure.

C. Internal Controls Assessment

Assess the adequacy and effectiveness of internal controls relating to:

- Financial management.
- Cash management.
- Procurement processes.
- Human resource management.
- Payroll administration.
- Asset management.
- Inventory controls.
- Information and records management.

The auditor shall identify weaknesses and recommend corrective actions.

D. Procurement Compliance Review

Review procurement transactions conducted during the audit period and confirm whether:

- Procurement policies and procedures were followed.
- Competitive quotations and tendering requirements were observed.
- Evaluation and approval procedures were documented.
- Conflict of interest provisions were adhered to.
- Procurement records are complete and accessible.

Any non-compliance identified shall be reported.

E. Payroll and Human Resource Compliance

The auditor shall:

- Review payroll records.
- Verify employment contracts and personnel files.
- Confirm staff allocations to projects.
- Review timesheets where applicable.

- Verify statutory deductions and remittances including:
  - PAYE
  - NSSF
  - SHIF/SHA
  - Housing Levy
  - Other applicable statutory deductions.

F. Asset Verification

The auditor shall:

- Review of the Fixed Asset Register.
- Verify existence and condition of assets through sample physical inspection.
- Confirm asset tagging and identification procedures.
- Assess safeguarding measures for organizational assets.

G. Statutory Compliance Review

Review compliance with:

- Public Benefit Organizations (PBO) Act requirements.
- NGO Coordination Board/PBO Authority obligations.
- Kenya Revenue Authority (KRA) requirements.
- Labour laws.
- Data Protection Act.
- Other applicable legal and regulatory requirements.

H. Fraud, Corruption and Risk Management Review

The auditor shall:

- Review fraud prevention mechanisms.
- Assess anti-corruption controls.
- Review whistleblower procedures.
- Identify any suspected fraud, misuse, or irregularities.

Any material issues identified shall be reported immediately to management and the Board.

4. Specific Audit Procedures

The auditor shall:

1. Verify that financial reports are comparable to approved budgets.
2. Review budget variances exceeding 10% and determine whether approvals were obtained.
3. Verify exchange rate gains and losses where donor funds are received in foreign currency.
4. Review allocation of indirect costs and overhead recovery.
5. Confirm bank balances and reconcile them to accounting records.
6. Review project advances and accountabilities.
7. Verify procurement compliance.
8. Confirm statutory remittances.
9. Review sub-grant management arrangements where applicable.
10. Review environmental and social safeguard compliance where required by donors.

These procedures are adapted from internationally accepted donor audit requirements and agreed-upon procedures under ISRS 4400.

5. Deliverables

The audit firm shall provide:

A. Independent Auditor's Report

An audit opinion prepared in accordance with ISA.

B. Management Letter

The Management Letter shall include:

- Audit findings.
- Internal control weaknesses.
- Non-compliance issues.
- Risk classification:
  - High Risk
  - Medium Risk

    - Low Risk
- Recommendations for improvement.
- Follow-up on previous audit findings.

C. Agreed-Upon Procedures Report (ISRS 4400)

Where required by donors, the auditor shall provide a separate report detailing agreed-upon procedures performed and findings identified.

D. Presentation of Findings

The audit firm may be required to present findings to:

- Management Team.
- Finance and Audit Committee.
- Board of Directors.
- Donors upon request.

6. Audit Period

The audit shall cover the financial year ending:

1 July 2025 – 30 June 2026

or any other period specified in the engagement letter.

7. Auditor Qualifications

The audit firm must:

- Be registered and licensed to practice in Kenya.
- Be in good standing with the **Institute of Certified Public Accountants of Kenya**.
- Have at least five (5) years' experience auditing NGOs and donor-funded projects.
- Demonstrate experience with international donor compliance audits.
- Have adequate professional indemnity insurance.
- Be independent of Global Ark Initiative.

8. Proposal Submission Requirements

Interested audit firms shall submit:

1. Company profile.
2. Certificate of incorporation.

3. Valid ICPAK practicing certificate.
4. Tax Compliance Certificate.
5. CR12 (where applicable).
6. Technical proposal detailing methodology.
7. CVs of key audit personnel.
8. At least three references from NGOs or donor-funded projects audited within the last three years.
9. Financial proposal showing audit fees and taxes separately.

9. Evaluation Criteria

Criteria	**Weight (%)**
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Relevant Experience	30
Technical Approach & Methodology	25
Qualifications of Audit Team	20
References & Past Performance	10
Financial Proposal	15
Total	**100**

10. Reporting Relationship

The auditor shall report directly to:

The Board of Directors
Global Ark Initiative (GAI)

through the Executive Director and Finance & Administration Department.

11. Confidentiality

The audit firm shall treat all information obtained during the audit as confidential and shall not disclose any information without prior written authorization from Global Ark Initiative except where required by law.

Global Ark Initiative (GAI)

Request for Proposals (RFP) – External Audit Services
Financial Year 2025/2026

GAI hereby invites eligible and qualified audit firms to submit proposals for the provision of independent external audit services in accordance with these Terms of Reference. The selected firm will undertake the annual statutory and donor-compliance audit and provide recommendations to strengthen governance, accountability, and financial management systems.