



Terms of reference for carrying out Internal Audit

The Southern and Eastern Africa Trade, Information and Negotiations Institute (SEATINI) is a regional Non-Governmental Organization founded in 1996 soon after the WTO Singapore Ministerial Conference, after realizing that Africa in particular and Third World countries in general were marginalized in the WTO negotiations and other global processes.

SEATINI-Uganda is part of SEATINI a sub-regional NGO, working in Eastern and Southern Africa with its headquarters in Harare (Zimbabwe) and an office in Nairobi Kenya. SEATINI-Uganda is the regional coordinating office for East Africa. Although the offices operate independently, they subscribe to the overall SEATINI Vision, Mission, Values and broad objectives.

The main purpose of SEATINI Uganda is to strengthen stakeholders' capacity to influence trade, tax, and related policies and processes through information generation and dissemination, capacity building and advocacy, alliance building and networking.

SEATINI Uganda is currently implementing her 5 year strategic plan which is geared towards promoting pro development trade, fiscal and trade related policies for sustained equitable development and improved livelihoods in Uganda and the EAC region. 2017 marks the 2nd year of the Strategic plan implementation.

The internal auditor must look at the following areas / subsystems and confirm the associated specific objectives listed below in addition to any objectives also deemed necessary through the course of the engagement:

The purpose of this Internal Audit exercise is:

1. Provide independent and credible information to the board about the accuracy and reliability of SEATINI – Uganda financial transactions and management of risk.

2. To assess the ability and strength of management in ensuring there are sufficient internal control systems, effecting reporting, compliance with statutory obligations and donor obligations.
3. To enable and support the over sight role of SEATINI- U Board of Directors in ensuring there are appropriate means and ability by management to manage organization resources (financial and human resources)

A. Institutional Risk Assessment

- 1. Institutional risk (compliance with statutory obligations):** the internal auditor should obtain assurance that:
 - a. The organization is legally registered.
 - b. Is fully compliant with all required permits and licenses to operate.
 - c. Is aware of its tax status and is fully compliant with applicable tax, labor, occupational health and safety, NSSF and other material laws and regulations relevant to its operations.
- 2. Organizational structure:** the internal auditor should confirm that:
 - a. The organization has an appropriate organizational structure that is well designed and highly relevant to its mission and goals and that roles and responsibilities of departments or functions and lines of communication are well defined and highly appropriate.
 - b. The organization's structures and relationships with sister / group companies are well documented and complied with.
- 3. Governance:** The internal auditor should confirm that:
 - a. The organizations management regularly and consistently emphasizes the importance of and practices good corporate governance in all key areas.
 - b. The board has clear terms of reference and a good understanding of its key functions and those key functions are carried out consistently well.

B. Financial Management and Internal Control Systems.

- 1. Accounts:** The internal auditor should confirm that:

- a. The organization has adequate policies, procedures and practices in place to ensure regular reconciliation of bank accounts with the accounting records, authorized banks signatories among others.

2. Duties: The internal auditor should confirm that:

- a. The organization has policies, procedures and practices in place regarding segregation of duties to ensure that all approvals are documented prior to payment and supporting documents are in place.
- b. Transactions are clearly documented, approved and transparently recorded and reflected in the financial statements.

3. Financial Management Personnel: The internal auditor should confirm that:

- a. The individuals responsible for discharging accounting and other financial management functions within the organization have the requisite accounting and other financial management qualifications and experience.
- b. The skills mixes of the accountant, accounts assistant have strong technical, professional capacity and experience to:
 - i. Prepare and monitor appropriate budgets including cash flow projections and statements.
 - ii. Have an appropriate level; of understanding of the concept of allowable and unallowable costs from a donor restriction perspective.
 - iii. Clearly meet the needs of the organization.
 - iv. Apply concepts, principles and practices of management and financial accounting and reporting.

4. Accounting / Bookkeeping system: The internal auditor should confirm that:

- a. The organization has an accounting / book keeping system, and that financial transactions are entered into the system on a consistent basis in accordance with applicable standards, policies and procedures.
- b. The organization has a reliable double entry accounting / book keeping system that meets its needs and is otherwise appropriate.
- c. Financial transactions are entered into the system on a daily basis. (This seems to be covered in a above)

- d. The organization has a sound and well documented delegation of authority system appropriate to the size of the organization to ensure that no one person does all the work relating to a full accounting cycle transaction.
- e. All financial transactions are recorded regularly and consistently in accordance with approved and otherwise appropriate accounting standards, principles and practices.

5. Financial Reporting: The internal auditor should confirm that:

- a. The organization has adequate written policies, procedures and practices in place to produce reliable monthly and year to date financial statements (income and expenditure report and balance sheet), financial statements are audited or reviewed on regular basis by a third party recognized under the laws of the country such as a chartered accounting firm or regulatory body or both.
- b. The organization consistently and accurately produces reliable monthly financial statements from the General Ledger in accordance with its written procedures.
- c. Financial statements are prepared in accordance with applicable national and international standards.
- d. The financial statements are reviewed by the organizations management and corrective actions are taken when necessary.

6. Variance Analysis (Budget to Actual Cost): The internal auditor should confirm that:

- a. The organization has adequate policies, procedures and practices in place to ensure regular variance analysis (budget to actual cost) of program and operating financial data.
- b. Appropriate financial reports are accompanied by budget data and variance analysis (budget to actual cost) reports.
- c. Program staff consistently review financial reports and take corrective action.

7. Financial Records Management: The internal auditor should confirm that:

- a. The organization has sound policies, procedures and practices in place to safeguard important documents including financial records. The documents should be available for a period of 4-5 years.
- b. Management emphasizes and supports standard, practical, efficient and effective filing and records management practices.
- c. The organization has a contingency plan for the organization that includes procedures for backup/ recovery for financial and operational continuity.

8. Sources of funding:The internal auditor should confirm that:

- a. The organization has activities/ programs and / or potential sources of funding adequate for continuity of operations during the period of the award and for long term sustainability.
- b. The organization has an effective system in place to track sources of funding.
- c. Finance personnel have an appropriate level of professional knowledge, skills and experience in job cost accounting, fund accounting etc
- d. Management clearly articulates the importance of diversification of sources of funding.

9. Allowable and unallowable costs:The internal auditor should confirm that:

- a. The organization has adequate policies, procedures and practices in place to segregate allowable and unallowable costs and to otherwise satisfy donor requirements.
- b. The organization has an appropriate system to track unallowable costs.
- c. The organization has effective policies, procedures and practices in place to ensure clear lines of communication between finance and program staff relative to allowable and unallowable costs.

C. PROCUREMENT SYSTEMS AND PRACTICES:

- 1. Procurement policies and procedures: The internal auditor should confirm:

- a. The organization has procurement policies, procedures, practices in place that are adequate and in line with donor requirements (Note: Procurement policies, procedures and practices include those relating to processes for purchasing, resolving and settling disputes and claims, safeguards and controls over assets and related records management)
 - b. The organization's procurement policies, procedures and practices are known and understood by trained staff and are consistently adhered to, reviewed and updated as necessary.
 - c. The organization's policies, procedures and practices in this area reflect arm's length bargaining principles and avoid the potential for conflicts of interest.
2. Compliance with policies and procedures- Reasonableness of Price: The internal auditor should confirm that:
- a. The organization complies with its own policies and procedures for how determinations of reasonableness are made for purchases and who in the organization is responsible.
 - b. Organization has well thought out, well documented and effective policies and procedures that require competitive procedures and dictate how determinations of reasonableness are to be made and specify who is responsible for purchases.
 - c. Complete and accurate supporting documentation exists to verify compliance.

D. HUMAN RESOURCE SYSTEMS.

1. Overall HR policies and procedures: The internal auditor should confirm that:
 - a. The organization has and follows HR policies, procedures and practices. (Note: Depending on the size and the needs of the organization, typical HR policies will cover the hiring, promotion and recognition, retention, retirement, compensation and benefits, supervision, transfer and termination of employees)
 - b. The organization has comprehensive, well thought, well documented and effective HR policies, procedures and practices that meet its needs and reflect best practices.
 - c. Strong approaches for retaining component staff are reviewed by management and modified to ensure effectiveness.

- d. The organization has an up to date and complete organizational chart and written job descriptions for all key employees; a formal benefits/compensation plan and practices that meet its needs and sound policies and practices outlining roles and responsibilities and delegations of authority.
- e. There are regular staff appraisals and implementation of decisions from the process.

2. Payroll systems: The internal auditor should confirm that:

- a. The organization has and uses an appropriate and well documented policy on compensation (salary scales and increases) benefits for the different types and levels of employees.

3. Travel Policies and Procedures: The internal auditor should confirm that:

- a. The organization has and follows appropriate travel policies and procedures.
- b. The organization has complete documented travel policies and procedures.
- c. Management emphasizes the importance of adherence to approved travel policies and leads by example.
- d. Travel policies and procedures are understood by staff and are consistently adhered to, reviewed and monitored to compliance.

E. PROGRAM PERFORMANCE MANAGEMENT

1. Compliance with donor requirements: The internal auditor should confirm that:

- a. The organization has adequate capacity to manage and monitor projects with little donor guidance in intervention.
- b. The organization has a comprehensive and well documented project management system in place to monitor progress on projects on a regular basis.
- c. The organization consistently submits relevant project management reports which comply with the relevant donor requirements / formats.
- d. The organization has a sufficient number of qualified project staff to meet its needs and the capacity to obtain additional qualified personnel as needed.

F MANAGEMENT INFORMATION TECHNOLOGY:

1. **Information Technology:** The auditor should confirm that:

- a. The organization has adequate and effective controls and procedures designed to protect information, application and IT systems.
- b. There is controlled access to computerized operations, password control, security and safeguarding of physical assets and safeguarding of access to data programs and automated accounting systems.

- c. The integrity of reports generated by all automated and manual systems.
- d. The existence of a contingency plan.

G SUSTAINABILITY

1. **Absorptive Capacity** : The internal auditor should confirm that:
 - a. The organization has adequate absorptive capacity (i.e. can rise to the level efforts required to implement an additional project).
 - b. The organization's absorptive capacity is more than adequate.
 - c. The organization has a reserve system that can sustain a maximum of six months operational cost in a situation of no donor funds.

Scope: This is not a fulltime position but the internal auditor is expected to spend a maximum of 3 every six months.

Evaluation Criteria

Applicants for assignment will be assessed on the following criteria.

1. Technical factors including understanding of work to be performed.
2. Experience with type of work to be performed.
 - Describe the experience your firm has had on using generally accepted auditing standards.
 - International standards on auditing of IFAC. Describe the experience your firm has been using these standards.
 - Experience in auditing international and nongovernmental organizations.
 - Range and depth of experience with similar projects. List at least 3 with full contracts.
3. Professional Competence.
 - Provide a list of your clients
 - Number, type and education of profession staff.
4. Price Criteria Fixed price for the entire period of performance. The lump sum price must be fair and reasonable. Budget narrative describing rationale for all cost elements proposed.

Proposals should be delivered to SEATINI-Uganda before 4:30pm on 03/October/2018.

Addressed to the Country Director,

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